

SME IPO frenzy intensifies

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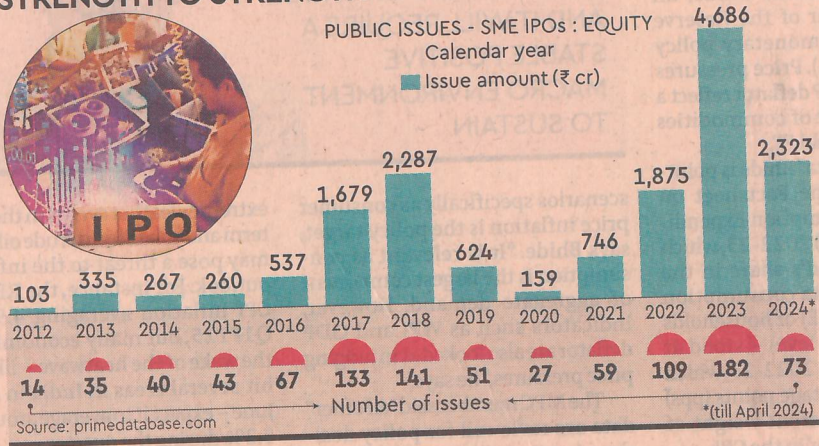
THE SME IPO market is on fire and there is no sign of the heatwave ebbing anytime soon. Sample this: The total fundraise in the first four months this year is already half of what was seen in the whole of 2023. Market participants say the number of issues and the overall fund activity this year are set to surpass 2023 levels by a long margin.

As of April 30 this year, 73 companies got listed on SME platforms — BSE SME and NSE Emerge — raising ₹2,323 crore, as per PRIME Database. In 2023, a total of 182 public issues raised a record ₹4,686 crore through SME platforms. The data show that the average issue size has risen to around ₹32 crore in 2024, from ₹26 crore in 2023.

“SMEs are now regarded as an asset diversification rather than a risky play. India is full of great small and medium businesses that are emerging from all corners and being showcased in the capital markets,” said Kush Gupta, director at SKG – Investments & Advisory.

Exchanges launched dedicated platforms for SMEs in 2012. While there was a

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lull in the first few years, the number of issues crossed 100 for the first time in 2017. The total fundraise through SME platforms also surpassed ₹1,500 crore for the first time that year.

Things again went south in 2019, when the number of issues dropped sharply. Even in 2020 and 2021 — the initial years of the

pandemic — the number of SME issues remained feeble. Nevertheless, low interest rates and India emerging as a key investment destination aided the popularity of SME platforms again in 2022. Experts see this as these platforms’ moment in the sun.

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THE INCREASE IN trading volumes has been giving further confidence to investors.

Undeterred by the ongoing general elections, the rush of new issues continued in April and the pipeline for May looks strong too. Tarun Singh, managing director, Highbrow Securities, said there are currently 900 SME IPOs in the making. "Even if half of them make it through due diligence, 450 will get listed in the next one year," Singh said.

As per Singh's estimates, 2024 could see roughly 400 SME IPOs, double of what was seen in 2023. He said investors are optimistic about SME IPOs, given their strong performance, reasonable valuations and increased liquidity providing easy exit opportunities.

Gupta, too, said there is a plethora of investible SMEs out there navigating their way to the stock market. However, he expects the number of SME listings in 2024 to be between 150-175, almost similar to last year.

Though SME platforms are having their best years, it hasn't been all hunky dory. In March, Sebi flagged price manipulations in some SME IPOs.

Unlike the mainboard listings, companies listing on SME platform do not have to follow stringent norms. The norms for minimum issue size, disclosure requirements, etc, are relaxed for them.

After Sebi's warning, the SME IPO index on the BSE dropped nearly 11% in March, registering its worst month in nearly two years.

However, the recovery was quick and resounding, as the index soared 31.5% in April. Experts see this as an indication of investors' faith in the SME market and said they do not see this leading to tighter regulations for the segment, as it would mean tinkering with a platform that is at its nascent stage.