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Comparative Analysis of Underpricing and Subscription of SME IPOs and Main Board IPOs

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ABSTRACT
SME (Small & Medium Enterprises) IPOs formally deputed in India in 2012 when BSE and NSE introduced SME Platform on their exchanges alongwith 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 SMEIPOs are lower compared with their counterparts, even though the probability of listing day gains is high. This study will provide insight to the policy makers, investing community, issuers and also add to the body of the knowledge on SME IPOs which is still at nascent stage amongst research community.

Keywords: IPOs, SME, Underpricing, Subscription, Efficiency.
JEL Classification: *G11, G14, G15, G18, G32*

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INTRODUCTION

Ritter (2019) in his extensive study on several common stock IPOs that listed on various Stock Exchanges across globe has used the term *'money left on the table'* by the issuers of an IPO for the unrealized amount of gross proceeds due to the offer price being kept below the market expected price. In other words this difference between the closing price of the IPO stock on the first day of listing/trading with that to the offer price of the IPO stock is the profit to the stock investor due to the 'underpricing of the stock'. This 'Underpricing' is very common amongst the IPOs around the world. Due to this underpricing, stock investors earn huge profits in emerging markets such as China 165%, India 93%, Malaysia 70%, Korea 55%, Brazil 49% , and somewhat reasonable profits in developed markets such as Germany 27%, Australia 20%, U.S. & U.K. about 17%, France 11%, Canada 7% as quoted by **Krishnamurthi, Thong and Vishwanath (2011)**. These figures indicate that the levels of underpricing are higher in emerging markets compared to developed markets. There is extant literature available that generally supports this view and points that it is something very prevailing and common across markets. Underpricing to the level of 14 to 18% is considered fair and acceptable by the financial economists. Most of these studies are rationalizing it on the theory of the information asymmetry.

However, another blunt view of this underpricing could be the inability (or the inefficiency) of the issuer to realize the best price for their security. Though there is no specific benchmark for underpricing in IPOs, but it can be explained to certain extent say 10-15 percent of the market average. Since it is dependent on market expectation, the variations are quite natural. But this variation turns out to be abnormal, it only points to the inefficiency. For example, in one of the recent IPO of IRCTC (Indian Railway Catering & Tourism Corporation), one of the Public Sector Undertaking (PSU) and wholly owned subsidiary of the Indian Railways offered their 20160000 shares at a price of Rs. 320 each aggregating Rs. 645.12 crores. This stock closed at Rs. 728.60 on the listing day (October 14, 2019) resulting in 127.69 % gains to the investors. The total money left out was Rs. 827 crores (unrealized opportunity loss to the IRCTC). Here, the issuer IRCTC could have realized a better price and reduced its loss. IRCTC incurred about Rs. 17 crores of expenses towards the fees they paid to the so called market professionals. Unlike IRCTC, another issuer Prince Pipes (Listed on December 30, 2019) closed the day with (negative) 6.40% gains (Offer price Rs. 178 and closing price Rs. 166.60). Amongst the two issuers' one can make it out that Prince Pipes had priced their issue better and efficiently (turned out to be marginally overpriced) compared to the other. In simple marketing terms this 'inefficiency' will be explained as purposely selling your product at heavy discount in the face of high (overfull) demand.

The MSMEs (Micro, Small and Medium Enterprises) are very important for the inclusive growth of the economy. **Raj (2005)** enumerates the role of MSMEs in the Indian economy and the financing challenges faced by this sector resulting in brakes to their growth. Though various means of finance available are not limited but the nature and the ground level situations in which this sector operates, makes it difficult, in terms of cost or availability terms, for them to avail these, particularly towards the peak of their growth. Hence, in yet another attempt in easing the funding availability, specifically to SMEs, government tweaked some of the conditions required for Issuing, listing and trading of SME stocks on a separate platform on stock exchanges. This resulted in the formation of SME stock trading platform on BSE (BSE SME) and NSE (NSE Emerge) with effect from 2012. The success of these exchanges could be noted from the fact that as of January 2020, 298 stocks on BSE SME and 320 stocks on NSE Emerge are listed.

The performance of IPOs is usually measured broadly in three periods - pre-listing, listing day and post listing. The pre-listing period refer to the demand/subscription an IPO is able generate while listing day performance takes into account the validity and issues related to pricing of an IPO independently or in comparison, speculative gains, underpricing and money left on the table. The post listing performance could be on several factors like return in short, medium and long term period adjusted with market movement, sector performance, industry performance, etc.. These are quite popular amongst research community and extant literature is available on these. However, existing literature is somewhat scant and very limited when it comes to the SME IPOs. This study will try adding to this area deliberating on Subscription performance of SME IPOs in pre-listing stage and underpricing performance on the listing day.

This study analyzes the performance of SME IPOs (those IPOs that get listed on SME Board) with respect to Subscription during the offer period and underpricing on the listing day in comparison to IPOs that are listed on Main Board Exchanges. This study is based on 526 IPOs that listed on SME Board (BSE SME & NSE Emerge) stock exchanges during the period 2012 to 2019 and compares the outcome with the outcome of 584 IPOs that listed on Main Board (BSE & NSE) stock Exchanges during the period 2000 to 2019. The rest of this paper is organized in following parts: the Objectives of the study, SME IPOs Vs. Main Line IPOs, Literature Review, Research Methodology, Data Interpretation & Hypothesis Validation and Conclusion.

The objectives of this study are:

1. Differentiate the SME IPOs and LE IPOs.
2. Compare the terms/provisions of Listing of the SME Stocks with that of LE Stocks.
3. Finding the level of Underpricing in SME IPOs and LE IPOs.
4. Compare and analyze the Level of Underpricing amongst the SME IPOs and LE IPOs.

Hypothesis

Following hypothesis will be tested in this study

1. **IPOs that are listed on SME Board tend to be more efficient in price discovery compared to IPOs listed on Main Board.**

   Empirically, price discovery refers to the mechanism by which issuer/seller of a stock would try obtaining the best price for their stock in the market. But being a seller, it is natural to expect highest possible price. However, when this stock is being put up for sale, for the first time, it is subjected to the valuation, in absence of any reference point, undertaken by the buyers - the investors, corporate and individual. The valuation expected and the valuation realized by the seller/issuer leads to unrealized profits/opportunity loss, referred to as 'money left on the table' (Ritter, 1990) and the stock is said to be 'underpriced'. Hence, they tend to minimize/cover it through information dissemination, about the performance – past, present and future, of the firm. However, the buyers/investors would never have the same level of information as that the seller/issuer. Further, it would also depend on the ability of the investor to interpret this technical information. The corporate investor would be better placed in such case compared to the individual investor. This information asymmetry, at the seller's level, at the corporate investor level and the individual level would have direct impact on the valuation of the security. More this gap exists, more will be the underpricing.

   This study undertakes to analyze 526 IPOs that listed on SME Board during 2012 to 2019 and 584 IPOs that listed Main Board during 2000 to 2019 to compare the level of 'underpricing'.

2. **IPOs that are listed on SME Board have comparatively lower demand levels.**

   The demand level in IPOs is referred to the subscription (applications received) for that IPO. The level of subscription depends on multiple factors such as offer price (versus expected price by the investor), awareness level, background and performance of the company, its management quality, involvement of institutional investors, etc. In case of SMEs, this information is not easily available as compared to large enterprises that get listed on Main Board exchange. Higher level of demand would exist where expected profits are higher. Since the price discovery is more efficient in SME stocks (hypothesis 1 above, the scope for higher profitably will be lower. Hence the demand levels in SME IPOs will be on lower side compared to IPOs listed on Main Board exchange.

   This study undertakes to analyze 526 IPOs that listed on SME Board during 2012 to 2019 and 584 IPOs that listed Main Board during 2000 to 2019 to compare the level of 'Retail Investor Subscription' and 'Overall Subscription'.

3. **The Underpricing in IPOs that are listed on SME Board or Main Board have similar impact on demand levels.**

Any under valuation in the offer price observed by the investor will lead to the level of subscription. The relationship of 'underpricing' (hypothesis 1) and 'demand/ subscription' (hypothesis 2) would be directly proportional to each other. Higher the level of underpricing, higher will be demand/subscription.

This study undertakes to analyze 526 IPOs that listed on SME Board during 2012 to 2019 and 584 IPOs that listed Main Board during 2000 to 2019 to compare the correlation between the underpricing with that of 'Retail Investor Subscription' and 'Overall Subscription'.

SME IPOs Vs. LE IPOs

Defining Small Enterprises

The Micro, Small and Medium Enterprises (MSME) Development Act, 2006 under Section 2 Clause 2 classify the MSM Enterprises on the basis of mainly investment on plant and machinery for manufacturing activity or services rendered. However, MSME Act (Amendment) 2018 has extended this definition to turnover. Table 1 highlights the change in MSMEs definition.

Table 1: Defining MSMEs

Sector	MSME Act 2006	MSME Act (Amendment) 2018
Manufacturing Firm		
Micro	Investment in Plant & Machinery upto Rs. 25 lakhs	Turnover upto Rs. 5 Crores
Small	Investment in Plant & Machinery from Rs. 25 lakhs to Rs. 5 Crores	Turnover from Rs. 5 to 75 Crores
Medium	Investment in Plant & Machinery from Rs. 5 to 10 Crores	Turnover from Rs. 75 to 250 Crores
Services Firm		
Micro	Investment upto Rs.10 lakhs	Same as above
Small	Investment from Rs.10 lakhs to Rs. 2 Crores	
Medium	Investment from Rs.2 to 5 Crores	

Defining SME IPOs

This study considers SME (Small & Medium Enterprises) IPOs as per the criteria set out by SEBI (Securities and Exchange Board of India). According to SEBI, IPOs where the Post – Issue Capital raised is up to Rs. 25 crores can be listed on the SME Platform. Currently, since BSE (Bomby Stock Exchange) and NSE (National Stock Exchange) have established separate platform for SME stocks as BSE SME and NSE Emerge respectively with effect from the 2012, all stock IPOs listed on these two exchanges are included in the study. Prior to 2012, these stocks were listed on the regular exchanges along with LE stocks and on similar terms. Hence, stock IPOs where the Issue size is upto Rs. 25 Crores is included under SME IPOs.

Criteria for Listing on SME Platform

The Company shall be incorporated under the Companies Act, 1956, with positive net worth having net tangible assets not below Rs. 3 crore. The post issue paid up capital of the company (face value) shall not be more than Rs. 25 crores (Table 2). The listing firm should have a track record of at least 3 years. Alternatively, there should be involvement of Banks or Financial Institutions or Central or State Government or its undertaking by way of loan/equity, or one of its Group Company should be listed for at least two years on any one of the exchange (Table 3).

Table 2: Criteria for SME Listing - Post Issue Capital Size

Sr. No.	Criteria	Listing
1.	Face Value of Capital less than Rs. 1 crore	No Listing
2.	Face value of capital Rs.1 crore to Rs.10 crores	SME platform
3.	Face value of capital between Rs. 10 crores to Rs. 25 crores	SME Platform / Main Board
4.	Face value of capital exceeding Rs. 25 crores	Main Board

Table 3: Compliance for SME Platform Listing IPOs Vs Main Board Listing IPOs

Particulars	SME Stock Exchange (NSE Emerge/BSE SME)	Main Stock Exchange (NSE/BSE)
Pre-Issue		
IPO Application Size	Not less than Rs. 1 lakh	Rs. 10 to 15 thousand (Minimum)
Observation on DRHP	By the Exchange	By SEBI
Post-Issue Paid up Capital (Face Value)	Maximum Rs. 25 Crores	Minimum Rs. 10 Crores
Minimum Pre-Tax Opertaing	No requirement	Minimum Rs. 15 Crores for preceding 3 out of 5 years
Market Capitalization / Issue Size	No restriction	No restriction
IPO Underwriting	100% (with minimum 15% on the books of Merchant Banker)	Not required if 75% of the Issue is offered to the QIBs compulsorily.
Minimum No. of Allottees in the IPO	50	1000
Post-Issue		
Financial Reporting	Half Yearly (Abridged)	Quarterly (Comprehensive)

Requirements		
Market Making	Mandatory	Not Mandatory
Source: BSE SME EBOOK (https://www.bsesme.com/downloads/BSE_SME_EBOOK.pdf		

Issues with SME IPOs

The awareness level in case of SME platform listed IPOs is far lower compared to any of the Main Board listed IPOs. With limited promotional budget, the SME IPO tends to over depend on Merchant Bankers and the Market Maker. Issue expenses in terms of percentage are usually in the range of 10 (+/-5) percent, in value terms it is rarely above Rs. 100 lakhs (usually in the range of Rs. 60 (+/-15) lakhs.

Benefits to SME for Listing on SME Platform

Equity finance is considered to be most cost effective method to meet the funding requirements of any firm. The listing provides an avenue to raise capital through equity infusion for growth oriented SME's. It improves the reputation, image, recognition and visibility of a firm leading to higher valuation of the firm. These in turn help the firm with growth opportunities, liquidity to the investors, commitments from employees. It also keeps a check on the firm for better performance.

LITERATURE REVIEW

The literature for SME IPOs is scanty and limited being still in its nascent period and yet to get full attention from the research community. This section is divided in two parts – a) Review of Literature for SME IPOs and b) Review of Literature for IPOs, having common application.

Review of Literature for SME IPOs

Raj, B. (2005), discusses the role and contribution of MSMEs in the economy and funding difficulties faced by them. He has identified few alternative financing sources for MSMEs so as to reduce their cost of capital. Suggested methods are Securitization of receivables and credit, financing supply-chain activities, factoring, accessing equity capital from SME Exchange / Portal, venture / risk capital, cash flow based financing, etc. **Kulkarni, P. , Chirputkar, A.V. (2014)** list out the financing difficulty faced by SMEs, pointing to the hampered growth of the sector. They are supporting the Indian government move to allow SMEs access to direct access to public funding through capital markets through listing on SME Platform enabling them to raise funds, enabling expansion, growth, and to achieve its objectives. They list out other benefits that will accrue to the SMEs through this listing leading to fulfillment of their objective 'profit maximization and wealth maximisation'. The authors also make recommendations to foster this platform.

Dhamija, S. & Arora, R. K. (2017) provides empirical evidence of underpricing in SME IPOs in line with other international studies but at a lower level compared to IPOs listed on Main Board stock exchanges. They find oversubscription at average 1.35 times amongst SME IPOs. Post listing, these SME

IPOs have outperformed the benchmark index, inconsistent with other studies on Main Board listed IPOs. **Jain, R. K., Shukla, A. K., & Singh, K. (2013)** encourages the initiative of SEBI and at the same time points to the possible pitfalls and risk associated for the retail investors. They suggest that increased institutional involvement is desired in these SME stocks for the transparency and respective Stock Exchange must continue to due support and guidance to the managements of these SME stocks.

Xiao-wei, W., & Run-ze, L. (2013). examines first day returns of 698 listed SME companies to check reasons behind high underpricing of more than 100%. **Jing Gao, Ling Mei Cong & John Evans (2015)** examines the underpricing in Chinese SME stocks using a sample of 464 IPOs that listed during 2006-2010.

Review of Literature for IPOs

Ritter, J. R. (2019) in his study *Money Left on the Table in IPOs by Firm***,** provides empirical findings on why firms opt for leaving 'Money on the Table' by purposely underpricing the stock to attract investors. In most cases, IPO Issuers purposely price their securities lower than the market expectations with intention to attract more and more buyers. In other words, this is the first-day profit, earned by investors. His study is based on 283 IPOs, majorly US but not restricted to US only, that listed from 1990 to 2019. He noted that 'Money left on table' company like VISA was $5075 million. He also notes that the level of stock market has grown ten times the level during 1970s and 1980s.

Brau and Fawcett (2006) examine *IPO Demand* in Indian scenario could be directly proportionate to the size of oversubscription to an IPO and the *Initial Return as* the percent return from the difference in the first listing day closing price compared to the offer price on the stock market. In case of positive returns, the issue is said to be 'underpriced' and in other wise situation 'overpriced'. **Krigman, Shaw, and Womack (1999)** classify IPOs as 'cold' and 'hot'. Cold IPOs have an Initial Return of less than 10% and a hot IPO as otherwise. **Sahoo & Rajib (2010)** presents fresh evidence on IPO performance, i.e., short-run underpricing and long-run underperformance consistent to the apparent belief that IPOs are underpriced on the initial listing day and thereafter underperforms compared to the market benchmark. **Marisetty & Subrahmanyam (2010)** find Indian investors over-react to IPOs and their over-reaction explains the extent of underpricing. **Shah (1995a)** notes the short run return of 2056 new listings over the period January1991 to May 1995 to the extent of 105.6% over the offer price. **Madhusoodanan and Thiripalraju (1997)** based on IPOs offered on BSE during the period 1992 to 1995 finds that underpricing was higher than the international experiences in the short run. Similarly, **Krishnamurti and Kumar (2002)** examine IPOs that listed between 1992 and 1994 to note that the underpricing is to the extent of 72.34% (market adjusted returns). **Kakati (1999)** analyzed the performance of 500 IPOs that listed during January 1993 to March 1996 to finds the short run underpricing to the tune of 36.6%. **Sharma, Mittal, Gupta (2013)** examined 319 IPOs that listed on NSE during 1999 to 2011 to note the average underpricing level of 20.09 percent. Few more instances of underpricing and its relationship with subscription is enumerated in Table 4 and 5 respectively.

Table 4: Underpricing: Indian Evidence

Study	Sample period	Number of firms	Mean underpricing (%)
Shah (1995)	1991-1995	2056	105.6
Madhusoodanan and Thiripalraju (1997)	1992-1995	1922	294.8
Kakati (1999)	1993-1996	500	36.6
Krishnamurti and Kumar (2002)	1992-1994	386	72.34
Ranjan and Madhusoodanan (2004)	1999-2003	92	78a -2b
Kumar (2010)	1999-2006	156	26.35
Marisetty and Subrahmanyam (2010)	1990-2007	2811	92.7
Kumar and Vikraman (2009)	2004-2008	71	55
Sahoo and Rajib (2010)	2002-2006	92	46.55
Mittal and Mayur (2011)	1997-2007	306	25.13
Jain and Padmavathi (2012)	2004-2009	227	28
Sharma, Mittal, Gupta (2013)	1999-2011	319	24.05

Source: Various studies as cited
aFixed priced issues
b Bookbuilt issues

Table 5: Results of Empirical Studies involving IPOs.
(relationship of Underpricing with Subscription)

Study by	***Dependent Variable under Study***	***Relationship with the Dependent Variable***	***No. of IPOs under study***	***Study Period***
Deb and Marisetty (2010)	Underpricing	Negative	159	2006-2008
	Subscription Retail	Positive		
	Subscription QIB	Negative		
Poudyal (2008)	Underpricing	Negative	63	2005-2008
	Subscription Overall	Positive		
	Subscription Retail	Positive		
	Returns	Negative (Weak)		
Khurshed, et al (2008)	Underpricing	Negative	251	1999-2008
	Subscription QIB	Positive		
	Subscription Retail	Negative		
Jain & Padmavathi (2012)	Underpricing	Positive	227	2004-2009

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Sharma, Mittal, Gupta (2013)	Underpricing	Positive	319	1999-2011
Source: Various studies as cited				

RESEARCH METHODOLOGY

This study is based on the secondary data collated from the websites of SEBI, BSE, NSE, and other portals such as Chittorgarh, Moneycontrol, Capital Market, Economic Times, etc.. Sincere attempt is made to include all IPOs that listed during the period 2000 to 2019 on BSE, NSE, BSE SME and NSE Emerge platforms and collate required information. Only those IPOs are excluded where relevant data was not available. As a result, a total of 1110 IPOs are included in our study. This includes 584 IPOs that listed on Main Board BSE and NSE while 526 IPOs are those that listed on SME Platform - BSE SME and NSE Emerge. **Table 6** provides the yearly sample distribution and the calculated values of Underpricing, Retail Subscription and Overall Subscription. The data for the years 2000 to 2003 is merged since there were only 16 IPOs. There is no separate SME IPOs data for the period 2000- 2011. All IPOs were being listed either on BSE or NSE (or both). The SME Platform started working from the year 2012.

Table 6 : Underpricing and Subscription in Indian IPOs

Listing Year	No. of IPOs (N)			Underpricing (%)			Retail Subscription (Times)			Overall Subscription (Times)		
	Total	Main Board	SME Board	Total	Main Board	SME Board	Total	Main Board	SME Board	Total	Main Board	SME Board
2000-2003	16	16		20.15	20.15		5.01	5.01		9.8	**9.8**	
2004	23	23		51.58	51.58		15.75	15.75		18.86	18.86	
2005	44	44		46.1	46.26		19.58	19.58		27.01	27.01	
2006	77	77		27.47	27.47		13.06	13.06		18.46	18.46	
2007	108	108		29.55	29.55		13.91	13.91		27.54	27.54	
2008	44	44		18.31	18.31		7.47	7.47		12.78	12.78	
2009	17	17		8.93	8.93		2.87	2.87		7.68	7.68	
2010	73	73		14.28	14.28		7.68	7.68		14.31	14.31	
2011	38	38		5.27	5.27		4.47	4.47		3.39	3.39	
2012	24	11	13	9.77	**4.64**	14.11	2.47	3.97	**1.2**	4.99	9.37	**1.29**
2013	37	3	34	7.33	**2.21**	7.68	1.04	1.58	**0.99**	1.5	4	**1.28**
2014	48	5	43	11.28	27.13	**9.54**	2.59	13.83	**1.25**	4.28	28.35	**1.46**
2015	62	20	42	6.96	8.79	**6.09**	1.62	2	**1.43**	4.43	10.63	**1.47**
2016	93	28	65	8.76	28.44	**6.4**	3.36	5.11	**2.6**	8.42	21.1	**2.96**
2017	170	36	134	12.52	23.68	**9.44**	13.87	**10.31**	14.74	22.81	43.84	**17.14**

2018	170	25	145	5.05	6.46	**4.81**	8.79	**4.5**	9.53	13.74	23.25	**12.1**
2019	66	16	50	6.6	20.48	**2.16**	4.21	10.97	**1.44**	10.41	37.4	**1.78**
Total	**1110**	**584**	**526**	**15.1**	**22.54**	**6.84**	**8.68**	**10.06**	**7.15**	**14.74**	**20.31**	**8.59**

Period : January 2000 to December 2019.
Source: Collated by Authors from the websites of Primarily NSE, BSE, SEBI, Chittorgarh.

Underpricing (in percent), denoted as UP_i for this study is calculated as per following method:

$$UP_i = [(LDCP_i – OP_i) / OP_i] \times 100$$

where UP_i is Underpricing for IPO stock i; $LDCP_i$ is Listing Day Close Price of IPO stock i; OP_i is Offer Price of IPO stock i.

Retail Subscription and Overall Subscription for each IPO is obtained from Basis of Allotment available on individual company's website or on other websites such as Chittorgarh.

DATA INTERPRETATION AND HYPOTHESIS VALIDATION

1. The underpricing in SME IPOs at 6.84 percent (N=526) is comparably much lower level than 22.54 percent (N=584) that of Main Board IPOs and 15.1 percent (N=1110) at total level. (**Table 6**). The total figure is inconsistent with other studies available on this area. However, comparison between SME IPOs and Main Board IPOs is something new. General assumption is that Large Enterprises (whose IPOs get listed on Main Board stock exchanges) are more efficient in their due diligence and with deep pockets can engage best merchant bankers, lead managers and other professional agencies to ensure better price discovery. Now, compare this with SMEs limited resources, budgets and technical prowess. Here, it can be safely premised that SME IPOs are more efficient in price discovery. Not only are these (SME IPOs) more efficient in price discovery, they are better in other parameters too. This can be seen through Descriptive Statistics (Table 7) and Mean Value Analysis (Table 8). Therefore, our Hypothesis 1 can be accepted.

Table 7: Descriptive Statistics Underpricing in SME Board IPOs Vs. Main Board IPOs

Listing Year	*N*	*Mean*	*Min.*	*Med.*	*Max.*	*SD*	*N*	*Mean*	*Min.*	*Med.*	*Max.*	*SD*
		%	%	%	%	%		%	%	%	%	%
	SME Board IPOs						**Main Board IPOs**					
1999-2011							439	24.98	-69.83	11.94	340	53.25

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>Rs. 25 Cr[A]							385	21.77	-69.83	11.94	286.25	53.25
<Rs.25 Cr[B]							53	48.89	-67.19	12.76	340	52.03
2012	13	14.11	0	1.3	146.25	32.67	11	4.64	-13.09	2.15	25.68	30.39
2013	34	7.68	-43.75	5	78	20.89	3	2.21	-6.48	3.75	15.37	9.97
2014	43	9.54	-10.13	4.4	76	20.08	5	27.13	-12.19	3.78	67.55	20.27
2015	42	6.09	-77.2	4.54	54	19.56	20	8.79	-17.64	4.2	49.85	15.46
2016	65	6.4	-20	4.04	45.63	14.84	29	16.64	-21.58	5	83.85	40.8
2017	134	9.44	-40	3.86	181.67	25.97	36	23.68	-16.75	3.6	139.95	28.85
2018	145	4.81	-28.75	2.04	64.35	14.48	25	6.46	-20.67	1.73	65.13	14.58
2019	50	2.16	-14.5	0.83	16.42	19.06	16	20.48	-6.9	0.82	127.69	19.61
Total	**526**	**6.84**	**-77.2**	**3.08**	**181.67**	**21.16**	**584**	**22.54**	**-69.83**	**4.47**	**340**	**38.19**

Source: Calculations Based on Data collated from the websites of SEBI, BSE, NSE, Chittorgarh, MoneyControl, etc.

Notes: The period is broadly divided into two parts – before SME Board existence and after SME Board existence. Since before SME Board came into existence, all stocks – SME or LE were listed on Main Boards only with no separate classification and privileges. Also the data available, particularly upto 2003, is very scarce. Therefore, a combined total picture is being drawn for the IPOs that listed during 1999 to 2011 period classifying them in SME IPOs (those with issue size < Rs. 25 Crores[B] and LE IPOs with issue size > Rs. 25 crores[A].

2. Descriptive statistics (**Table 7**) too support this view. Standard Deviation (SD) in SME IPOs is almost half (21.16 percent) that of Main Board IPOs (38.19 percent). The Median value is again lower at 3.08 percent for SME IPOs compared to 4.47 percent for Main Board IPOs. Further the overall spread (minimum/maximum) of underpricing for SME IPOs is also lower at -77.2/181.67 percent compared to -69.83/340 percent.

3. ***Mean Value Analysis (MVA)*** further adds to this view (**Table 8**). Here in MVA, both types of IPOs are compared on common parameters. Therefore, Mean Underpricing of 15.1 percent for the Total IPOs (N=1110) is used as basis for MVA. Here the assumption is that under ideal conditions, IPOs should fall within the Mean Value Range of +/-15 percent. These IPOs could be considered as *EFFICIENT* optimally. In this sample, three-fourth SME IPOs fall in this range compared to less than half that of Main Board IPOs. Hence, SME IPOs could be termed as Efficient. There should be minimum number of IPOs beyond this range. If an IPO is above 15 percent, it will be considered as 'highly underpriced' hence can be said as *INEFFICIENT*. These IPOs have delivered speculative gains (more than desired) by the investors in the short run itself. Therefore the investors need not hold this stock for longer period (an area that can be explored for further research). Around 22 percent of SME IPOs are above 15 percent benchmark compared to

45 percent of Main Board IPOs. Again SME IPOs are better placed here. On the other hand, if it falls beyond -15 percent, it will be termed as 'highly overpriced'. This could be seen as over-enthusiasm of the issuer company and such stocks may not be able match investor's expectations (could be called as 'lemons' IPOs as only seller is aware of quality of the stock) and hence may suffer in the long run (an area that can be explored for further research). Less than 3 percent of SME IPOs fall in this parameter compared to over 12 percent in case of Main Board IPOs. Thus, chances of Lemon IPOs are more with Main Board IPOs.

Table 8: Mean Analysis SME IPOs Vs. Main Borad IPOs

Parameter	**SME IPOs (N=526)**		**Main Board IPOs (N=584)**		**Comparison**
	n	%	n	%	
Above Mean 15% Max	114	**21.67**	262	44.86	Less of SME IPOs are Underpriced above 15% than Main Board IPOs, ***hence more of the Main Board IPOs are INEFFICIENT***.
Underpriced IPOs	413	**78.52**	386	66.10	More of SME IPOs are Underpriced than Main Board IPOs. Probability of first day gain remains higher with SME IPOs.
Between Mean Range of +/-15%	397	**75.48**	252	43.15	More of SME IPOs are within the Mean Value Range of +/-15% than Main Board IPOs, hence more of the SME IPOs are EFFICIENT.
Overpriced IPOs	113	**21.48**	198	33.90	Less of SME IPOs are Overpriced than Main Board IPOs. Probablity of better returns is with SME IPOs.
Below Mean -15% Min	15	**2.85**	72	12.33	Less of SME IPOs are Overpriced beyond -15% than Main Board IPOs. Main Board has more number of Lemon IPOs.

Table 9: Oversubscription (Demand) Analysis – Retail & Overall

	Retail Oversubscription (Times)	**Overall Subscription (Times)**

IPO Type	N	%	High	Low	Mean	Nos	%	High	Low	Mean
SME IPO	526	47.47	215.62	0.01	7.15	526	47.43	263.79	0.94	8.59
Main IPO	582	52.53	211.51	0.026	10.06	583	52.57	250.71	0.85	20.3
Total	**1108**	**100**	**215.62**	**0.01**	**8.68**	**1109**	**100**	**270.9**	**0.85**	**14.75**

4. ***Demand Analysis:*** Higher level of subscription (demand), both, at retail as well as overall level, is noted in case of Main Board IPOs compared to SME IPOs (Table 9). At retail level , Main Board IPOs are about 30 percent higher at average 10.06 times (N=582) compared with average 7.15 times (N=526) for SME IPOs. At Overall Level, Main Board IPOs get much higher demand at average 20.3 times (N=583) compared to 8.59 times (N=526) of SME IPOs. Year wise analysis (Table 6) also indicate that the same trend from year 2012 onward. Thus, SME IPOs witness lower demand (subscription) at retail and overall level. This is inconsistent with our Hypothesis 2.

5. ***Relationship:*** The study of the relationship between Underpricing and Subscription was undertaken using Karl Pearson Test of Correlation on above data using Underpricing above as Dependent variable and Subscription – Retail and Total as independent variable. **Table 10** presents the relationship. It is noted that Underpricing is directly and positively related to Retail Subscription as well as Overall Subscription. The results are significant at 99.99 percent. In case of SME IPOs, underpricing is related to the extent of 22 percent (N=526) with retail subscription while it is 44 percent (N=526) with overall subscription. In comparison, Main Board IPOs show more strong relationship at Retail level with 37 percent (N=584) and but little weaker at 41 percent (N=584) for Overall Subscription. At overall level it is almost same as that of Main Board IPOs. Therefore, underpricing in SME IPOs and Main Board IPOs have strong Positive Correlation with Retail Subscription and Overall Subscription. Thus this validates our Hypothesis 3. This finding is in line with several other studies.

Table 10: Relationship (Correlations) between Underpricing, Retail Subscription and Overall Subscription

		Underpricing	Sub_Ret	Sub_Total
Pearson (SME IPOs)	Correlation Coefficient	1	0.218**	0.441**
	Sig. (2-tailed)		.000	.000
	N	526	526	526
Pearson (Main Board	Correlation Coefficient	1	0.367**	0.413**
	Sig. (2-tailed)		.000	.000

IPOs)	N	584	584	584
Pearson (Total)	Correlation Coefficient	1	.365**	.409**
	Sig. (2-tailed)		.000	.000
	N	1110	1110	1110
**. Correlation is significant at the 0.01 level (2-tailed).				

CONCLUSION

SME IPOs are yet to catch full attention of the research community. The SME IPO market is still evolving and facing issues with respect to transparency and risk. Authors note that SME IPOs (N=526) appear to be more efficient in pre-listing performance and listing day performance in terms of Underpricing Analysis (UPA) (or Price Discovery Analysis (PDA)), Descriptive Statistics Analysis (DSA) and Mean Value Analysis (MVA) compared to Main Board IPOs (N=584). The average underpricing of 6.85 percent in SME IPOs is far lower to 22 percent in Main Board IPOs and half of average 15.1 percent of Total IPOs. Further, it is noted that subscription levels in case SME IPOs is on the lower side compared with Main Board IPOs. In line with many authors IPOs (SME or Main Board) show strong positive relationship of underpricing with retail subscription as well as overall subscription. The outcome of this paper will be of help for further research in this area.

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