

SME IPOs may get more anchor investment as SEBI tweaks norms

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The recent decision by the Securities and Exchange Board of India (SEBI) to reduce the minimum anchor allocation size in initial public offers (IPOs) by small and medium enterprises (SMEs) has come as a shot in the arm for the segment.

Data shows that while there has been increasing participation from institutional investors like mutual funds and foreign portfolio investors (FPIs) in the SME IPO segment, only nine among the more than 410 such public issues that have hit the market till date managed to get anchor investors.

SEBI, in its board meeting held on June 21, decided that the minimum anchor investor size would be reduced from Rs. 10 crore to Rs. 2 crore for SME IPOs.

Merchant bankers say that while the appetite for SME IPOs is steadily increasing among institutional investors, anchor portion was an issue due to the individual base minimum requirement of Rs. 10 crore.

'Provide more strength'

"The recent change of reduction in minimum anchor portion will attract more organised investors to SME stocks and further provide fundamental strength to this developing marketplace," said Mahavir Lunawat, MD, Pantomath Capital, a merchant banking entity that handled six SME IPOs that got anchor investors.

Some SME IPOs that saw anchor investor participation were Accuracy Shipping, Sirca Paints India, Innovators Facade Systems, AVG Logistics, South West Pinnacle Exploration and One Point One Solutions.

"The extant regulatory framework for anchor investment with a base minimum of Rs. 10 crore poses practical challenges in SME IPOs. This is primarily due to the smaller size of SME IPOs. The average IPO size is around Rs. 10-12 crore. Only 20 IPOs out of 418 listed so far were eligible for anchor allocation," added Mr. Lunawat.

Incidentally, the SME segment, that was unveiled separately in 2012 by BSE and the National Stock Exchange (NSE), has shown signs of maturity with many institutional investors coming in.

Recently, fund houses like HSBC Mutual Fund, DSP BlackRock Mutual Fund and Sundaram Mutual Fund had subscribed to some SME IPOs. Last year saw the Rs. 25 crore IPO by Bohra Industries in which an FPI bid for almost 35% of the issue. The IPO was subscribed more than three times with bids worth Rs. 80 crore coming in.

According to Prime Database, the current calendar year had seen 88 SME IPOs till June that collectively raised Rs. 1,486 crore. At this pace, 2018 could break last year's record of Rs. 1,680 crore raised by 133 companies.

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