

# When you ask for ₹12cr & get ₹4,800cr

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**N**egotiating unruly traffic and bypassing hordes of children rushing out of their schools in the narrow potholed streets of southwest Delhi's Dwarka, you reach the showroom of the bike dealer who grabbed global attention in August for the astronomical bids on the initial public offer (IPO) of his store.

The swanky showroom, which sells superbikes of a foreign brand, is set on a crowded row of shops. As a handful of employees went about their work on a Wednesday afternoon, the 2,000-square feet store, packed with space-age designs of premium bikes and scooters appeared very quiet — almost an unlikely place to have attracted so much attention.

The Rs 12-crore IPO for Resourceful Automobile, which has just two showrooms and eight employees, stunned the financial markets as it received bids worth Rs 4,800 crore and the issue got oversubscribed by nearly 400 times last month. "My friends suggested that I should try the SME platform route to raise funds for expansion," Rahul Sawhney, the chairman and managing director of the company, told TOI. He was unfazed by the impending compliance burden in the months ahead, asserting that the company's chartered accountant and company secretary would handle the requirements and meet all regulatory obligations.

"There has been a lot of publicity about our IPO. *Yeh acha bhi aur bura bhi hai* [this is both good and bad]. We are not fly-by-night operators. We are selling premium bikes and will continue to serve the segment. Demand for premium bikes is strong and spikes during the festival season, such as Dussehra and Dhanteras," says Sawhney, who does appear overwhelmed by the publicity.

## Premium Bikes, Rising Demand

Resourceful Automobile Pvt Ltd was set up in 2018 and operates the showrooms under the brand name Sawhney Automobile. Rahul Sawhney, a 33-year old entrepreneur and bike enthusiast, heads the company, which also includes his wife Megha Chawla and mother Bindu Sawhney as partners. "We never imagined this kind of a response. It shows the public's trust," says BK Trivedi, the general manager at the company's showroom. The



The Sawhney Automobile showroom



Pics: Anindya Chattopadhyaya

Investors are placing blind bets on SME IPOs, anticipating big listing day gains. That has resulted in oversubscription of up to 2,000 times. The IPO bid by a Delhi bike dealer exceeded the amount he wanted to raise by 400 times

## TOP 20 BLOCKBUSTER SME IPOs

| Name                             | Date          | Issue amount (₹cr) | Total times subscribed |
|----------------------------------|---------------|--------------------|------------------------|
| HOEAC Foods India Ltd            | May 16 2024   | 5.1                | 1,963                  |
| Magenta Lifecare Ltd             | June 24       | 6.64               | 1,003                  |
| Green Jitech Ventures Ltd        | Apr 16 2024   | 5.97               | 771                    |
| KayCee Energy and Infra Ltd      | Dec 28, 2023  | 14.9               | 735                    |
| Koura Fine Daimond Jewellery Ltd | Mar 6 2024    | 5.1                | 727                    |
| Kahan Packaging Ltd              | Sept 6, 2023  | 5.4                | 714                    |
| Maxposure Ltd                    | Jan 16, 2024  | 19.03              | 697                    |
| Medicamen Organics Ltd           | June 21, 2024 | 9.96               | 689                    |
| Slone Infosystmes Ltd            | May 3, 2024   | 10.5               | 642                    |
| Brace Fort Logistics Ltd         | Aug 19, 2024  | 23.2               | 634                    |
| GP Eco Solutions India Ltd       | Jun 14, 2024  | 27.7               | 591                    |
| OLATech Solutions Ltd            | Aug 12, 2024  | 1.8                | 552                    |
| Sai Swami Metals and Alloys Ltd  | Apr 30, 2024  | 14.2               | 541                    |
| Trident Techlabs Ltd             | Dec 21, 2023  | 14.8               | 538                    |
| Amkay Products Ltd               | Apr 30, 2024  | 11.95              | 520                    |
| QVC Exports Ltd                  | Aug 21, 2024  | 22.9               | 507                    |
| Nephro Care India Ltd            | June 28, 2024 | 39.2               | 506                    |
| Signoria Creation Ltd            | Mar 12, 2024  | 8.8                | 505                    |
| Aestetik Engineers Ltd           | Aug 8, 2024   | 25.1               | 499                    |
| Winsol Engineers Ltd             | May 6, 2024   | 22.2               | 473                    |
| <b>Resourceful Automobile</b>    | <b>Aug 27</b> | <b>12</b>          | <b>400</b>             |

Source: primedata base

plan is to use the funds to expand to two more showrooms. He says the demand for premium bikes and scooters remains strong, including from rural areas in the sprawling sectors bordering Gurugram.

"Mostly it's the college-going youth who are our customers. Easy financing options also help in sustaining the demand," says Trivedi. The price of bikes ranges from Rs 1.37 lakh to Rs 5.25 lakh, while scooters are priced between Rs 97,000 and Rs 1.8 lakh.

Alarmed by the massive bids for such issues, regulators have sounded caution. Market regulator Securities and Exchange Board of India (Sebi) has cautioned investors about proliferation of unscrupulous promoters in the small and medium enterprises (SME) segment.

## Caution Ahead

The SME platform of the stock exchanges became active in 2012 to serve as an alternative source of raising funds for emerging businesses. According to Sebi data, during the past decade, more than Rs 14,000 crore has been raised through these platforms, of which around Rs 6,000 crore was raised during FY24.

The Bombay Stock Exchange (BSE) has the SME platform while the National Stock Exchange of India (NSE) operates the 'Emerge' entity to enable small and

medium enterprises list and raise funds.

Experts say the surging markets and entry of young investors has fuelled a frenzy, while the easy availability of apps has made investing easy.



Assuming 50% of the amount was used for multiple IPO bids, middle class Indians spared ₹90,000 crore to invest in SME IPOs, most likely for listing day gains

"I used to have a phrase called 'sins of a bull market'. This makes me think I need a much more dramatic one. Be careful folks," wrote Radhika Gupta on microblogging site X (previously known as Twitter), alongside a news report about the Resourceful Automobile IPO.

Some experts said greed was driving the majority of investment decisions and, often, young investors do not show due diligence before putting in their money.

"Five years ago, average retail application in SME IPO was only 408 and that figure for 2024-25 is 2.13 lakh. Minimum ticket size

(minimum amount a retail investor has to bid) in SME IPO is Rs 1 lakh," said Pranav Haldea, managing director of Prime Database, which tracks the stock market. He added that the majority of investors are coming for short-term listing gains and not from a long-term investment perspective.

"Average gain in an SME listing has been 77%. When there are unscrupulous elements, they take advantage of such a situation," said Haldea.