

# Risk aversion, small-cap slump hit SME IPOs as collections drop 73%

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Collections from public share sales of small and medium enterprises (SMEs) in 2019 have dropped 73 per cent over the previous year to ₹617 crore, given that risk aversion among investors and the fall in mid- and small-cap stocks have hit investor sentiment.

The number of listings reduced by a third in 2019, over the previous calendar year (CY). This was the first time in five years that the mop-up from such share sales slid, even as the amount collected in 2019 was higher than in 2013, 2014, 2015, and 2016.

CY18 was the best for SME IPOs, with 141 offerings garnering ₹2,287 crore.

"The decline in the number of SME IPOs is in line with the overall primary market sentiment and risk aversion among investors after the steep correction in mid- and

## HITTING THE BOURSE

Year	Listed on BSE		Listed on NSE		Total	
	No. of IPOs	Amount (₹cr)	No. of IPOs	Amount (₹cr)	No. of IPOs	Amount (₹cr)
2013	33	300.6	2	34.5	35	335.2
2014	38	234.4	2	32.4	40	266.8
2015	37	215.7	6	44.5	43	260.2
2016	43	351.4	24	185.9	67	537.3
2017	55	486.4	78	1193.1	133	1679.5
2018	63	961.6	78	1325.3	141	2286.9
2019	35	442.7	14	174.5	49	617.2

Source: PRIME Database

small-cap stocks," said Mahavir Lunawat, chairman and managing director, Pantomath Advisory Services Group, which is active in the SME space.

Despite this, Lunawat said, the SME segment has witnessed more activities than the mainboard in terms of number of IPOs. "There is a healthy pipeline of companies waiting to hit the market and the mop-up from SME IPOs is expected to improve in the next financial year," he said.

The performance of companies listed this year has been a mixed bag: 24 companies are in the green, with five gaining more than 100 per cent; 21 firms are trading in the red, with seven companies shedding more than 50 per cent. Average returns of these companies stood at 21.5 per cent, compared to -6.8 per cent for the BSE SmallCap index.

Sectors, such as trading & distribution, retail and textiles, dominated the SME capital market this year, according to

Pantomath. "Price performance of SMEs listed in CY19 have been disappointing, resulting in a decline in market valuations," it said.

Despite the possibility of high returns, experts said there was a high probability of losing one's entire capital in SME stocks. Analysing these firms can be a challenge as they are neither tracked by analysts nor there is much information in the public domain.

"Investors have to a lot more selective in the SME space and carefully study the business model a company operates before investing," said the research head of a mid-size capital market firm.

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.