

# SME IPOs raise ₹3,000 crore in H1 '24

Highest fundraising in first half of a calendar year since SME option debut in 2012

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ILLUSTRATION: BINAY SINHA



## EQUITY RUSH

Year	No. of issues	Amount raised (₹ crore)
2012	14	102.65
2013	35	335.17
2014	40	266.84
2015	43	260.21
2016	67	537.19
2017	133	1,679.49
2018	141	2,286.93
2019	51	623.79
2020	27	159.1
2021	59	746.14
2022	109	1,874.84
2023	182	4,686.11
2024*	100	3,095

\*2024 figures till June 13, 2024

Source: PRIME Database

Fundraising through initial public offerings (IPOs) of small and medium enterprises (SMEs) has reached two-thirds of the funds raised in the previous year. As of June 13, 2024, 100 issues worth ₹3,095 crore have hit the market through the SME IPO platform, compared to ₹4,686 crore from 182 issues in 2023.

This marks the highest amount raised in the first six months of a calendar year since the introduction of the SME option.

Retail enthusiasm, buoyed by strong after-listing performance, is the primary driver behind robust fundraising in the SME segment. Initially, high net-worth individuals (HNIs) and savvy investors shifted their focus to SME IPOs due to their robust returns.

The BSE SME IPO, which tracks the stock prices of companies listed on the BSE's SME platform, rose by 79.6 per cent in 2024, 96 per cent in 2023, and 42 per cent in 2022.

"SME IPOs are driven more by retail and HNI investors. Retail investors are increasingly participating directly, evident from the

rise in dematerialised accounts across the country," said Pranjal Srivastava, partner in investment banking at Centrum Capital.

The SME segment caters to smaller enterprises raising lower amounts, while the mainboard is for listing larger, more mature companies.

Introduced in 2012, the SME platform operates independently

from the mainboard and follows distinct regulations.

The minimum application size for SME issues is around ₹1 lakh, compared to ₹15,000 for mainboard issues.

The strong demand for SME IPOs has raised concerns about potential manipulation in trading and stock issuance, prompting the market regulator, the Securities and Exchange

Board of India (Sebi), to address these issues.

Stock exchanges have introduced additional surveillance measures for SME stocks and tightened criteria for migration to the mainboard.

"Merchant bankers need to exercise greater diligence in selecting suitable companies. We may see policy adjustments for SME IPOs concerning minimum thresholds or enhanced oversight of the secondary market," said a banker.

Despite this, market analysts urge Sebi to take concrete steps to prevent substantial fluctuations in SME IPOs, given ongoing interest from both issuers and investors.

"We've seen warnings in futures and options. In SME IPOs, rapid gains on Day One and swift allotments have accelerated turnover. Investors often overlook warnings when there are robust returns unless some of these companies fail despite oversubscriptions," observed Ambareesh Baliga, an independent equity analyst.

The higher ticket size, intended to discourage retail investors, no longer acts as a deterrent, as many investors are comfortable bidding amounts exceeding ₹1 lakh. Experts believe this threshold is unlikely to increase from these levels.

"I don't foresee much increase in the minimum lot size, which is already 6x that of a mainboard IPO. A slight rise in the minimum application fee is unlikely to deter the influx of investors," added Baliga.

Baliga advised investors to thoroughly understand a company and its prospects if they intend to hold shares for the long term.

## THE SMART INVESTOR P10 SME IPOs raise record ₹3K cr in first half of 2024

Fundraising through IPOs of SMEs in 2024 so far has reached two-thirds of the funds raised in 2023. As on June 13, 100 issues worth ₹3,095 crore have hit the market via the SME IPO platform, compared to ₹4,686 crore from 182 issues in 2023. This is the highest amount raised in the first six months of a calendar year since the introduction of the SME option.

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