

BUSINESS

FY19 is poised to be the second best year for share sales of SMEs

Posted by Staff Contributor on April 13, 2019 at 2:30 pm

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This financial year is poised to be the second best year for of small and medium enterprises (SMEs).

The platform has seen 106 offerings mop up Rs 1,620 crore, latest data available with [PRIME Database](#), a primary market tracker, shows. This is higher than the amount raised in any other fiscal except FY18 when the amount mopped up touched Rs 2,200 crore. To date, 466 have listed on the bourses and together garnered over Rs 5,500 crore.

Sirca Paints India and Manorama Industries were the biggest offers in FY19, with an issue size of Rs 74 crore and Rs 60 crore, respectively.

The performance of companies listed this fiscal has been a mixed bag. Fifty two companies are in the green, with eight gaining in excess of 100 per cent so far. Forty three companies, on the other hand, are trading in the red, with eleven companies shedding more than 50 per cent. Average returns of these companies stood at 8.7 per cent compared with -13.6 per cent for the

"This year has been a rollercoaster ride for the market with volatile stock prices and fluctuating IPO subscription trends. Still, there exists appetite for quality stocks. Notably, many informed investors have been adding positions on various stocks in the secondary market," said Mahavir Lunawat, founder,

Despite the possibility of high returns, experts said there was a chance of losing one's entire capital in SME stocks. Analysing these firms could be tough as they are not tracked by analysts and there is limited data in public domain. Investors are left to themselves when it comes to gauging credibility of promoters.

"The latter part of the year saw a fair bit of lull in IPO activity with pricing becoming a challenge and issue size reducing. However, the activity is expected to revive post election results and as small and mid-cap stocks start to do better on the main board," added Gaurav Jain, director, Hem Securities.

The SME segment has been grappling with issues such as lack of liquidity and lacklustre institutional participation. According to experts, the need is to bring in priority investing from big institutional players and tweak the lot size to improve liquidity. The minimum lot size varies between Rs 100,000 and Rs 150,000.

The BSE and the National Stock Exchange of India (NSE) had launched separate SME platforms in 2012 and 2013, after the Securities and Exchange Board of India (Sebi) came out with easier listing and disclosure guidelines to help small companies tap the capital market.

Besides improved transparency, an IPO route for reduces their dependence on debt financing and helps them maintain their debt-equity ratio efficiently, said experts. Listed with good ratings are able to get loans at lower interest rates than the market.

Tags: BSE Smallcap index, Pantomath Capital, PRIME Database, share sales, SME, SMEs