

NEW PENNY STOCKS Overbidding of 200x the norm as many issues have delivered high returns

SME IPOs Spark a Gold Rush as Investors Eye Big Bounties

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ET Intelligence Group: For those amazed at the overwhelming 400-times oversubscription of the ₹12-crore SME IPO of Resourceful Automobile, a two-wheeler dealer with just two Yamaha showrooms and eight employees, such oversubscription is no longer considered an exception in the Indian primary market.

Data sourced from Prime Database show that 152 SME IPOs have been launched this year with an average issue size of ₹33 crore and an average oversubscription of nearly 200 times. Of the total, 18 were oversubscribed more than 400 times. For instance, the ₹5-crore IPO of Hoac Foods India was oversubscribed 1,963 times this May. Similarly, the ₹6.6-crore IPO of Magenta Lifecare was oversubscribed over 1,000 times.

The data show that for every mainboard IPO, around three SME IPOs have been launched in each of the last three years. A total of 45 mainboard IPOs have been rolled out so far this year with an average issue size of ₹1,074 crore and average oversubscription of 43 times.

The runaway rally in the Indian

Listing Gains & Beyond					
Performance Trends Over the Years					
Year	No. of IPOs	Average Amount Raised (₹ cr)	Average Oversubscription	Avg Listing Gain (%)	Avg Returns to Date Versus IPO Price (%)
SME IPOs					
2019	51	12.2	1.6	2.2	727.3
2020	27	5.9	1.5	0.9	1,310.3
2021	59	12.6	11.3	15.2	669.5
2022	109	17.2	57.9	32.0	385.8
2023	182	25.7	85.8	35.6	215.7
2024	152	33.1	199.4	73.6	120.8
MAINBOARD IPOs					
2019	16	772.6	25.3	19.5	557.6
2020	15	1774.2	49.8	44.9	440.9
2021	63	1884.5	40.1	32.1	125.6
2022	40	1482.5	11.2	10.0	126.2
2023	57	867.3	31.7	28.5	85.9
2024	45	1074.9	43.4	29.4	48.5

Source : primedatabase.com



stock market since the abatement of the Covid-19 pandemic has been fuelling strong speculative interest in small-sized SME IPOs.

In the past three years, SME IPOs

have broadly outperformed mainboard IPOs in terms of oversubscriptions, listing gains and post-listing returns.

For instance, 182 SME IPOs were

launched last year with an average oversubscription of 86 times, average listing gains of 36% and average stock returns of 216%. In contrast, 57 mainboard IPOs were launched with an average oversubscription of 32 times, average listing gains of 29% and post-listing gains of 216%.

Incidentally, the average listing gains of SME IPOs have been steadily rising over the past three years. From an average listing gain of 2.2% in 2019, the average listing gains for the SME IPOs have climbed up to 74% in 2024.

The lure of handsome listing gains along with robust post-listing stock performance on low investment has ensured sustained investor interest in SME IPOs notwithstanding the nature and size of the underlying businesses.

Market regulator Sebi has urged stock exchanges to be more cautious when approving SME IPOs—asking them to increase due diligence even if it slows down the approval process in a bid to protect investor interest.

For now, SME IPOs seem to be the new penny stocks fuelling speculative interest in a rallying stock market.