

**PERFORMANCE OF NSE - EMERGE IPOs
THE SME GROWTH PLATFORM**

Prof. Mrityunjaya B. Chavannavar
Asst. Professor, Chetan Business School, Hubli.
mrityunjayabc@yahoo.com

Dr. S. C. Patil
Associate Professor, Dept. of Management Studies, RCU Belagavi
patilsc2809@gmail.com

Ms. Farhanaz
MBA 2nd Year, Chetan Business School, Hubli.
farhanaz1412@gmail.com

Abstract

NSE Emerge platform provides an opportunity for risk investors to invest during initial public offerings of SMEs. Small companies have potential to grow fast in multifold and add wealth to shareholders. Investors look at high return even there is high risk involved. NSE has established a third-party due diligence of company to increase the confidence of the customer in the SME exchange. NSE also encourages SME's to get graded by the rating agencies. Being a new platform, in the last five years it is able to attract good number of participants. The study attempts evaluate the performance of these newly listed companies based on their holding period capital appreciation. The study revealed that this platform has fetched decent average returns of 41.6%. More and more number of companies listing would increase the retail participation.
Key words: NSE Emerge, IPO, SMEs, Performance and Growth.

I. INTRODUCTION

Indian capital markets took a big leap with the launch of NSE-Emerge platform for new small and medium enterprises (SME's). It was a major landmark for the SME sector to have a new avenue for raising capital in an efficient manner. Ambitious section of Micro, Small, and Medium Enterprises (MSMEs) forms the new asset class on SME platforms for investors who are looking to invest and participate in their growth. With the emergence of NSE EMERGE, the problem of raising funds has minimized. SME's were relied on banks and non-banking financial institutions for their debt financing earlier as the equity capital was hard to access. But now, they can raise funds through capital market with the help of NSE EMERGE platform.

NSE has established a third-party due diligence of company to boost the confidence of the participants in the NSE emerge. NSE also encourages SME's to get graded by the rating agencies. This platform helps companies to raise capital through transparent book building process.

Investors look at high returns in stock market. Equities offer high returns at high risk. It is difficult to understand about the valuations of the stocks and track the companies as they lack in knowledge. Risk averse investors prefer to go for IPO's which can give them a better returns at low risk during bull market. At the same time there is risk of losses in the market if the company's valuations are not satisfactory or future growth is muted. The risk of loss widens more in small companies as they are faced with many problems. It is difficult to identify small fishes which are going to be big fish in future. But these small companies offer high returns at high risk to the investors. This study attempts throw light on how the SME's IPOs listed on NSE Emerge have performed in the last five years. In the study 36 stocks have been selected which have come out with new issues during the year 2012- 2016.

II. OBJECTIVES

- To understand the growth of NSE-Emerge platform.
- To estimate the Listing gain of all listed IPO's in NSE-Emerge platform.
- To estimate the holding period returns of IPO's listed on in NSE-Emerge platform

III. NEED FOR THE STUDY

In recent years, several Indian companies scaled up their businesses rapidly providing high returns to the early stage investors. Risk averse investors prefer to go for IPO's which can give them a better returns at low risk during bull market at the same time there is risk of losses in the market if the company valuations are not satisfactory or future estimation are negative. Some investors would like to sell / liquidate stocks at the time of listing and enjoy short term capital appreciation and others would look at long term capital appreciation. There is need to understand how the SME's IPO have performed in the last five years (2012-2016) in NSE-Emerge platform. An attempt is made to understand whether the SME's IPO's have given decent returns and listing gain to the investors who have subscribed the shares during IPO.

IV. SCOPE OF THE STUDY

The study on performance of IPO's listed on NSE-Emerge is carried out for 36 stocks which have been issued during five years (2012-2016). The Listing Gain and Holding period returns of these stocks is estimated based on the Issue price, Listing day high price and closing price on 31st March 2017.

V. RESEARCH METHODOLOGY

In the study performance of IPO's issued during last five years i.e. from 2012-2016 is estimated. For the calculation of Listing gain and holding period return the allotment price of all 36 stocks have been taken from NSE Emerge platform. The Listing gain is estimated using listing day high price. The holding period return is estimated using closing price on 31st March 2017. The closing price on last traded day is considered where the value is not available on 31st March 2017. The Stocks which gave high returns and low returns have been identified and average return is calculated to know

the performance of NSE Emerge platform.

VI. INITIAL PUBLIC OFFERINGS (IPO'S)

A primary market is one that issues new securities on an exchange. The primary markets are where investors can get crack at a new security issuance. The equity shares will be allotted to applicants and funds are collected. The money raised will be used to fund operations or expand the business. It is also known as new issue market (NIM), which facilitates private companies, PSU and other groups to obtain finance through debt or equity based securities.

VII. NSE EMERGE - THE SME GROWTH PLATFORM

NSE has adopted the best global practices followed across the world to establish a credible and efficient Exchange for Emerging enterprises. It is a platform for the emerging companies to raise capital from Institutional investors and High Net worth Individuals. Indian SME's represents a diverse class of emerging companies from both traditional sectors and new age economy sectors like IT, ITES, organized retailing, education, entertainment, media, etc. representing the new and modern face of Indian entrepreneurs. In recent years, several Indian companies scaled up their businesses rapidly providing high returns to the early stage investors. They have also demonstrated impressive management bandwidth by successfully managing high growth, cross border operations and complex inorganic transactions. Emerge will be an ideal platform for growing companies wishing to raise capital for, complex, working capital, acquisitions, R&D, marketing or any other bonafide growth requirement.

Merchant Bankers have an important role in the NSE Emerge IPO process and after listing of securities. After IPO, they are responsible for ensuring market making for 3 years on Emerge platform. EMERGE has a transparent admission process which guarantees that issuers walk through a planned route to listing while the investors are guaranteed of credibility faster and more efficient.

VIII. LITERATURE REVIEW

SSS Kumar (2007) conducted a study on short and long run performance of IPOs in India which revealed that the IPOs are under-priced as is evidenced by the positive listing day returns and are outperforming the market in the subsequent months almost up to twenty four months. However, after two years of listing they generate negative returns. This finding is consistent with the IPO performance literature from the other countries but is in contrast with the first long run study on IPOs in the long run in India.

Bharata Jain, Omesh kini (1994) investigated the change in operating performance of firms. There was significant fall in operating performance next to IPO. A significant positive relation among post-IPO operating performance & equity retention by the entrepreneurs is observed during the study.

IX. ANALYSIS OF IPO PERFORMANCE

Table 1: Important Statistics of NSE- Emerge

Particulars	As on (Mar2017)
Number of New Issued Companies	36
Companies Shifted to the Main Board	02
Market Capitalization	1,58,980.70 Cr
Source: NSE Emerge (Only 33 companies issued between 2012 & 2016 are considered)	

Table 2: IPO Activity in India during 2012 - 2016

Year	Number of Issues
2012	2
2013	2
2014	2
2015	5
2016	25

Table 3: Calculated return of NSE Emerge stocks as on 31st March 2017

Sl No	Symbol	Allotment Price	Listing High	Close Price on 31st March 2017	Return in Rs As on 31st March 2017	Return in % As on 31st March 2017
1	THEJOSM	402	403	212	-190	-47.26
2	VETOEQ	50	58	150.6	100.6	201.2
3	OPALSM	130	135	100	-30	-23.07
4	MITCONSM	61	60	64.1	3.1	5.08

5	SANCOEQ *	18	19	120.45	102.45	569.16
6	MOMAIMS	78	82	124.7	46.7	59.87
7	SIIL	60	62	66	6	10
8	EMKAYTOOLSSM	330	335.5	400	70	21.21
9	SHAIVALSM	100	100.5	101	1	1
10	AHIMSASM *	25	26	26	1	4
11	PERFECTSM *	23	26	19.25	-3.75	-16.3
12	FOURTHDIMSM	30	36	71.9	41.9	139.7
13	HITECHSM	50	60	130	80	160
14	WEALTHSM *	50	52	50.5	0.5	1
15	HECPROJECTSSM	100	109	111	11	11
16	SAGARDEEPSM *	20	20	21	1	5
17	UNITEDPOLYSM	45	44	20.6	-24.4	-54.22
18	KKVPOWSM	320	342	327	7	2.18
19	MBAPLSM	24	29	51.1	27.1	112.9
20	CROWNSM	121	122.8	77.1	-43.9	-36.28
21	HUSYSLTD	69	60.6	40	-29	-42.03
22	AVSLSM *	36	38	33.5	-2.5	-6.94
23	JETKNITSM	39	46.8	68.1	29.1	74.62
24	NANDANISM	28	33.6	56.15	28.15	100.5
25	DRLSM	40	43	38	-2	-5
26	PANSARISM	22	24.5	20.05	-1.95	-8.86
27	AURDISSM	35	42	59	24	68.57
28	GICLSM	24	25.2	26	2	8.33
29	ARTNIRMANSM	25	30	27.5	2.5	10
30	GRETEXSM	20	24	15.5	-4.5	-22.5
31	SAKARSM	50	54.95	57	7	14
32	AGROPHOSSM	22	26.4	22	0	0
33	JETFREIGHTSM	28	33.6	64.4	36.4	130
34	PROLIFESM	38	42	42.5	4.5	11.84
35	LIBASSM	68	81.5	68	0	0
36	MAHESHWARISM	68	78.9	95.4	27.4	40.29

*Closing Prices were not available, the last traded day closing price are taken

Table 4: Positive Return (Capital Appreciation) Companies

Sl. No	Company Name
1	Mitcon Consultancy & Engineering Services Ltd
2	Momai Apparels Limited
3	Supreme (India) Impex Limited
4	Emkay Taps and Cutting Tool Limited
5	Shaival Reality Limited
6	Ahimsa Industries Limited
7	Fourth dimension Solutions Limited
8	Hi-Tech Pipes Limited
9	Wealth First Portfolio Managers Limited
10	HEC Infra Projects Limited
11	Sagardeep Alloys Limited
12	KKV Agro Powers Limited
13	Madhya Bharat Agro Products Limited
14	JET knitwear's Limited
15	Nandani Creations Limited
16	Aurangabad Distillery Limited

17	Globe International Carriers limited
18	Art Nirman limited
19	Sakar Healthcare limited
20	Jet Freight Logistics Limited
21	Prolife Industries Limited
22	Maheshwari Logistics Limited
23	Veto Switch Gears and Cables Limited
24	Sanco Industries Limited

Table 5: Zero Return (Capital Appreciation) Companies

Sl. No	Company Name
1	Agro Phos Limited
2	Libas Designs Limited

Table 6: Negative Return Companies

SI No	Company Name
1	Thejo engineering Limited
2	Opal Luxury time products Limited
3	Perfect Infra Engineers Limited
4	United Polyfab Gujarat Limited
5	Crown Lifters Limited
6	Husys Consulting Limited
7	AVSL Industries limited
8	Pansari Developers Limited
9	GRETEX Industries Limited
10	Dhanuka Reality Limited

Table 7: Main Board Migrated Companies

SI No	Company name
1	Veto Switch Gears and Cables Limited
2	Sanco Industries Limited

X. FINDINGS

NSE Emerge will be an ideal platform for growing companies wishing to raise capital from Institutional investors and HNIs for, complex, working capital, acquisitions, R&D, marketing or any other growth requirement. EMERGE has a transparent admission process which ensures that issuers walk through a planned route to listing while the investors are assured of credibility faster and more efficient.

Market capitalization of NSE Emerge companies has grown significantly. Total Market Capitalization of NSE Emerge as on 31st March 2016 was at Rs. 1,58,980.70 Crores and the average market capitalization is Rs.4817.60 Crores.

Two companies, Veto Switchgears and Cables Limited and Sanco Industries Ltd have been migrated to NSE main board for their outperformance in the Emerge platform. The retail participation in these two stocks increased in NSE main platform. These stocks gave more than 200% return to its initial risk investors. Sanco Industries gave more than 500% return.

Highest Listing Gain of Rs 22 was witnessed in KKV Agro Powers Ltd. Listing loss of Rs 12 was observed in Crown Lifters Ltd. Significant listing gains were not observed on this platform.

The IPO's such as Hi-Tech Pipes Ltd, Fourth Dimensions Solutions Ltd, Jet Fright Logistics Ltd, Madhya Bharat Agro Products Ltd, HEC Infra Projects Ltd and Nandani Creations Ltd have performed very well and gave more than 100% returns to investors.

IPO's such as Jet Knitwear's Ltd, Aurangabad Distillery Ltd and Momai Apparels Ltd have performed good and given a return of 50% to 100% to its investors. IPO's such as Maheshwari Logistics Ltd, Emkay Taps and Cutting Tools Ltd, Sakar Healthcare Ltd, Prolife Industries Ltd, Supreme India Ltd, Art Nirman Ltd, gave 10% to 40% return.

IPO's such as Globe International Carriers Ltd, Mitcon Consultancy and Engineering Services Ltd, Shaival Reality Ltd, Ahimsa Industries Ltd, Wealth First Portfolio Managers Ltd, Sagardeep Alloys Ltd and KKV Agro Powers Ltd have given less than 10% return.

Total 24 stocks gave positive return. Ten IPO's gave negative returns during the period. Out of these IPO's 7 stocks observed strong decline of more than 15%. The mean return of all 36 companies is 41.64%

XI. SUGGESTION

More number of companies getting listed on NSE Emerge platform will increase the number of participants in the market, which simultaneously increases the liquidity in the market. A more efficient market with high liquidity attracts more number of participants.

The retail participation has increased in the two companies which have moved to main board. This is due to no restriction on minimum amount of investment which is there at present for SME platform. If relaxation is given for SME platform then there are chances of increase in the retail participation in NSE Emerge platform.

It is found that there is no Index for NSE Emerge platform to measure the performance of the companies listed on platform. Introducing separate Index for NSE Emerge platform will help investors to compare their portfolio stocks performance with the Index performance.

XII. CONCLUSION

NSE Emerge is an ideal platform for growing companies wishing to raise capital from Institutional investors and HNIs for working capital, acquisitions, R&D, marketing or any other growth requirement. Market capitalization of NSE Emerge companies has grown significantly. Total Market Capitalization of NSE Emerge as on 31st March 2016 was at Rs. 1,58,980.70 Crores. Introduction of separate Index for NSE Emerge companies will attract more number of companies and investors to Emerge platform. This will increase the liquidity in the market. The removal of

minimum amount of investment encourages increase in the retail participation. In the study it is observed that, ten IPO's gave negative returns and 24 IPOs gave positive returns during the period. Two companies moved to NSE main board. Six companies gave more than 100% returns and nine companies gave more than 50% return. The average return of 36 companies is 41.64%.

REFERENCES

- [1]Alok Pandey, R Vaidyanathan, ICFAI Journal of Applied Finance, Determinants of IPO underpricing in the National Stock Exchange of India, Jan 2008.
- [2]Bharata Jain, Omesh kini, The Post-Issue Operating Performance of IPO Firms, The Journal of Finance, Vol 49, Issue 5, Dec 1994, Pp: 1699-1726.
- [3]Jay Ritter, Long run performance of Initial public offerings, The Journal of Finance, Vol 46, Issue 1, Pp: 3-27.
- [4]Michael T, Cliff, David Denis, do initial public offering firms purchase analyst coverage with underpricing, The journal of finance, Vol 59, Issue 6, Dec 2004, pp: 2871-2901.
- [5]M. S. Annapoorna & Prof. Shobha S. Rajamadurga, Analysis of the Initial Public Offering of 2004 in Indian Market, IMSR Journal of Management Thoughts, Vol 4, Issue 2, July- December 2014, Pp: 14-20.
- [6]Reena Aggarwal and Pietra Rivoli, Fads in Initial public offerings market, Financial Management, Vol. 19, No. 4 (Winter, 1990), pp: s45-57
- [7]Saurabh Agarwal, Perspectives Equity investing patterns in India A signal for Small and Medium Businesses, Entrepreneurial practice review, Vol 2, Issue 2, 2012, Pp: 36-42
SEBI, Hand Book of Statistics 2016.
- [8]Shinozaki, Shigehiro, Capital Market Financing for SMEs: A Growing Need in Emerging Asia, ADB Working Paper Series on Regional Economic Integration, No. 121.
- [9]SSS Kumar, Short and Long-run Performance of Book built IPOs in India, International Journal of Management Practices & Contemporary Thoughts, Volume 2, No.2, July-December 2007, Pp 20-29.
- [10]Virender Singh Thakur, BSE SME Exchange and NSE EMERGE Exchange Platforms in India and a Comparison between them, IJLTEMAS, Vol V, Issue III, March 2016, Pp: 82- 90.
- [11]https://www.nseindia.com/emerge/live_market/content/live_watch/ipo/sme_ipo.html
- [12]www.economictimes.indiatimes.com/Markets/IPOs
- [13]<http://www.chittorgarh.com/ipo/>