

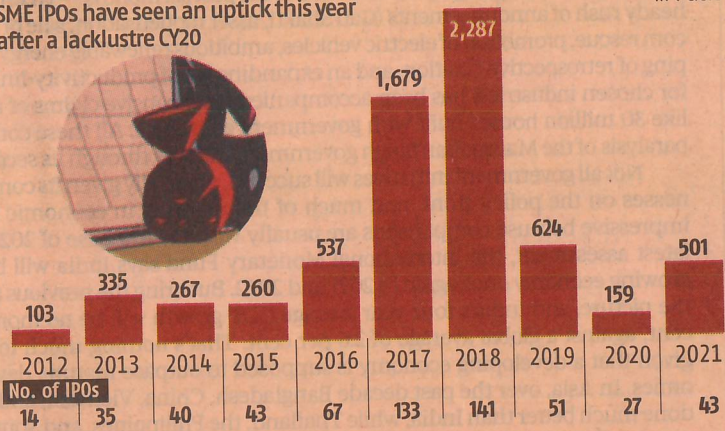
SME offerings on comeback trail in '21; raise 3x more

Source: Prime Database

BACK AFTER A LULL

SME IPOs have seen an uptick this year after a lacklustre CY20

in ₹ crore



ASHLEY COUTINHO

Mumbai, 15 October

Collections from public share sales of small and medium enterprises (SMEs) have rebounded this year after seeing a lull in calendar year 2020 (CY20) in the aftermath of the Covid-19 pandemic.

SMEs have mopped up ₹501 crore from 43 offerings this year, more than three times the amount garnered last year from 27 offerings.

According to experts, the number of issuances dropped last year as investors preferred larger companies that were deemed to be more resilient amid the pandemic rather than risking their capital on smaller names.

CY18 was the best year for SME initial public offerings (IPOs), with 141 offerings garnering ₹2,287 crore.

Half of the companies that have listed this year have made money for investors. Top gainers this year include EKI Energy Services (2,904 per cent gain over issue price), BEW Engineering (451 per cent), and Rangoli Tradecomm (255 per cent).

The strike rate is similar over the long term, with 54 per cent, or 313 out of 585 companies, making money for investors since 2012. Twenty three companies have returned in excess of 1,000 per cent during this period and 168 have generated returns of over 100 per cent. On the flip side, 23 firms have slid more than 90 per cent. Aditya Vision (5,546 per cent), Sangam

Advisors (5,439 per cent) and Lancer Container Lines (4,821 per cent) have clocked the most returns. In all, 195 companies have migrated to the main-board so far.

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 because they are not tracked by analysts and there is limited data in the public domain. Investors are left to themselves when it comes to gauging the credibility of promoters.

The SME segment has been grappling with a 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 ₹1 lakh and ₹1.5 lakh. 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 up with easier listing and disclosure guidelines to help small companies tap the capital market.

Besides improved transparency, an IPO route for SMEs reduces their dependence on debt financing and helps them maintain their debt-equity ratio efficiently, said experts.

Listed SMEs with good ratings are able to get loans at lower interest rates than the market.