

CRACKING THE WHIP

Why Sebi is tightening the regulations for public issues of SMEs

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New Delhi, 9 December

On December 2, the Securities and Exchange Board of India (Sebi) cancelled the initial public offer of Trafiksol ITS Technologies, a company that falls in the category of an SME — a small and medium enterprise. The stock market regulator asked it to refund money to investors.

This is one of several SME IPOs to run into trouble with the regulator in the recent past. Trafiksol ITS is a Noida-based company which provides intelligent transportation systems and automation solutions for traffic and toll management. It filed its Draft Red Herring Prospectus on May 31, 2024 for an IPO to be listed on the Bombay Stock Exchange's SME Platform.

The IPO offered 6.41 million new equity shares at a price of between ₹66 and ₹70 a share. The IPO was open between September 10 to 12 and was oversubscribed 345.65 times with listing scheduled for September 17.

Sebi acted on a complaint alleging that the objects of the issue included the purchase of software of ₹17.70 crore from a vendor with questionable financials, concluded after an investigation that the vendor was a 'shell entity'.

In another case, C2C Advanced Systems, an IPO on the National Stock Exchange's Emerge platform, opened November 22-26 at a price band of ₹214-226, and saw 125-time subscription for the 2.91 million-share issue. The listing on November 29 was deferred due to complaints of discrepancies in financial statements. The NSE consulted with Sebi and told the company to provide subscribers a withdrawal option and appointed an independent auditor for inspection of the accounts.

About 370,000 applications were withdrawn. But after the audit, Sebi allowed the listing on December 2. Additionally, the regulator asked the NSE to set up monitoring to oversee the utilisation of funds raised through the IPO.

In yet another case, Rosmerta Digital Services Ltd postponed an IPO scheduled to raise ₹206 crore between November 18 and 21. Though the company issued a statement about pulling back due to "adverse market conditions", it is said Sebi asked for a

As on October 15, 12 listings were suspended on NSE Emerge and there were no trades in another 15 companies in the last 30 days. Similarly, the BSE SME platform had 28 suspensions and in 35 companies no trade had been executed in the last month



withdrawal after receiving complaints alleging problems with the DRHP and allegations of market manipulation by relatives of the promoters.

SME IPO is a red-hot market segment. Many of these floats routinely see 100-time subscription and massive gains upon listing. However, Sebi has started tightening regulations after many complaints about sharp practices.

As of October 15, 12 listings were suspended on NSE Emerge and no trades in another 15 companies in the last 30 days. Similarly, the BSE SME platform had 28 suspensions, and in 35 companies no trade had been executed in the last month. If a stock goes illiquid, actually booking a profit (or loss) becomes difficult.

Governance lapses

SMEs are typically companies with a high concentration of shareholding among a few promoters. There is a limited presence of private equity and other sophisticated investors who can flag lapses in corporate governance.

The concept of SME IPOs has been around for a decade, but it really took off in the last two years. These issues allow SMEs to raise money and list on the NSE-Emerge and BSE-SME platforms (not on the main board.) The post-issue paid-up capital of the SME

must not exceed ₹25 crore, while eligibility requirements for SME IPO company directors, promoters, etc, are much the same as in a regular IPO.

Sebi released a consultation paper where it cited problems with Circular Transactions, meaning where companies inflate revenues through transactions with related entities to mislead investors. It cited problems with high-risk related party transactions (RPTs). The regulator says half of listed SME entities have engaged in RPTs of values exceeding 10 per cent of their turnover and a fifth had RPTs exceeding 50 per cent of turnover. The paper cited diversion of IPO proceeds to related parties, connected parties, shell companies, etc.

Sebi has asked for the minimum SME IPO application value to be doubled to ₹2 lakh, an increase in the minimum number of allottees to 200 from the current 50, restrictions on Offer For Sale (OFS) to 20 per cent of the issue size. (In an OFS, promoters sell stakes they own, and the proceeds come to them, not to the company.)

Sebi also wants monitoring agencies to oversee IPO fund utilisation in line with an IPO's stated objectives, and has suggested the lock-in on minimum promoter contribution (MPC) be extended to five years. (In MPC, the promoters have to continue to own at least 20 per cent stake after an IPO. There will also be a focus on RPTs to prevent fund diversion.

Rising popularity

SME IPO, as a concept, is fantastic for small companies. It raises cash at far lower initial cost than the interest payable on equivalent debt. Moreover, the company is under no obligation to pay a dividend, unlike with its legal obligation to service debt.

Tapping the equity market is therefore a great way to raise capital cheaply. The arithmetic of a low base allows a small business to grow very quickly, so there is a fundamental justification for investors to be interested. But the due diligence for an SME IPO is not as onerous as for a main board IPO. Crucially, the DRHP and other documents for SME IPOs are processed by the stock exchanges and not by Sebi.

There are around 850 SMEs currently listed on the two platforms, with a combined market capitalisation of over ₹2 trillion. Since the SME IPO concept was launched, around 1150 companies have listed on the NSE and BSE platforms and some 300 of these SMEs have since graduated to the main board (as on October 15, 2024).

In Calendar year 2022, 109 SME IPOs raised ₹1,980 crore. In Calendar year 2023, 182 SME IPOs raised ₹4,967 crore while in Calendar 2024 (until Dec 11), 228 SME issues raised ₹8,859 crore. In FY25 (April 1-December 11, 2024), 175 IPOs have raised around ₹7,109 crore compared to 205 issues raising ₹6,364 crore in FY24.

Clearly, the concept has become more popular in the last two years. The investor response has been truly extraordinary. Since September 2024, there have been 61 SME IPOs and 29 of these have received subscription of more than 100 times. Many have received more than 200—times subscription.

There is no greenshoe option. But oversubscription of this order guarantees that the issue hits the top end of the price band and it usually means listing at big premiums. Quite a few SME IPOs have gained more than 100 per cent very quickly after listing.

Rajesh Power, which listed on December 2, has gained 109 per cent since. C2C has gained 99 per cent after being cleared to list on December 3. Neelam Linens has risen by 160 per cent, Danish Power by 168 per cent, and Sahasra Electronics by 136 per cent.

Lottery tickets

Data tells us why SME IPOs are popular. An allotment is almost like a winning lottery ticket, with the possibility of instantaneous, massive capital gains. You don't even have opportunity costs unless you receive an allotment.

Earlier, an IPO application meant cash being transferred out of your account, and waiting for a refund if there was no allotment. Now, the



ILLUSTRATION: BINAY SINHA

money stays in your account earning interest via the ASBA (Application Supported by Blocked Amount) interface until such time as an

allotment comes through or does not.

It is no surprise investor participation has jumped. On average, there are 245 applicants for every single one who receives an allotment — that is up from 4 times in FY22 and 46 times in FY23.

Investors run some risks, of course, including lack of liquidity, quite apart from outright fraud or malpractice. But

so long as the stock market continues to rule high, most retail investors will continue to consider SME IPOs a very attractive proposition.

If the market does go into correction mode, there will be less interest and the liquidity may dry up further. But until and unless there's a broad bear market, the momentum in the SME IPO segment is likely to continue.

Jay Speaks
The Art of War, boardroom edition.

Short Notice Inviting Tenders
Central Bank of India invites e-bids for:
1- Bid No. GEM/2024/B/5670501 RFP for "Supply, Implementation, Migration and Maintenance of UPI Solution (Application & Software) under CAPEX Model".
Deadline for Tender submission on GeM portal is 16/01/2025 up to 15:00 hrs.
2- Bid No. GEM/2024/B/5672479 RFP for Supply, Implementation, Migration and Maintenance of ATM Switch Solution, CMS Solution and ATM Monitoring solution under CAPEX Model.
Deadline for Tender submission on GeM portal is 14/01/2025 up to 15:00 hrs.
For details, please visit our website: www.centralbankofindia.co.in
Chief Manager-Admin

BOI
Head Office: Star House, C-5, "G" Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

TENDER NOTICE
Bank of India invites request for proposal (RFP) for Selection of Assurance Provider (AP) for BRSR Core for the FY 2024-25.
Last Date and Time of Submission of Bid is 30th December, 2024 by 4.00 p.m.
Details are available on Bank's website: www.bankofindia.co.in under Tender section with Reference No. 4921-09122024.
"Addendum", if any, shall be published on Bank's Website: www.bankofindia.co.in under Tender section. Bidders must refer the same before final submission of the proposal.
Place: Mumbai
Date : 09/12/2024
Company Secretary

KARNATAKA SILK INDUSTRIES CORPORATION LTD.
(A Government of Karnataka Enterprise)
3rd & 4th Floors, Public Utility Building, M.G. Road, Bengaluru - 560 001. Ph: 080-25586550 / 25586402
E-mail: info@ksicsilk.com

No. KSIC/PD/GL-71/01/2024-25 Date: 07.12.2024
Tender for Supply of Gold Lace
(Through KPP Portal only)
Tender is invited through KPP-Portal from reputed Manufacturers for supply of 33,900 marcs of Gold Lace for KSIC, Silk Weaving Factory, Mysuru for a period of one year.
Tender Documents, details of the Notification, schedule terms & conditions can be downloaded from <https://kppp.karnataka.gov.in> The Pre-bid meeting to be held on **30.12.2024 at 3.30 p.m.** Last date and time for uploading the tender along with EMD of **Rs. 5,00,000/-** through KPP-Portal is **10.02.2025 upto 3.00 P.M.** and the Technical bids will be opened on **12.02.2025 at 03.30 P.M.** Further details can be had from the office of the Undersigned during working hours or KPP-Portal helpdesk - 080-46010000, 080-68948777.
Sd/-
GENERAL MANAGER (Proc)
DIPR/CP/JA/3675/2024-25

INSILCO LIMITED
(Under Voluntary Liquidation wef 25.06.2021)
CIN: L34102UP1988PLC010141
Regd. Office - B-23, Sector 63, Noida, Uttar Pradesh - 201301,
Phone: 09837923983, Email: insilco2@gmail.com, Website: www.insilcoindia.com

NOTICE OF THE 4th CONTRIBUTORIES MEETING OF INSILCO LIMITED (UNDER VOLUNTARY LIQUIDATION)

Notice is hereby given that:
Pursuant to Regulation 37(2)(a) of the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017, the 4th Contributories Meeting ("Meeting") of Insilco Limited ("Company") will be convened on Friday, 20th December 2024 at 11:00 A.M. (IST) through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM") facility to present a Status Report(s) indicating progress in liquidation of the Company which includes:
• settlement of list of stakeholders,
• details of any assets that remains to be sold and realized,
• distribution made to the stakeholders,
• distribution of unsold assets made to the stakeholders,
• developments in any material litigation, by or against the Company,
• filing of, and developments in applications for avoidance of transactions in accordance with Chapter III of Part II of the Code,
• the reasons for not completing the process within stipulated time period and the additional time required for completing the process; and
• audited accounts of the liquidation showing the receipts and payments pertaining to liquidation since the liquidation commencement date

All the members are informed that:
i. The Notice of the Contributories Meeting has been sent by email to those Members/Contributories whose email addresses are registered with the Company/Depository Participants(s). The electronic dispatch of Notice of the Contributories Meeting has been completed on 9th December 2024.
ii. The cut-off date for determining the Members eligible to attend the Meeting is 13th December 2024.
iii. Any person becoming a member of the Company after the dispatch of Notice of the Meeting and holding shares as on the cut-off date i.e. 13th December 2024 may obtain the User ID and password by referring to the login instructions attached to this Notice.
Alternatively, member may send request providing the email address, DP ID / Client ID, mobile number, number of shares held and self-attested PAN copy via email to insilco2@gmail.com for obtaining the Notice of Meeting.

iv. The Notice of the Contributories Meeting is also available on the website of the Company at www.insilcoindia.com, and website of BSE Limited at www.bseindia.com. Also, on the website of NSDL at www.evoting.nsdl.com.

Members, who have not received the notice due to change/ non-registration of their e-mail address with the Company/ RTA Depository Participants, they may request for the Notice, by sending an email at insilco2@gmail.com for obtaining the Notice of the Meeting. Post receipt of such request and verification of records of the member, the member would be provided soft copy of the Notice. It is clarified that for registration of email address, the members are however requested to follow due procedure for registering their email address with the Company/ RTA in respect of physical holdings and with the Depository Participants in respect of electronic holdings. Those Members, who have already registered their email addresses are requested to keep their email addresses validated with their Depository Participants/ RTA/ Company to enable servicing of notices/Annual Reports electronically to their email address.

The Members who have not received any communication regarding this Meeting for any reason whatsoever, and are eligible to attend are also entitled to attend and may obtain the User ID and password or instructions for remote login by contacting at the Company's email address at insilco2@gmail.com or evoting@nsdl.com.

v. Members who would like to express their views/questions can send their questions in advance from their registered email address, mentioning their name, DP ID and Client ID number/folio number, email address, mobile number at insilco2@gmail.com at least 2 days in advance before the start of the meeting. Such questions shall be replied by the company suitably.

vi. Members, who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request mentioning their name, DP ID and Client ID number/folio number, email address, mobile number at the Company's email address at insilco2@gmail.com at least 48 hours in advance before the start of the meeting i.e. by 18th December 2024 by 11:00 a.m. (IST). Such questions shall be taken up during the meeting and replied by the Company suitably. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate for smooth conduct of the meeting.

vii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-Voting user manual for Members available at the download section of www.evoting.nsdl.com or call on 022-4886 7000 and 022-2499 7000 or send a request at evoting@nsdl.com or contact Ms. Sarita Mote, Assistant Manager, National Securities Depository Limited, Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, who will also address the grievances connected with joining by electronic means. Members may also write to the Company Secretary at the Company's email address at insilco2@gmail.com.

For Insilco Limited (Under Voluntary Liquidation)
Sd/-
Kapila Gupta
Liquidator
Date : 9th December 2024
Place : Noida, UP



CATCHING ON

■ 850 SMEs are listed on the platforms of BSE and NSE

■ Their combined market capitalisation is more than ₹ 2 trillion

■ Since the SME IPO concept was launched, around 1,150 companies have listed on the NSE and BSE platforms

■ 300 of these have graduated to the main board (as on October 15, 2024)

■ In calendar year 2022, 109 SME IPOs raised ₹1,980 cr

■ In Calendar 2023, 182 SME IPOs raised ₹4,967 cr

■ In Calendar 2024 (until Dec 11), 228 SME issues have raised ₹8,859 cr

■ Since September 2024, there have been 61 SME IPOs and 29 of these have been subscribed more than 100 times, many of them more than 200 times

WHAT SEBI WANTS

■ Minimum SME IPO application value doubled to ₹ 2 lakh

■ An increase in the minimum number of allottees to 200 from the current 50

■ Restrictions on Offer For Sale to 20% of the issue size

■ Monitoring agencies to oversee IPO fund utilisation in line with an IPO's stated objectives

■ Lock-in on minimum promoter contribution to be extended to five years

ITI Asset Management Limited
Investment Manager for ITI Mutual Fund
Registered Office: ITI House, Building No.36, Dr. R. K. Shirodkar Road, Parel, Mumbai - 400 012, Maharashtra
Toll Free No: 1800 266 8603
E : mfassist@itiorg.com
W : www.itiamc.com
CIN: U67100MH2008PLC177677

NOTICE No. 59/2024
Notice to the Investors/Unit holders of ITI Balanced Advantage Fund (the Scheme)

NOTICE is hereby given that ITI Mutual Fund Trustee Private Limited, Trustee to ITI Mutual Fund has approved the following distribution under Income Distribution cum Capital Withdrawal Option ("IDCW Option") of the Scheme, subject to availability of distributable surplus on the record date i.e. on December 12, 2024*:

Name of the Schemes/Plans	Quantum of IDCW (₹ Per unit) (Face value of ₹ 10/- each)*#	NAV as on December 06, 2024 (₹ Per unit)
ITI Balanced Advantage Fund		
Regular Plan- IDCW Option	0.10	13.2685
Direct Plan- IDCW Option	0.10	14.7593

*The distribution will be subject to the availability of distributable surplus and maybe lower depending upon the extent of distributable surplus available on the record date under the IDCW option of the Scheme.

#Subject to deduction of applicable statutory levy, if any

*or the immediately following Business Day, if that day is a Non - Business Day.

The distribution with respect to IDCW will be done to all the unit holders/beneficial owners whose names appear in the register of unit holders/Statement of beneficial owners maintained by the Depositories, as applicable under the IDCW option of the Scheme, at the close of business hours on the record date.

It should be noted that pursuant to payment of IDCW, the NAV of the IDCW option of the Scheme would fall to the extent of payout and statutory levy (if applicable).

For ITI Asset Management Limited (Investment Manager for ITI Mutual Fund)
Sd/-
Authorised Signatory

Unit holders are requested to update their PAN, KYC, email address, mobile number, nominee details with AMC and are also advised to link their PAN with Aadhaar Number. Further, Unit holders can view the Investor Charter available on website of the Mutual Fund as well as check for any unclaimed redemptions or Income Distribution cum Capital Withdrawal ("IDCW") payments.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



