

Headline: In a first, foreign buyer bids for SME IPO

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India-focussed fund bids for shares of Bohra Industries

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A foreign investor has participated in the public issue of a small and medium enterprise (SME) for the first time since the segment was introduced five years ago on the BSE and the NSE.

The initial public offer (IPO) of Bohra Industries saw a bid from a foreign institutional investor (FII) amounting to almost 35% of the issue size.

The Udaipur-based company, which was incorporated in 1996, entered the capital market to raise ₹25 crore but the issue was subscribed more than three times with bids amounting to ₹80 crore coming in.

"Recently completed IPOs have received over-whelming response in both primary and secondary markets, which is quite encouraging," said Mahavir Lunawat, group managing director, Pantomath Advisory Service Group, the investment banker for the IPO.

"The past has proved that SME companies give good return on investment. This is one of the major reasons behind increasing participation of investors," he said.

He said they were in constant dialogue with institutional investors and bank treasuries seeking their participation in SME stocks.

Market participants said this marks an important development for the segment that has been consistently showing signs of maturity with growing interest from institutional investors.

Retail participation

Apart from a bid from an FII, the issue witnessed strong participation from both retail and non-retail investors, including corporates and high net worth individuals (HNIs). The FII is believed to



Positive tiding: Some SME IPOs have seen 'heavy oversubscription.' ■ GETTY IMAGES/ISTOCKPHOTO

be an India-focussed fund of an overseas investor registered with the Securities and Exchange Board of India (SEBI).

The BSE and the National Stock Exchange (NSE) unveiled separate SME platforms in 2012. While BSE has more than 170 companies listed on its SME segment, NSE has almost 50 entities on board so far. Incidentally, Bohra Industries got listed on the NSE platform called Emerge. Since January 1, NSE and BSE have seen listing of 14 and 15 SMEs respectively.

"In recent times, we have seen significant improvement in the way SME IPOs on 'Emerge' have been over-subscribed. Some have seen heavy oversubscription, which shows enhanced investor interest in SME IPOs and their growth story," said

Ravi Varanasi, who heads business development at NSE.

Data from Prime Database shows that the year 2016-17 saw a total of 78 SME IPOs raising a cumulative amount of more than ₹800 crore - an almost three-fold jump from the previous fiscal that saw ₹311 crore being raised from 50 issues. Recently, Surat-based Euro India Fresh Foods came out with an IPO to raise ₹51 crore - the largest till date.

"The average size of SME IPOs is increasing with the same going beyond ₹10 crore. Recently, we lead managed the biggest SME IPO of Euro Foods and the response clearly shows the increasing capability of this platform to raise growth capital for relatively larger businesses," said Mr. Lunawat.