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Review on withdrawn and failed SMEs Initial Public Offering in India: An empirical case study

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Abstract: This study aims at examining and analysing the multi-various causes of failure and withdrawal of SME IPOs in the Indian Capital Market Scenario. The study is focused on the time period June 2017 to June 2019. In the Indian SME Capital Market scene, Market gained major momentum after the launch of two distinct platforms exclusively for SME fund raising. These platforms weren't only beneficial for SME sector for financing but it also provided a platform and plan for action for informed investors to earn better return by taking enhanced risk of investing in promising and emerging ventures. Tapping on such opportunities with of course the innate risk of investing in SMEs, in 2012, both of India's leading stock exchanges, BSE and NSE had established the two separate platforms for SMEs, called the BSE SME Platform and NSE EMERGE respectively. These SME Capital Market platforms have facilitated numerous SME companies scale up their business via these distinct platforms catering specifically to emerging small and medium companies. The study traverses the various decisive factors crucial to an IPO performance including the pre-IPO scene which is determinable to the failure or withdrawal of SME IPOs. Conclusively, the study delivers that the valuation, management, financials, business environment, peer performance, IPO pricing, ratio analysis has a strong reflection on the outcome of an IPO decision. This study has implication for investors, small business houses, investment and merchant bankers and regulatory bodies.

Keywords: *SMEs IPO; withdrawal; failure; IPO decision; BSE SME; NSE Emerge; business environment; investor; risk.*

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1. Introduction

All over the world, currently the SME segment is emerging and assuming a very significant part in the social and economic advancement of any developing nation. Development of the SME segment is vital for the economic progress and advancement of these developing nations to control the various economic issues of poverty, income inequalities, unemployment, and regional imbalances. In India, the SME segment constitutes and contributes to a high extent in the national economic strata and is seeing rapid growth. A lot of ever-increasing number of endeavours is being taken for the promotion, up-scaling and advancement of this segment. The Indian Government has been supporting this segment exclusively with different activities, for example, make in India, Skill India, PradhanMantri MUDRA Yojana, Start-up India, Public Procurement Policy to encourage empowerment, innovation and development in the SME sector. These measures have collectively prompted ideal development in the manufacturing and service industry. Even though the SMEs constitute to the heart of Indian economy and also contribute fundamentally to the GDP of Indian economic development, There are still varied strains that hinder the development of the SME segment in the country namely due to these factors:

a) This sector requires financial assets, convenient and comfortable access to timely credit is one of the biggest issues in their development;

b) Lack of updated and advanced resources and infrastructure;

c) The dearth of skilled and competitive manpower;

d) Vis-à-vis the big competitors in the market, There is an inability on their part to market their products/services;

e) SMEs require updated and affordable access to technology;

f) When competing in the market, the big players take away most of the game in the market due to the above reasons.

Every one of these constraints builds up a gamut of hurdles faced by SMEs on their path for development and improvement to their supreme potential. Most of the above hurdles are pretty much because of an absence of capital and access to fund-raise from the market like the big organizations. To improve the visibility of SMEs and along these lines and opening more of these financing avenues, the central government recommended on establishing a platform where IPOs of SMEs can be floated and traded which will be known as SME Exchange. Here, SME Exchange infers an exchanging/trading foundation or platform where a perceived stock trade could take place across the nation via exchanging terminals allowed by the regulator, SEBI to list the predetermined protections gave as per ICDR guidelines (2009).

This stage is pivotal for emerging SMEs as it gives a crossroads to educated investors to gain better return by taking enhanced risk of putting resources into these emerging and promising ventures. Tapping on this opportunity for development, both the main stock trades, BSE and NSE have set up separate platforms for SMEs, namely BSE SME and NSE EMERGE. Before the year 1990, OTCEI (over-the-counter trade of India) was introduced and established with same reason. And in and around the same time, electronic means of trade was being presented in India. This did not seem to go on the success path and hence ceased to exist post 2015. Prior to the year 2016, around 200 companies have been listed on these two SME exchanges. The companies listed on these SME platforms can also migrate to main stock exchange by following the provisions of the regulator, SEBI. But, the companies have to be mandatorily initially listed and traded on SME platform for a minimum time period of at least two years. For the purpose and inclination towards establishing high corporate governance standard, SEBI, along with BSE & NSE have formulated set of regulations that have to be complied by issuer with the help of merchant banker for the issue management for the SMEs to migrate to Mainboard. The underperformed IPOs, are mostly concentrated among relatively young growth companies. The same reason is consistent with the scenario of firms going public when investors are irrationally over optimistic about the future potential of certain industries. Also, IPO grading of any issue is a strong factor for post issue performance. As observed, IPOs graded comparably higher have not performed better than those which were graded relatively lower.

2. Literature review

The purpose or the rationale for the study is to evaluate the various factors affecting the IPO decision and its impact on its failure post issue. India is a relevant emerging economy and also a member of BRICS group which also includes Brazil, Russia, India, China and South Africa (Spulbar and Birau, 2018). The study also is conducted to understand the reasons various internal and undisclosed reasons for the withdrawal of SME IPO before the IPO goes public. The study will explore the deeper intricate factors to IPO decisions and outcomes. This study has implication for investors, small business houses, investment bankers and regulatory bodies. Spulbar and Birau (2019) suggested that the progress of the global economy is strongly related to a profitable, but also competitive banking system. One of the interesting phenomena in SME financing is the role of IPO and its effect on companies' performance. Many scholars have commented on the importance of SMEs by remarking that their part in boosting world economy and trade is fundamental and this opinion has had a global acceptance sincequite a lot of researches, journals and whitepapers have been dedicated to this segment and their importance in global trade and economy. In his FICCI speech delivered by C B Bhave, Bhave was of the opinion that SMEs are medium to catalyse a major quantum of world economies towards development and develop a strong role of the world industrial activities. He has further emphasised on the fact that SMEs in a lot of cases are ridden or slowed down due to financial crisis. He also says that the establishment of SME exchanges will be very crucial and significant platform for much needed support when it comes to their capital needs, especially their need for enhanced credibility and ease and access to timely financing.

IPOs of companies with comparably higher and effective management quality will be characterized by a lot of factors like lower under pricing, a bigger institutional support and interest, comparably reputable underwriters, and more minimal underwriting expenses being occurred. Going Further, if quality of management is supreme it is related with smaller heterogeneity in investor valuations, organisations with better leaders and managers will have a much greater long-term returns on their stocks. Finally, since evidently better leaders and managers are much more likely to make a choice of better projects (projects having a larger Net present value for any given scale) and be able and capable to implement these more aptly and ably, higher and more effective management and leadership quality will also be connected with bigger IPO offer sizes offered and much more stronger post-IPO operating performances of these companies.

Further research studies on the SME segment indicates and evidences that companies publish their financials to provide much needed and essential information about their businesses (Chemmanuar and Paeglis, 2004). Interested investors use these financial statements to analyse and assess the overall health of these companies and make investing decisions. Investors prefer companies that have consistency in their earning pattern from a perspective of consistent growth. Of course these factors result in these companies trading at comparably at higher price-to-earnings (P/E) multiples then their peers (Barth et al., 1999). The type of offering delivered by the SME to the public is also a very substantive factor to consider in the whole investing decision. These multivariate analyses identify the type of offer being offered to the public, the size of issue offered, all of the promoter holding, lead manager performance till date, the issue's extent of oversubscription, and the stock exchange of listing as the key factors and determinants of underpricing of the SME IPOs. Basis these factos we have observed that Post listing, these IPOs have comparably significantly out-performed the benchmark index. Moreover, the IPO grading process of any SME issue is a strong factor and determinant for post issue performance. There is an evidently substantial variation in performance across IPO grades. As observed, IPOs graded comparably higher have not performed better than those which were graded relatively lower. Moreover, mandatory grading of SME IPOs does not appear to serve the interests of investors (Dhamjia and Arora, 2014).

3. Research methodology and empirical analysis

3.1. Domestic Scenario:

OTCEI – Over the Counter Exchange of India: This organisation was established in 1990 and had started initiating the trading process two years later to provide a strong gateway for the small& medium enterprises entry into the Indian capital markets. Spulbar et al. (2020) investigated volatility patterns between a cluster of emerging and developed stock markets and concluded that India is one of the countries that experienced high positive volatility after the global financial crisis of 2008. Trivedi et al. (2021) highlighted the fact that global financial crisis affected the real economy with immediate effect in economic growth decline and increase in case of unemployment rate. Moreover, Zulfiqar et al. (2020) argued that there is a nexus between countries level governance indicators and firm level governance indicators, while this particular linkage has an indirect impact on the performance of stock markets.

Regulatory requirements on listing of smes in India are highlighted in the following paragraphs. India has established its SME platforms after considering serious hard learnt lessons from their global counterparts. Some of the hurdles faced by global SME platforms, and India's own experience with OTCEI's &Indonext's, as well as the domestic situations of indiancapital market, have provided an important paltofrm and foundation for the formation of SME exchanges in India (BSE 2011). According to the regulator SEBI, SME exchanges should be set up as the corporatized entities (bodies with the structure found in publicly traded companies) with a minimum net worth of Rs.1,000 million.

3.2. International Scenario:

Worldwide, separate platforms have been established and structured to cater to the needs of the emerging SMEs and aid their growth and financing requirements. From the total of 192 countries known worldwide, 149 of these happen to have their own stock exchange. And among these countriestoo roughly around a 57 countries have an alternative markets for SME companies to fulfill financing requirements. Some of the examples are:

1) Alternative Investment Market – AIM (London Stock Exchange, London): This was structured and established in the year 1995 as a sub-market of the already established LondonStock Exchange. Over 3,600 organisations have chosen to join AIM since its inception. It facilitates companies from Canadian oil explorers to the Chinese tech start-ups. Also, a flexibility is provided in this exchange. Like no minimum size requirements for listing and shares can be traded in any open traded currency, etc.

2) NASDAQ OMX First North (NASDAQ OMX Group): This was designed for the small and medium promising and growing companies, where every company will be having a Certified Adviser, who will be responsible for carrying out the whole process of listing for the company. This exchange is very much apt and suitable for small, young or growth companies. This integrates the advantage of becoming public without any hurdle and is mainly considered as the first step towards the main market.

3) NYSE Alternext (NYSE-Euronext Group): This was formed in 2005 by Euronext to meet the needs of midsized and small companies. The rules here are as easy with a minimum free float requirement of €2.5m only for IPO. On the other side, regarding a private placement, the company can apply for listing on Alternext and must prove that they have placed at least €5m with five or more investors.

4) Euro MTF (The Luxembourg Stock Exchange, Luxembourg): This exchange acts as a major listing centre of international equities, bonds and other funds. The Luxembourg Stock Exchange functions through these two markets: European regulated market (opened in 1929) and Euro MTF (opened in 2005 and is a regulated by the exchange itself).

5) Mothers (Tokyo Stock Exchange, Tokyo): This was established in the year 1999 under Mothers name (market of the high-growth and emerging stocks), to meet start up stage funding requirements of emperging companies and offer investors with a more verified and diversified investment products and services.

6) TSX Venture Exchange (TMX Group, Canada): This exchange was formed and structured to provide the public venture capital to expedite the growth and development process of new ventures. Listing in the current exchanges opens up the opportunity of credit and financing with access larger pools of capital.

7) The Alternative Exchange (Johannesburg Stock Exchange, South Africa): This is catering to the requirements of a large number of companies in all of the sectors including all the young & fast-growing businesses (like start-ups) and family-owned businesses.

8) Growth Enterprise Market (Hong Kong, China): This market doesn't require the growing enterprises to mandatorily fulfil the requirements to achieve the minimum profit figures as criteria or condition of listing. On a look at the listing requirements and criteria of SME exchanges, most of this markets adopt an at ease process of listing and maintenance requirements than the main market, in terms of various parameters considered: the operational history, the minimum number of shareholders of the company, past financial performance of the company and the quantum of free-float shares, etc. To maintain sufficient amount of liquidity, many of these exchanges have put across alternative arrangements such as market makers for liquidity. When making policies regarding to the SME Exchange in India, several of the global practices have been adopted.

The *IPO Issuing Process* suggests that India had established its SME exchange platforms after considering the serious hard learnt lessons from their global counterparts. From the problems faced by global SME platforms, to India's own OTCEI's & Indonext's experiences, and also considering the domestic situations of the Indian capital market, these experiences have provided the decision makes with an important foundation and vital factors to consider for the establishment of SME exchanges in India (BSE 2011). According to SEBI, these SME exchanges should established and formulated as corporatized entities (defined as bodies with a formal structure found in publicly traded companies) with a minimum net worth of Rs.1,000 million. These guidelines have stipulated that an issuer of IPO with post-issue face value of up to Rs.100 million will be invariably covered with and under the SME exchange whereas issuers with post-issue face value capital between Rs.100 million and Rs.250 million will have to get list on other SME exchange.

3.3. Eligibilty for listing:

- The applicant company must be a public limited company mandatorily. Any other forms of organisation like Partnership Firms, Proprietorships or Private Limited Companies should proceed to change or convert compulsorily to a public limited company.
- The applicant company should as per the criteria have a net worth of at least 3 crores in its latest audited financials.
- The applicant's net tangible assets should amount up to be at least Rs 3 crores in their latest audited financials.
- The applicant company's post paid-up capital should amount up to be at least Rs 3 crores and should not be above Rs. 25 crores. In case if the company's paid-up capital is more than Rs 25 crores in such a case it would have to be listed on main board.
- The applicant company's at least two years distributable profits should be out of their immediately preceding three years.
- The applicant company must have its own website and on which its financial statements of 3 years at least should be present.
- The applicant company should be entering into an agreement with both the depositories and compulsorily aid DEMATS trading of its securities.
- There should not be an impending wind up petition made on part of the applicant company and also should not be at admissial by the court of law.
- The issue applied for should be a 100% underwritten and also mandatorily 15% of the same must be underwritten by the Merchant Banker themselves.
- The company applying should have a minimum of 50 allotters is needed by the company at the time of listing through IPO.
- The applicant company's minimum lot size for its issue for trading and application is Rs. 1,00,000.
- The applicant company should have not been referred to BIFR (Board for Industrial and Financial Reconstruction).

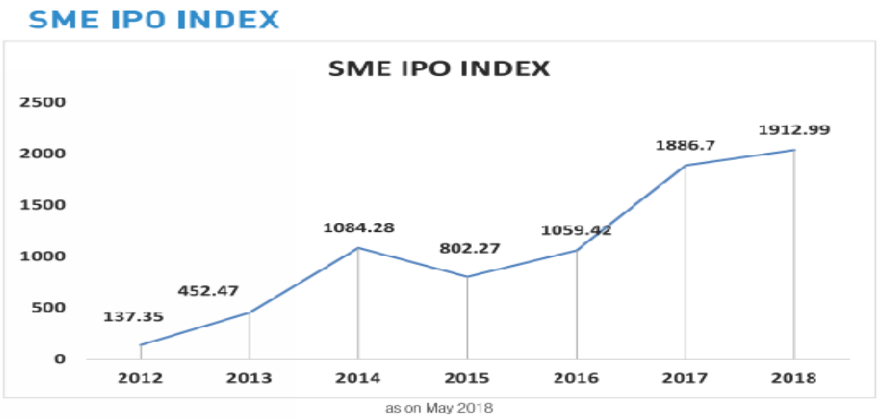

Figure 1 The trend of BSE – SME IPO Index

Issue of securities in an IPO is, governed and regulated by SEBI (Disclosures and Investors Protection) Guidelines, 2002 – prominently known as the SEBI DIP Guidelines, which gives that an company which has applied can pull back applications in an open issue. Be that as it may, note that according to the SEBI DIP Guidelines, Qualified Institutional Bidders (QIBs) are not actually permitted to pull back their offer after the offer conclusion. This standard was set to forestall any conceivable control of the IPO membership by the QIBs. Initial public offering application might be pulled back by a candidate company by composing a letter on the same, to the Registrar of the issue, featuring the Company's name and unmistakably referencing total application number, names as in the application and marks everything being equal.

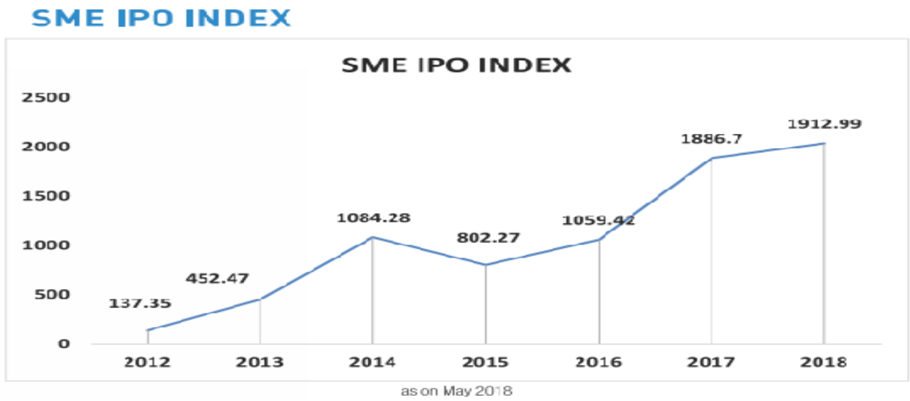

Figure 2 Fund raising and sectorial distribution

The candidate company needs to guarantee that their withdrawal application is received by the enlistment entity preceding the conclusion of the Basis of Allotment. The ASBA offers can also likewise be pulled back. During the offering time frame they can move toward a similar bank to which you had presented the ASBA and solicitation for withdrawal through a letter marked to the application number. After the offer conclusion time frame, a withdrawal is sent solicitation to the Registrars, who will drop the said offer and trainthese Self Certified Syndicate Banks (SCSB) for unblocking the application cash in the financial balance after the finish of premise of assignment.

3.4. The listing criteria for emerge - NSE SME IPO are the following:

- The company applying must be mandatorily be a registered as a company under the Companies Act 1956 or Companies Act 2013.
- The company should be having a post paid-up capital not above Rs 25 crores.
- Distributable profits of the said company for at least two years should be out of the immediately preceding three years of the company.
- The applicant company must have its certified copies of the annual report for the last three years;
- The applicant must submit its business plan of 5 years, iysbalance sheets and profit and loss statements.
- The promoters of the applicant company must have a relevant experience of at least 3 years in the same field.
- The said applicant must enter into an agreement with both the depositories and compulsorily aid the DEMAT trading of the securities.

- The applicant should not be having any petition of winding-up which has been admitted by the court of law.
- The applicant must provide an auditor's certificate stating that there has been no default in payment of interest by the applicant company's promotor or by any of the holding companies of the promotors.
- There should be disclosure made if any litigation case has been filed against the company, or its promoter or the promoter held companies . The disclosure has to be made with all details and the current status.
- There should be disclosure made if any impending criminal cases were filed against the director or directors, if so then the all details and status of the investigations are to be disclosed which can have a direct impact on the business.
- The applicant company needs a minimum of 50 allotters when going for the listing decision through an IPO.

3.5. The procedure for listing on the SME IPO exchange includes the following steps:

- There has to be a Merchant Banker appointed for their consulting and advisory services for the financing decisions.
- The Merchant Banker is then required to conduct a thorough documentation check and due diligence of the said company. For the same, The merchant bank must check all financial documents, all of their material contracts, which should be at least Rs 3 crores. etc. The documentation should also include the company's share issuances, IPO structure and all of their other financial documents.
- On completion of due diligence process and documentation verification by the Merchant Banker, a draft of the prospectus and DHRP have to be submitted by the company in accordance with the regulator, SEBI's guidelines.
- The SME exchange on their own verification of the documents and if on finding those satisfactory will proceed it for processing it further. A site visit is also conducted by the officials at the company's registered office.
- The promoters of the company will then be called for an interview with the Listing Committee of the SME exchange on satisfactory completion of documentation check and the company's registered site visit and issue an in-principal approval.
- The Merchant Banker will then be going ahead to file the prospectus with the ROC, taking along the opening and closing date of the said issue.
- The company will then be intimating the SME exchange with the required documents and opening date of the issue on receipt of approval from the ROC
- The IPO will then be opening and closing to the public for allotment as per the slated schedule.
- The company then has to submit the documents to the exchange for allotment.
- Finally, once the allotment is done, the notice of listing and trading of the company's shares will be then issued.

4. Empirical results

The *withdrawn SME IPOS* include the following: K.P.R. Agrochem Limited, Sudarshan Pharma Industries Ltd, Salebhai Internet Ltd, Sorich Foils ltd, Dinesh Engineers Private Ltd, Seven Hills Beverages ltd and PentaGold Pvt. Ltd.

KPR Agrochem withdrew its Rs 283 crore initial public offering surprisingly just a day prior to be hitting the primary market. The proposed public issue had been withdrawn for unknown reasons as per released sources in media. The IPO was planned on slated openingon June 28, 2019.The company has static and listless revenue growth in last four years, weak financial position of its promoters and rich valuation sought compared with peers. At the higher finish of the price band, the stock was asking a P/E multiple of 19.9 and enterprise value (EV) of 8.8 times the operating profit before depreciation (EBITDA) in view of post-issue capital and annualized profit. The company's listed peers as per the record were Dhanuka Agritech and Insecticides India exchange at lower P/Es in spite of having better return on equity and far higher revenues. The company's promoters had weak financial strength and one of their promoter group companies, KPR Industries, was pronounced as a non-performing account after it had defaulted on its impending debt obligations. The promoters had their emphasis on an caustic soda venture worked through KPR Industries which had capped their capacity to inject cash in KPR Agrochem.

Sudarshan Pharma, the Company decided to withdraw the application made for SME IPO on NSE Emerge because of material changes in the current business model as stated by the company representatives. The SudarshanPharma IPO was planned and slated to open to list on Jun 25, 2019, at NSE Emerge.According to offer documents, it has indicated Alembic Ltd., Shilpa Medicare, TTK Healthcare, Biocon and Torrent Pharma as its listed peers companies. These peer companies were then trading at a P/Es of around 27, 24, 38, 100 and 35 separately (as on 07.06.19). Biocon is citing at higher P/E because of itscum-bonus quotes. If FY19 earnings are to be considered and then attribute it on fully diluted equity post issue, then asking price is at a P/E of around 41 and thus it is aggressively priced compared to most of its listed peers. For the last three fiscal years, the company has had an average EPS of Rs. 2.63 and an average RoNW of 9.96%. The issue is priced at a P/BV of 3.82 on basis of its NAV of Rs. 19.63 as on 31.03.19 and at a P/BV of 2.19 on the basis of post issue NAV of Rs. 34.30 per share. On Merchant Banker's front, this is the thirteenth offer from them. Out of last 10 listings, 5 issues opened at rebate to offer price and the rest with an premium running from 1.67% to 25% upon the listing day. In this way its track record is average. This is the first huge IPO handled of by the merchant banker, First Overseas. Pharmaceutical sector has been a highly regulated sector. Recent listings of SME Pharma companies have hada disappointingdebut and unhappy investors. We found Very high valuation and pricing sought, poor business and the company was asking for a high P/E than the industry P/E and listed peers P/E. (Source: Financial facts and figures are based on details provided at the time of filing offering proposal.)

Salebhai Internet Ltd decided to withdrew the application made by them for SME IPO on BSE SME Platform. The reason given for this decision by the company was that the IPO was withdrawn due to unavoidable circumstances.Upon analysis, For previous two FYs the company has posted a turnover/net profits/ – (loss) of Rs. 0.04 cr. / Rs. – (1.11) cr. (FY16), Rs. 0.46 cr. / Rs. – (2.88) cr. (FY17). For the 10 months ended on 31.01.18 of FY2018, it has posted loss of Rs. – (1.60) cr. on a turnover of Rs. 1.13 cr. Thus company has been incurring losses for all of these fiscals..Salebhai Internet has posted an average negative EPS of Rs. (416.14) and an average RoNW of (148.31%). Hectic premiums have been collected for further equity that helped company to have a NAV of Rs. 97.93 as on 31.01.18. Although, as on 31.03.18 its NAV is at around Rs. 18.88 and on this basis, asking price at a P/BV of 5.56. Due to the company's negative earnings, its P/E remains negative. According to offer record, it is indicating that Infibeam Incorporation as its listed peer. Infibeam was trading at a P/E of around 672 as on 20.07.18. according to 31.03.18 income. On Merchant Banker's front, this is the tenth mandate through them in the last five FYs. Out of the last 9 listings 2 that opened at par, 2 were at par and the rest with a premium running from 1.42% to 45% upon the listing day. Screening of details, proposals and facts, we found that with poor financials and negative P/E an IPO would not look promising. Negative earnings, unimpressive and poor financials, aggressive pricing would have led to the withdrawal of IPO (Source: Financial facts and figures are based on details provided at the time of filing offering proposal).

Sorich Foils IPO was withdrawn and as per the notice received by NSE the company board feels the time was not apt to take company public and in the view of this the Board of Directors unanimously deceived to withdraw theSorich Foils IPO. The company's last two fiscals are practically static and main concern among the FYS the setback for FY16 figures. For last three fiscals it has posted a average EPS of Rs. 4.17 and a average RoNW of 10.83%. Further, issue is estimated at a P/BV of under 1 based on post issue NAV of Rs. 16.36. In the event that we annualize most recent income and trait it on completely weakened value post issue, at that point asking price is at a P/E of around 19 or more against the industry normal of 7. According to offer archives it has considered Sysco Ind and PG Foils as its listed peers that were being exchanged at a P/Es of around 2 and 7 individually (as on 21.05.18). In this way the issue was aggressively priced. On Merchant Banker's front, this is the second mandate through them in last two fiscal years. The only other so far opened at a premium of 20% upon the listing day. Detail observation and review of facts helped us to identify that the company has quite flat and static revenues. Another concern incidentally is their poor profits after tax to the revenues are also a concern. Poor financials of any proposed organisation won't attract investors. The P/E sought by the company is high and the issue is aggressively priced compared to the listed peers, aggressively priced issue and the company was aware of the tepid response to the IPO and forecasted that their capital financing requirements would not be successful through IPO and went on to seek other financing options and withdrew the IPO. (Source: Financial facts and figures are based on details provided at the time of filing offering proposal).

Dinesh Engineers, decided to withdraw the application made for IPO on BSE and NSE Platform. The reason stated for the same was that it was due to volatility in the capital market. Since It had no listed peers to compare with, the historical performance of the industry is indeterminable. On merchant banker's front, this is the 50th mandate in the last six FYs. Out of the last 10 listings through them, 2 had opened at a discount and the rest opened with a premium running from 2.78% to 20% on the listing day. The equity market conditions were quite volatile and an IPO would have been definitely risky. The company clearly stated the reason for withdrawal as the capital market volatility.Considering the company's business model, their marquee client list and the promising future prospects, this reasonably priced issue would have been a success if had not been withdrawn. (Source: Financial facts and figures are based on details provided at the time of filing offering proposal).

Seven Hills Beverages Limited informed BSE SME and NSE Emerge that due to internal technical reasons they decided to withdraw / cancel their Public Issue. On analysis of their financial performance front, it has earned profits in FY 17, it has little carried forward loss and it's NAV stood at 31.03.17 was at Rs. 8.49. Last three year(FY17, 16,15) average RoNW is 17.12%. Iflatest earnings are attributed on fully diluted equity post issue then asking price is at a P/E of 10 plus and at a P/BV of 3 plus. It has no listed peer to compare with. Further, while Seven Hills is having business growth capitalizing on brand strength of Bisleri, it is depending entirely on one client making it a highly risk bearing parameter. On merchant banker's front, this is 16th mandate in the last three years and out of the recent 10 listings, two have opened on a negative note, five of them at par and the rest have opened with some premium. With detailed observations, we found that Seven HIlls have a high profit risky bearing factor by major reliance on one client Bisleri, the business size is still small and so are the revenues for it go public, and thecompany stated internal technical reasons for withdrawal. (Source: Financial facts and figures are based on details provided at the time of filing offering proposal).

PentaGold had withdrawn its IPO for unknown reasons as per the media sources.On analysing the financials, The company's latest earnings on fully diluted equity post issue, then asking price at a P/E of 25 plus and at a P/BV of 2 plus. Listed Peers of the company were trading in the range of 12 to 33 P/Es then. Hence, the issue appears to have been priced more aggressively than advisable. On merchant banker's front, this is the 2nd mandate from their stable and last listings although marked opening at a premium, it closed at a discount to offer price on the listing date. On financial performance front of PentaGold, for last four fiscals before applying for IPO PentaGold has posted its turnover/net profits of Rs. 838.26 cr. / Rs. 1.38 cr. (FY14), , Rs. 250.02 cr. / Rs. 1.58 cr. (FY15), Rs. 244.92 cr. / Rs. 1.78 cr. (FY16) and Rs. 237.58 cr. / Rs. 1.69 cr. (FY17). For last three FYs, it has been posting an average EPS of Rs. 1.92 and RoNW of 11.96% (Source: Financial facts and figures are based on details provided at the time of filing offering proposal).

In any event, when a first sale of public offerings (IPO) begins, it is likely to loose cash on the primary day of opening up to the world, or in the following a few days from there on. When a company makes the decision to go public for fund raising, a group of investment banks will be underwriting the proposed IPO issue. The lead underwriter assumes the central responsibility for managing how the issue will be all coated and who could be buying them. So when a specific stock is popular, investment banks rush offering shares to every interested buyer during the first public offering. Something that frequently happens is that once interested buyers have bought their offers, there's very little enthusiasm for the IPOS once it begins trading. The best strategy is for investment banks to sell shares unequivocally while leaving a unit of investors accessible who weren't or couldn't get their hands on the shares of the IPO.

The deliverable of the under writerhere is to check and forecast the demand in the market, guarantee that they are estimating it for a successful outcome, and be keeping a watch for investors who might be enticed to dump their offers very soon. It's also quite understandably to perceive that the underwriters in this process don't have any command over the offers once these are sold. A few investors obviously are likely slanted to sell their stock while it's hot cakes, do quite the brisk flip and make a quick benefit for themselves. The big companies here have shown to have even less loyalty. On the unfavourable front, If another stock isn't playing out as forecasted, the company may go for decision for dumping it early so they can keep the remainder of their portfolio still solid unfazed by the former. This might be to their greatest advantage that if a stock doesn't play put or doesn't seem as though it will prove to be gainful in the coming years. A decrease in market situations can obviously likewise makes the stocks drop. Numerous underwriters get desperate when offers aren't selling. Poor/Inadequate sales may make many underwriters apprehensive to sell shares to individual investors or anyone at a last resort. Investors here should be vary and cautious about the stocks that have not been selling.

5. Conclusions

The study aimed at deeply understanding the reasons behind the two unfavourable outcomes that an IPO decision could come to and that is withdrawal of an IPO before the public issue or the failure of an IPO post the issue. This has been studied with reference to the SME segment in the Indian Capital Market for time period from June 2017 to June 2019. An analysis of SME issues listed on SME exchanges shows that their initial performance exhibition has been empowering and they have developed altogether considering their profitability. The increasing part played by merchant bankers as a major participant in the overall process makes whole process market driven and ensures liquidity in the market. Similarly the Failed IPOs have also revealed some causes of their unsuccessful IPO. Some of the reasons for the same is poor financials, poor listing performance, having no business USP to build upon a continuous profitability, static growth, etc. In order to understand what makes an IPO successful it is imperative to understand the various parameters of an IPO decision and the various causes for it to fail and that the paper has ventured to explore.

The SME IPO listings have expanded manifold since their establishment in 2012 and at present the BSE SME as a platform has over 300 organizations being traded on it and the NSE Emerge also has boosted 180 listed companies. With reasonable listing standards set and insignificant expense required for listing when contrasted with the SEBI Mainboard, the SME platforms set by the regulator are perfect for companies who wish to raise cash-flow to meet their growth requirements. Backing from exchange boards, increment in the quantity of SME stocks on exchange and great outcomes is empowering an ever increasing number of investors to put their precious resources into the SME segment. Going public through an initial public offering can be prove to be an efficient means of raising funds for corporate ventures. But before undertaking the complex, costly, time-consuming activity and incurring the risks involved, the upside and downside of this step must be fully assessed and evaluated. For any outcome to be successful and understanding where and how it could go wrong is crucial.

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