



SME IPO–A mode of Investment: An Analysis of Financial year 2017-18

Hardik Bhadeshiya

MBA(Finance), M. Com(Marketing), MA(Economics), UGC-NET(Management),
UGC-NET(Commerce), GSET(Commerce), Ph. D(pursuing)

Abstract: *As per the concept of time value of money the value of rupee always declines and due to that everyone who saves their money would like to make it invest in such a way so that their savings cum investments get less affected due to time value of money. There are various sources of investments for middle class investors like Post Office Savings, Bank Time deposits, Mutual Funds, Investment in Gold and other precious Metals and so on. But if we do the general study of middle class investors fall into the category of risk averse investors who less prefer to put their money into risky investment avenues call equity. However, the statistics of IPO listing for accounting year 2017-18 contradicts with the myth of risk averse category of middle class investors. There were 40 companies in main line came up with IPO in financial year 2017-18, out of which 28 companies have provided listing gain in the range of 0.02% to 151.94% and 12 companies have been listed with the negative return in the range of 0.5% to 8.71%. It means 70% of the total companies introduced in the year 2017-18 have maximized the value of the investors which shows strong confidence of the investors in Indian capital market.*

Key Words: *SME-IPO, Gain, Loss, Investor, Value*

I. INTRODUCTION

IPO was initially an avenue of investment for upper middle-class category of investors. But due to changing guidelines of SEBI and minimum investment requirement in the limit of ₹ 125, 000 has made it popular in the mediocre investors too. In addition to that initially the time horizon for allotment procedure was quite a long which was creating the liquidity issues for the investors but now it is comparatively very less so the problem relating to liquidity is wiped out here. However, the ASBA provisions has made it easier to apply in IPO. As per the rule of investment that lower the risk, higher the return always attracts the new genre of investors to do more and more investment. The same thing is happening with IPO and day by day it is gaining more popularity among investors. There are other factors too which affect the efficiency of IPO but in this research, it is kept out of study criteria.

II. RESEARCH METHODOLOGY

Objectives of the study

This research paper has the following objectives

- To study the listing gain/loss of the main line securities listed on BSE/NSE in financial year 2017-18.
- To study the genuine return on investment of the SME securities listed on BSE/NSE in financial year 2017-18.
- To find out an opportunity for investors on the investment.

Collection of Data

The research is purely based on the secondary data. The data is collected from the website www.moneycontrol.com for the purpose of analysis.

Research Problem

The main problem of the investor is to identify the trust worthy source of investment which provides him comparatively fair rate return on investment in comparison to the traditional avenues of investment with less risk, less capital and less blockage of capital. So, this analysis is trying to identify such avenue of investment which resolves these three issues and provide fair rate of return to the investors.

Period of the study

The research reveals the time horizon of the SME IPO listed on BSE/NSE in financial year 2017-18 i.e. from 1st April, 2017 to 31st March, 2018.



Further Scope of the study

The research has analysed the scripts listed in Main line IPO on BSE/NSE in financial year 2017-18. Further scope is there that within this duration SME IPOs are also listed and beyond that time horizon also the IPO has been listed.

Tools Used for Analysis

The tools like Average, Standard Deviation, Range, is used to derive the meaningful conclusion.

III. ANALYSIS AND INTERPRETATION OF DATA

SME IPO HISTORIC TABLE								
Date	Issue Details					Price		
	IPO Name	Lot Size	Issue Size (In Crores)	Listing Date	Issue	Listing Open	Listing Close	Listing Gain (%)
05-04-2017	Bohra Industrie	2000	25.15	05-04-2017	55	42.05	57.85	5.18
05-04-2017	Relstruct Build	3000	23.36	05-04-2017	50	37	46.75	-6.5
12-04-2017	Creative Periph	1600	13.5	12-04-2017	75	98	83.25	11
13-04-2017	Focus Lighting	3000	4.05	13-04-2017	45	158.6	54	20
17-04-2017	Dev Information	3000	6.25	17-04-2017	42	83.8	50.4	20
25-04-2017	Panache Digilif	1600	14.58	25-04-2017	81	96	85.75	5.86
02-05-2017	InfoBeans Tech	2000	36.78	02-05-2017	58	81.4	69.6	20
09-05-2017	CKP Products	3000	6.24	09-05-2017	50	75	50.15	0.3
10-05-2017	Zota Health Car	1000	58.5	10-05-2017	125	220.7	125.6	0.48
31-05-2017	JalanTranslut	3000	17.71	31-05-2017	46	43.1	41.95	-8.8
07-06-2017	Shri Ram Switch	6000	5.07	07-06-2017	19	22.5	22.8	20
23-06-2017	Globe Textiles	2000	13.71	23-06-2017	51	46.9	50.15	-1.67
10-07-2017	Pushpanjali Rea	2000	14.55	10-07-2017	55	93	55.45	0.82
11-07-2017	Gautam Exim	3000	3.32	11-07-2017	40	46	43.85	9.63
12-07-2017	Transwind Infra	4000	7.29	12-07-2017	27	38	32.4	20
12-07-2017	Bansal Multifile	4000	6.2	12-07-2017	31	37	35.7	15.16
18-07-2017	Shrenik	3000	21.6	18-07-2017	40	551.8	48	20
27-07-2017	Univastu India	3000	5.99	27-07-2017	40	57.6	40.2	0.5
28-07-2017	Jigar Cables	4000	5.59	28-07-2017	30	50	36	20
01-08-2017	Captain Technoc	3000	5.7	01-08-2017	40	43	48	20
03-08-2017	Shanti Overseas	3000	10.02	03-08-2017	50	41.45	42.9	-14.2
07-08-2017	Total Transport	3000	17.01	07-08-2017	45	68.45	54	20
07-08-2017	Globalspace Tec	2000	20.02	07-08-2017	66	65	65.65	-0.53
07-08-2017	KeertiKnowledg	2000	4.06	07-08-2017	52	45	51.25	-1.44
22-08-2017	Vaishali Pharma	1600	14.23	22-08-2017	72	49.75	70.35	-2.29
24-08-2017	Servotech Power	4000	15.13	24-08-2017	31	39	31.85	2.74
24-08-2017	Geekay Wires	4000	11	24-08-2017	33	36.75	33.25	0.76
05-09-2017	Shish Industrie	4000	4.06	05-09-2017	30	29.9	32.95	9.83
08-09-2017	PashupatiCotsp	1600	0	08-09-2017	75	74.6	75	0



18-09-2017	Manav Infra Pro	4000	5.51	18-09-2017	30	21	24	-20
26-09-2017	Sri Krishna Met	2000	19.25	26-09-2017	55	46.5	49	-10.91
27-09-2017	Worth Periphera	3000	18.28	27-09-2017	43	113.3	51.6	20
29-09-2017	Madhya Pradesh	2000	14.17	29-09-2017	66	130.6	79.2	20
04-10-2017	R M Drip &Spri	2000	11.46	04-10-2017	57	72	58.8	3.16
05-10-2017	Aarvi Encon	2000	21.24	05-10-2017	54	111	54.5	0.93
05-10-2017	Innovative Tyre	3000	28.34	05-10-2017	45	43.45	47.15	4.78
05-10-2017	D P Wires	1600	26.88	05-10-2017	75	75.5	75	0
06-10-2017	Airo Lam	3000	15.2	06-10-2017	38	45.95	45.6	20
09-10-2017	RKEC Projects	3000	28.7	09-10-2017	45	150.4	54	20
10-10-2017	Goldstar Power	6000	7.25	10-10-2017	25	38.05	26.3	5.2
11-10-2017	JashEngineerin	1200	48.01	11-10-2017	120	198.6	144	20
11-10-2017	Reliable Data S	2000	14.82	11-10-2017	57	61	68.4	20
12-10-2017	Beta Drugs	1600	19.52	12-10-2017	85	192.8	102	19.94
12-10-2017	CMM Infracprojec	3000	18.18	12-10-2017	40	97.95	42.25	5.63
12-10-2017	Tirupati Forge	4000	19.52	12-10-2017	29	71.55	34.1	17.59
13-10-2017	Omfurn India	6000	4.17	13-10-2017	23	23.5	22.85	-0.65
23-10-2017	D. P. Abhushan	4000	16.61	23-10-2017	28	83.8	33.6	20
13-11-2017	SecURCredentia	600	30.07	13-11-2017	205	237	198.6	-3.12
20-11-2017	ANI Integrated	1200	25.66	20-11-2017	100	166.3	120	20
24-11-2017	Pulz Electronic	2000	3.92	24-11-2017	54	52.2	64.05	18.61
01-12-2017	Silver Touch Te	1000	40.22	01-12-2017	121	126.8	122	0.83
05-12-2017	Felix Industrie	4000	4.79	05-12-2017	35	36.45	35.8	2.29
05-12-2017	Zodiac Energy	2000	10.14	05-12-2017	52	52.5	51.1	-1.73
08-12-2017	ICE Make Refrig	2000	23.71	08-12-2017	57	105.9	68.4	20
11-12-2017	Shradha Infra	2000	18.93	11-12-2017	70	70.05	70.25	0.36
12-12-2017	Innovana	2000	7.7	12-12-2017	70	133	83.6	19.43
14-12-2017	RatnabhumiDeve	2000	23.31	14-12-2017	63	52.65	63.55	0.87
14-12-2017	Dynamic Cables	3000	23.38	14-12-2017	40	62.6	48	20
18-12-2017	MRC Exim	8000	4.5	18-12-2017	15	10.75	12.5	-16.67
02-01-2018	Ajooi Biotech	4000	6.59	02-01-2018	30	36	36	20
03-01-2018	Moksh Ornaments	3000	11.03	03-01-2018	37	0	44.4	20
10-01-2018	Brand Concepts	3000	12.62	10-01-2018	45	77.5	54	20
19-01-2018	SKS Textiles	1000	13.32	19-01-2018	150	93	133.4	-11.1
05-02-2018	Shree Ram Proti	4000	19.9	05-02-2018	31	28.95	32.55	5
06-02-2018	Vasa Retail and	4000	4.8	06-02-2018	30	51.8	36	20
12-02-2018	A and M Jumbo B	2000	4	12-02-2018	65	65	66.55	2.38
15-02-2018	Sintercom India	2000	42.55	15-02-2018	65	78	78	20
13-03-2018	East India Sec	160	92.74	13-03-2018	920	930	930	1.09
15-03-2018	Uniinfo Telecom	2000	20.01	15-03-2018	55	55.75	55.75	1.36
21-03-2018	ShreeshayEngin	8000	5.4	21-03-2018	15	0	15.23	1.53
22-03-2018	Macpower	1000	36.61	22-03-2018	0	0	162.1	0
23-03-2018	Tara Chand Logi	2000	20.46	23-03-2018	0	0	49.05	0
23-03-2018	Marvel Decor Lt	2000	26.26	23-03-2018	0	0	57.85	0



26-03-2018	Ridings Consult	8000	6.55	26-03-2018	18	0	18	0
26-03-2018	Active Clothing	2000	26.56	26-03-2018	65	0	65.65	1

(Source: <https://www.moneycontrol.com/ipo/ipo-historic-table>)

The listing gain is calculated by the following formulae

$$\text{Listing Gain(\%)} = \frac{\text{Listing Close} - \text{Issue Price}}{\text{Issue Price}} \times 100$$

- Issue size shows the total amount of shares offered to the investors for subscription.
- Issue price shows the price at which shares allotted to the investors and amount adjusted from his account.
- Listing open show the price at which share started to trade in secondary market or the opening price or launching price of the share.
- Listing close shows, the price of the script on day end.

IV. FINDINGS

From the above table we can find that,

- There were 72 Companies came up with SME-IPO in financial year 2017-18. Out of which 45 companies have provided listing gain to the investors on their return on investment is in the range of 1.96% to 1988%.
- Out of 72 companies introduced in BSE/NSE, 25 companies have been negatively listed on bourses in the range of -3.23% to -70.67% and 2 companies listed with no profit no loss return i.e. with zero percentage gain.
- The average risk-free rate of return of India in financial year was of 6.93% p.a. Out of the 45 companies listed with positive rate of return, 41 companies have generated the return above the risk-free rate of return. In addition to that risk-free rate of return shows the return for the whole year while the IPO generates listing gain by investing few days into the security which is even lesser than month. So, by comparing time horizon in that way we can say that IPO is providing far better return on investment in comparison to risk free sources of avenues.
- The standard deviation of the listing gain is 245.49% and the average listing gain provided by all the securities in total is 58.71% which is again more than risk free rate of return. So, if an investor applies for all IPOs came in the year and if he gets allotted all the IPO he will generate cumulative average rate of return on his investment is 58.71%. But the chances of allotment in SME segment is very rare so the risk of allotment should not be ignored.
- If issue is oversubscribed than probability of allotment gets reduced and, in that case, investor would be able to earn only 4% meagre rate of interest which he is likely getting in his savings bank account for the time duration when fund is blocked under ASBA scheme.
- Out of the companies listed in the financial year 2017-18, Shrenikhas provided the highest listing gain 1988% and SKS Textiles has generated the highest listing loss of 70.67%.
- Out of 72 companies listed in the financial year 2017-18, 35% of the companies have lost the value of the shareholders and 63% of the companies have created the value of shareholders.

V. CONCLUSION

There are various avenues of investment to do the investment. Out of which investors will invest their hard-earned money in such avenues where they get maximum return at minimum risk. So, the research paper has focused on that part that IPO is emerged as the beneficial source of investment in comparison to the traditional modes of investing money. Wise investors will think on it smartly and take the benefit of this changing time horizon.

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