

INCREASING SUBSCRIPTION IN SME CAPITAL MARKET

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First quarter of 2016 witnessed spurt in SME IPO filings. Compared to the first quarter of 2015, during which 13 companies filed draft prospectus on SME bourses, a total of 23 companies filed draft prospectus. Apart from these, SME capital market witnessed another milestone, i.e. IPO of Sysco Industries Limited, which was opened on 31st March, 2016, was oversubscribed for approx 10 times.

Platform for SME capital market was launched in 2012 by BSE and NSE. Since then, more than 135 companies have been listed on these SME bourses. Let us look at investor participation history of SME Capital Market. Momai Apparels Ltd., biggest SME IPO of Rs. 43.33 crore, came up during 25th to 30th September 2014 was oversubscribed by 1.84 times. It was biggest SME IPO ever. Notably, the IPO received record participation with more than 2800 applications from retail & HNI investors.

Later on, Vidli Restaurants Limited, was oversubscribed by more than 8 times in retail category in February, 2016. And in March 2016, Sysco Industries was oversubscribed by 10 times. Both of these IPOs were lead managed by Pantomath Capital Advisors Private Limited. It shows the increasing popularity of SME Capital Markets.

Sysco's IPO received subscription from various categories including HNIs and Corporates besides retail. Sysco is the exceptional IPO to receive large Retail Participation. This is also an indication of growing popularity of BSE SME Exchange. The market analysts and investors are quite positive on the Exchange becoming a giant for the capital market.

In past, it is proven that SME companies give good return on investment. This may be one of the major reasons behind increasing participation of investors. If we look at the track record, IPO of Ultracab (India) Ltd, a company from Rajkot, Gujarat, came up with its Initial Public Offer in September 15, 2014 at an issue price of Rs. 36. Currently, as on April 19, 2016, market price of the same is increased from Rs. 36 to Rs. 185.

Higher return will always attract more clients. However, there are still issues like lot size of at least Rs. One lakh which creates barriers for growth in SME Capital market. Interestingly, the day on which Sysco Industries Limited got listed, another four companies got listed. Listing of five companies on the same day is also a benchmark for the SME market.

The very basic factor which attracts retail participants in an SME IPO, is popularity of company in local markets. Initial investors in public offers can be the individuals who know the companies because they are from the same region or are involved in the companies in some way or the other eg. vendors or customers, dealers or distributors.

Today, SME exchanges are dynamically changing the scenario of SME financing. Exchanges and intermediaries such as merchant bankers have significant roles to play for development of this source of financing for SMEs. Overwhelming participation by investors is thus an encouraging factor for growing SME capital markets of India.