

Short Term Performance Analysis of SME IPOs on NSE Emerge Platform in CY 2022-23

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ABSTRACT

The following study aims to measure the short-term performance of SME IPOs which were floated in CY 2022 on the NSE Emerge platform. The study looks at 56 companies in total and tries to find relationships and trends in the short-term performance of these companies with markers on listing day performance, 7D performance, 14D performance, 21D performance and 28D performance.

Keywords: *NSE Emerge, Short Term Performance, Analysis, IPOs, Listing Day Gains.*

INTRODUCTION

The Indian Small and Medium Enterprise (SME) marketplace is a vibrant ecosystem that plays a crucial role in driving economic growth and generating employment in the country. The BSE SME and NSE Emerge are two major platforms that provide a gateway for SMEs to raise capital and expand their businesses. BSE SME is a platform launched by the Bombay Stock Exchange (BSE) in 2012 to provide an efficient and transparent trading platform for SMEs. The platform provides opportunities for SMEs to raise capital by issuing shares and listing on the exchange. BSE SME has a simplified listing process and lower compliance requirements, making it easier for SMEs to access capital markets. NSE Emerge, launched by the National Stock Exchange (NSE) in 2012, is a similar platform that caters to the needs of SMEs. The platform offers SMEs access to capital markets and helps them to raise funds for growth and expansion. Emerge also provides a simple and easy listing process, along with lower compliance requirements. Both BSE SME and Emerge offer various benefits to SMEs, such as enhanced visibility, improved access to capital, and increased investor interest. These platforms have enabled several SMEs to raise capital and grow their businesses, contributing significantly to the Indian economy. Indian SME marketplace has witnessed tremendous growth over the years, and platforms such as BSE SME and Emerge have played a

significant role in enabling SMEs to access capital markets and grow their businesses. These platforms provide a vital bridge between SMEs and investors, creating a win-win situation for both parties.

REVIEW OF LITERATURE

1. Arora, N., & Singh, B. (2020). Do Prestigious Underwriters Shape the Performance of SME IPOs in India? *Global Business Review*: The article analyses the performance of initial public offerings (IPOs) on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) platforms for small and medium enterprises (SMEs) in India. It finds evidence of under-pricing of SME IPOs, although at a lower level than IPOs listed on the main board stock exchanges. The low level of oversubscription indicates a lack of investor interest in SME IPOs. The study identifies several determinants of under-pricing, such as offer type, issue size, promoter holding, oversubscription, lead manager prestige, and stock exchange of listing. After listing, SME IPOs outperform the benchmark index, which is contrary to the underperformance of IPOs on main board exchanges. The study's findings have implications for regulators, issuers, and investors.
2. Arora, N. and Singh, B. (2020). Determinants of oversubscription of SME IPOs in India: evidence from quantile regression: The study aims to measure the subscription level and examine the determinants of oversubscription of small and medium enterprise (SME) initial public offerings (IPOs) in India. The study employs cross sectional data to analyze 403 SME IPOs issued from Feb 2012 to May 2018 and listed on Bombay Stock Exchange's small and medium enterprise (BSE SME) platform and National Stock Exchange (NSE) EMERGE to investigate the determinants of oversubscription of SME IPOs. Hence, the study makes use of ordinary least square regression and quantile regression to test the hypotheses formulated for the determinants of oversubscription.
3. Arora, N. and Singh, B. (2020). The long-run performance of SME IPOs in India: empirical evidence from Indian stock market: The purpose of this paper is to study the pattern of long-run performance of small and medium enterprises (SMEs) initial public offerings (IPOs) and examine the firm- and issue-related determinants of long-run performance of SME IPOs in India. The 3,6,9 and 12-months share returns of Indian SME IPOs is studied using event time methodologies, i.e., buy and hold returns, cumulative abnormal returns and wealth relatives on a sample of 375 SME IPOs issued during February 2012 to May 2018. Additionally, ordinary least square regression has been used to investigate the determinants of long-run performance of SME IPOs on a reduced sample of 104 because of non-availability of price observations.

4. Sharma, S. and Wazal, M. (2020). Comparative Analysis of Under-pricing and Subscription of SME IPOs and Main Board IPOs in India : SME (Small & Medium Enterprises) IPOs formally debuted in India in 2012 when BSE and NSE introduced SME Platform on their exchanges along with Main Board Platform (for non-SMEs). SEBI has eased the listing criteria for SMEs to make it more attractive. The focus of this study is to assess and compare efficiency of SME IPOs with respect to Main Board IPOs in terms of price discovery using underpricing analysis. The study is based on sample of 1110 IPOs which comprises 526 SME IPOs and 584 Main Board IPOs that got listed on BSE, NSE and on their SME Platform during the period 2000 to 2019. Outcome of this analysis suggests that SME IPOs are more efficient in terms of underpricing. Further, the demand levels in case of SME IPOs are lower compared with their counterparts, even though the probability of listing day gains is high. This study will provide insight to the policymakers, investing community, issuers and also add to the body of the knowledge on SME IPOs which is still at the nascent stage amongst the research community.
5. Dhamija, Arora. (2017). Initial and After-Market Performance of SME IPOs in India: The present article aims to examine the impact of underwriter reputation on underpricing and long-run returns of small- and medium-sized enterprise (SME) initial public offerings (IPOs) over a 12-month period in an emerging country like India on a sample of 403 IPOs issued from 2012 to 2018 and subsequently listed on Bombay Stock Exchange (BSE) small and medium enterprise (SME) platform and National Stock Exchange (NSE) EMERGE. However, the migration of 27 SME IPO companies to main platform has resulted in reduced sample size of 376 IPOs for measuring long-run performance. The current study has utilized ordinary least square regression technique to investigate the concerned relationship. The robustness of the findings has been further ensured by checking for endogeneity bias using two-stage least square regression (2SLS). The results unveil that while underwriter reputation positively influences underpricing of SME IPOs, it has no significant impact on their long-run performance. This analysis may provide some meaningful information for policymakers responsible for reforms of Indian equity market. For SME issuers, the findings may provide some insights on the importance of hiring reputed underwriters in IPO process. The results may further assist the investors in improving their equity valuation and taking informed investment decisions.

RESEARCH DESIGN

Research Title

Short Term Performance Analysis of SME IPOs of NSE Emerge in CY 2022-23.

Research Problem

IPO investing is gaining traction but people are generally not aware of the existence of a separate market for SME IPOs which is the NSE Emerge or the BSE SME portal. The study aims to uncover trends in short term performance of these SME IPOs.

Research Objectives

- To understand the short-term performance of SME IPOs on NSE Emerge which listed in 2022-23.
- To visualize price trends of companies and draw inferences.

Research Gap

There are no specific studies done which show the short-term performance of SME IPOs listed on NSE Emerge in CY 2022-23.

Need of the study

- The study aims to inform about the SME marketplace in India.
- The study tries to find relationships in the short term performance of the IPO.

Scope of the study

- The study aims to ascertain the quantitative performance of SME IPOs which listed on NSE Emerge in CY 2022-23.

- The study maps relationships between 1D, 7D, 14D, 21D and 28D performance of every company which fits the aforementioned category.
- The study looks at 56 different companies in total which have been listed on NSE Emerge in CY 2022.

Limitations of the study

- The study is confined to short term performance only.
- The study only looks at NSE Emerge IPOs of CY 2022, leaving out BSE SME IPOs which happened during the same period.
- The study does not look at main board IPOs.
- The study does not look at IPOs which happened before CY 2022.

Research Methodology

- *Sample:* 56 companies which listed on NSE Emerge in CY 2022-23.
- *Method of data collection:* Secondary data – External sources.
- *Analysis and Interpretation:* Trend Analysis, MAER computation.

Data Analysis Techniques

$$R_Ret. = \left[\frac{P_1 - P_0}{P_0} \right] * 100$$

Where,

R_Ret. = Initial return or raw return for stock.

P1 = Closing price on the first day of trading.

P0 = Offer price.

Acknowledge that the absence of time delay between the offer and exchange of a stock creates a perfect market. However, if this condition is not met, returns must be adjusted for changes in economic conditions during this time period. In India, there is a significant time gap between the offering and listing of a stock. During this period, significant changes in economic conditions could occur, and any observed premium (or discount) calculated by Raw Returns may be due to changes in economic conditions rather than initial mispricing. Subsequently, the crude returns evaluated by the formula are balanced for adverse market effects by introducing an adjustment factor.

DATA ANALYSIS

Table 1: Raw Returns for listing day, 7D, 14D, 21D and 28D for companies in the study:

Stock	Listing Day Gain %	7D Gain %	14D Gain %	21D Gain %	28D Gain %
Precision Metaliks Limited	47.06%	-26.60%	-33.53%	-40.33%	-42.00%
Richa Info Systems	0.00%	-30.04%	-28.00%	-35.92%	-26.92%
Vaidya Sane Ayurved Laboratories	39.73%	35.59%	53.82%	86.08%	103.92%
Shigan Quantum Technologies Limited	22.00%	27.87%	96.23%	96.48%	96.89%
SP Refractories Limited	0.22%	-6.32%	-11.31%	-11.31%	-11.31%
Cool Caps Industries Limited	-5.53%	17.69%	66.02%	75.07%	119.36%
KN Agri Resources Limited	104.87%	15.10%	64.89%	52.49%	23.23%
Swaraj Suiting Limited	0.00%	-11.34%	-6.52%	33.48%	31.52%
Empyrean Cashews Limited	13.51%	40.48%	126.90%	206.19%	330.48%
P.E. Analytics Limited	49.12%	0.21%	9.26%	-2.94%	-13.53%
Krishna Defence and Allied Industries Limited	92.31%	40.47%	45.33%	9.87%	8.13%

Jeena Sikho Lifecare Limited	10.07%	12.63%	-3.24%	-8.33%	-8.84%
Le Merite Exports Limited	0.00%	-0.53%	-4.00%	-2.07%	-9.53%
Sonu Infratech Limited	0.00%	-20.00%	-30.56%	-30.42%	-2.78%
Globesecure Technologies Limited	25.86%	35.62%	115.75%	203.01%	221.37%
Rachana Infrastructure Limited	2.22%	10.91%	46.99%	60.33%	71.63%
Fidel Softech Limited	59.73%	-9.56%	-4.15%	-3.55%	-3.98%
KCK Industries Limited	-16.67%	6.40%	14.80%	-2.60%	6.80%
Mangalam Worldwide Limited	0.99%	9.02%	9.85%	14.61%	10.74%
SKP Bearing Industries Limited	4.29%	0.82%	17.74%	10.96%	13.49%
Agni Green Power Limited	150.00%	-2.00%	-24.80%	39.20%	48.00%
Upsurge Seeds of Agriculture Limited	16.67%	5.14%	49.32%	30.61%	79.50%
Veekayem Fashion and Apparels Limited	78.21%	-11.12%	-7.92%	-11.92%	-19.64%
JFL Life Sciences Limited	14.75%	-23.36%	-35.57%	-38.14%	-37.00%
Ameya Precision Engineers Ltd.	101.18%	-5.85%	-16.08%	-21.13%	-18.27%
Jay Jalaram Technologies Ltd.	38.89%	31.10%	10.00%	18.40%	75.50%
Viviana Power Tech Limited	63.64%	-4.72%	15.50%	-2.78%	-1.33%
Mega Flex Plastics Limited	35.00%	3.52%	0.74%	-13.24%	-14.44%
Sabar Flex India Limited	90.91%	-16.19%	-14.76%	-19.52%	-22.14%
Ishan International Limited	2.50%	-11.89%	-25.43%	-31.71%	-35.30%
Tapi Fruit Processing Ltd.	8.54%	-3.26%	-7.68%	0.10%	15.16%
Annapurna Swadisht Limited	71.43%	-2.71%	29.96%	14.92%	34.13%
Varanium Cloud Limited	7.38%	24.73%	14.92%	97.48%	177.18%
Maks Energy Solutions India Ltd.	0.00%	4.25%	42.00%	108.25%	129.50%
Kandarp Digi Smart BPO Ltd.	0.00%	-29.83%	-44.83%	-51.00%	-46.50%
Cyber Media Research & Services Ltd.	36.25%	30.03%	30.36%	1.94%	1.53%
QMS Medical Allied Services Ltd.	5.79%	-1.05%	36.13%	59.45%	48.40%
Lloyds Luxuries Limited	12.88%	-0.78%	9.41%	11.30%	8.19%

Swastik Pipes Limited	-34.00%	18.56%	30.91%	31.36%	14.70%
Frog Cellsat Limited	73.53%	17.23%	58.45%	25.03%	33.25%
Phantom Digital Effects Limited	215.79%	-13.78%	-15.73%	-12.40%	-16.05%
Vital Chemtech Limited	62.38%	-3.69%	-10.70%	-14.36%	-21.37%
Integrated Personnel Services Limited	12.71%	19.55%	21.80%	18.87%	23.46%
Rite Zone Chemcon India Ltd.	110.00%	-48.89%	-42.35%	-49.21%	-49.21%
Amiable Logistics (India) Limited	60.43%	2.08%	-10.47%	-23.62%	-22.78%
Pritika Engineering Components Limited	45.52%	-11.37%	-25.59%	2.61%	-2.84%
Baheti Recycling Industries Limited	166.67%	-9.83%	-13.17%	3.46%	6.25%
Arham Technologies Limited	42.86%	15.17%	13.00%	16.33%	20.00%
All E Technologies Limited	38.89%	-5.76%	-0.36%	-7.16%	-15.92%
Uma Converter Limited	3.79%	1.90%	29.34%	15.62%	5.99%
Dollex Agrotech Limited	-14.29%	20.00%	30.00%	21.00%	12.67%
Arihant Academy Limited	33.44%	0.71%	-4.33%	12.70%	15.28%
Homesfy Realty Limited	39.62%	20.45%	90.55%	83.24%	125.27%
Moxsh Overseas Educon Limited	-14.38%	-12.63%	-12.90%	-20.69%	-29.01%
RBM Infracon Limited	45.83%	-11.33%	33.81%	59.33%	92.19%
Anlon Technology Solutions Limited	151.10%	-18.94%	-21.94%	-26.56%	-26.32%

The table above shows the raw returns of all 56 companies analysed as a part of the study. The returns are arranged in chronological order throughout the time period of the study.

FINDINGS

- 45 companies listed with positive raw returns.
- 28 companies showed positive raw returns after 7 trading days.
- 30 companies showed positive raw returns after 14 trading days.

- 32 companies showed positive raw returns after 21 trading days.
- 32 companies showed positive raw returns after 28 trading days.
- Phantom Digital Effects Limited had the highest listing gains which stood at 214.91%.
- Swastik Pipes Limited had the lowest listing gains which stood at -33.36%.
- Krishna Defence Industries Limited had the highest 7D gains which stood at 44.03%.
- Rite Zone Chemcon India Limited had the lowest 7D gains which stood at -47.85%.
- Empyrean Cashews Limited had the highest 14D gains which stood at 127.32%.
- Kandarp Digi Smart BPO Limited had the lowest 14D gains which stood at -48.56%.
- Kandarp Digi Smart BPO Limited continued its downtrend and posted the lowest 21D gains which stood at -56.51%.
- Empyrean Cashews Limited continued its uptrend and posted the highest 21D gains which stood at 208.46%.
- Empyrean Cashews Limited held on to its record of highest gains after 28D and recorded 339.96%.
- Kandarp Digi Smart BPO Limited held onto the wooden spoon and after 28D, was the worst performer with -54.20%.

CONCLUSION

Investing in SME IPOs is a very risky proposition for the novice investor/ trader. SME IPOs have a much higher minimum lot size standard than main-board IPOs. While main-board IPOs average ₹14,000-15,000 per lot, the IPO price for SME IPOs can be upwards of ₹1, 40,000. The analysis finds that most NSE Emerge IPOs in CY 2022-23 provided positive and sometimes, supernormal returns in the short term. A vertical analysis of NSE SME IPOs throughout different testing years may provide a more statistically significant conclusion of empirical evidence to establish the metric and nature of risk associated with an IPO investment strategy. For an investor and especially one who is not averse to taking on the risk that comes with IPOs on NSE Emerge, a sizeable amount of capital must be allocated and appropriate risk management techniques have to be followed. In the event that these principles are not met, there is indeed a heightened probability of financial loss.

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