

**Headline:** Initial public offer: Small is beautiful, but investors should reckon risks too

**Source:** Hindu Business Line

**Date:** 13 May 2017

# Initial public offer: Small is beautiful, but investors should reckon risks too

Most SME-IPO stocks sizzle with handsome returns in 2017

**KS BADRI NARAYANAN**

Chennai, May 12

Forget the public issues of Hudco, IRB InvIT Fund and Avenue Supermarts. Of late, public issues of little-known companies on the SME platform are getting overwhelming responses from investors.

## RINGSIDE VIEW

### Slew of issues

The initial public offering of Indore-based InfoBeans Technologies was subscribed 31 times. The IPO, which is raising funds

through the NSE-Emerge SME platform, received bids for ₹1,100 crore as against its issue size of just ₹36.8 crore. The ₹58.50-crore IPO of Zota Health Care at the NSE-Emerge was subscribed 15.9 times, with the company receiving bids worth ₹902 crore.

Similarly, Bhilwara-based Krishna Phoschem was subscribed over 53 times. As against a target of ₹19.73 crore, the company received bids for over ₹600 crore. Ahmedabad-based IT solutions provider Dev Information Technology's SME IPO on the NSE Emerge platform attracted bids worth ₹463.5 crore against the offer size of just ₹6.25 crore.

Though high networth individuals are the driving force behind such high subscription numbers, retail investors too

have begun fancying their chances now. Some companies have also attracted institutional investors — Bohra Industries, Momai Apparels, Agro Phos India, Maheswari Logistics and Nandini Creation. On the BSE SME platform, 18 companies have so far raised funds in 2017.

### Listing gains

Investor fancy for these SME IPOs seem to be driven by the prospect of strong listing and post-listing gains. And if one goes by the performance of these companies on the NSE post listing, their faith is not misplaced as most of these shares have produced handsome returns.

Of the 21 new listings in 2017 on the NSE-SME platform, shares of only five companies — ASL Indus-

tries, Akash Infra Projects, Bohra Industries, Laxmi Cotspin and Nitiraj Engineers — are ruling below the IPO price.

Investors in three companies — Focus Lighting and Fixtures, Madhav Copper and Global Education — can laugh all the way to the bank as the share prices have more than doubled within a short span of time since their listing.

Focus Lighting, which was listed on April 13, has returned 182 per cent; its shares are currently ruling at ₹126.90 against the issue price of ₹45.

Similarly Dev Information is ruling at ₹51.25 against the issue price of ₹42, producing a return of 22 per cent.

Does this mean that investors should go in for SME-IPOs? The

segment calls for considerable caution.

For one, the minimum application amount for these IPOs is ₹1 lakh, which requires retail investors to commit a significant part of their portfolio to each stock.

Two, there is a high bar even on subsequent trading with a minimum lot value of 100 (if the share price is above ₹1,000). The NSE-SME platform has market lots ranging from 100 to as high as 10,000 shares for these shares. Liquidity is another issue. Not all companies listed on the SME platform see trading on daily basis. Madhav Copper was last traded on May 9. So, investors should make well-informed investment decisions on these stocks to shield themselves from undue risks.