

SME



SME MARKET SUMMARY

March 2024

Executive Summary:

A decline was observed in SME, Microcap, and Small and Mid-cap companies in March 2024 following a statement from the regulator. However, towards the end of the month, the decline in these stocks appeared to be consolidating. We are now hopeful that this segment will witness a recovery from April onwards.

Recent Economic Developments:

India:

- The Reserve Bank of India (RBI) maintained its accommodative monetary policy stance in March, keeping the **repo rate unchanged** at **5.75%**. This decision aimed to support economic growth amidst concerns about global inflationary pressures.
- The Indian government announced a new electric vehicle (EV) policy in March, offering subsidies and incentives for both manufacturers and consumers. This initiative aimed to accelerate the adoption of EVs and reduce dependence on fossil fuels.
- The Indian government launched a new digital rupee pilot program in select cities in March. This initiative aimed to explore the potential of **central bank digital currencies (CBDCs)** for **facilitating cashless transactions and promoting financial inclusion**.
- India witnessed several dust storms and heatwaves in March, raising concerns about the impact of climate change. The government announced plans to increase investments in renewable energy projects and promote climate-resilient agriculture practices.
- The Indian stock market, represented by the Nifty 50, rebounded in March after the March dip. This was fueled by positive investor sentiment towards the new EV policy and expectations of strong corporate earnings.
- The World Bank has recently upgraded its **FY25 economic growth forecast** for India to **6.6%**. They attribute this revision primarily to "upward revisions to investment growth".
- The Indian stock market might experience some turbulence due to global factors and potential outflows of Foreign Institutional Investor (FII) capital if US interest rates become more attractive compared to Indian investments.

Global:

- The International Monetary Fund (IMF) released its updated **World Economic Outlook in March, revising global growth projections slightly downward** to **3.2%** for **2024**, reflecting ongoing geopolitical uncertainties and tighter financial conditions.
- The European Central Bank (ECB) announced its first interest rate hike in over a decade, aiming to combat persistent inflation in the Eurozone. This marked a significant shift in monetary policy and signaled potential further tightening in the coming months.
- Global oil prices experienced significant volatility in March due to concerns over potential supply disruptions arising from geopolitical tensions. This impacted energy costs for businesses and consumers worldwide.
- The United Nations Environment Programme (UNEP) hosted a major conference focusing on promoting sustainable food production systems. The aim was to address the challenge of feeding a growing global population while minimizing environmental impact.
- The US stock market experienced a correction in March, with major indices like the S&P 500 experiencing a decline due to rising interest rates and investor concerns about corporate earnings growth.






Performance Of SME-Listed Companies:

- The BSE SME index snapped its **five-month winning streak in March**, experiencing a **10.76%** decline. Despite the correction, the index still boasts an impressive **annual return of 118.68%**.
- The NSE Emerge index followed a similar trend, dropping **10.64%** in March but holding onto a solid **79.15%** annual return.
- Sectors like Solar, Energy, IT-Software, Auto Ancillaries, Engineering, and Capital Goods (Electrical Equipment) continued to be growth drivers for SME-listed companies.
- Elevated valuations persist, with median **P/E and P/B ratios hovering** at **70.49x** and **7.10x**, respectively. This suggests continued investor confidence in the future of SME stocks.

Investor Enthusiasm Drives Oversubscription in March 2024 SME IPOs

Investor confidence in India's SME sector remained robust in March 2024, as highlighted by exceptional oversubscription levels in recent IPOs. Here are the key takeaways:

Top 5 Oversubscribed SME IPOs of March 2024:

 KOURA [®] <small>Fine Diamond Jewelry Limited</small>	<p>The most oversubscribed SME IPO in March 2024, with a subscription of 733.01 times the issue size.</p>
 SIGNORIA	<p>The second most oversubscribed SME IPO in March 2024, with a subscription of 666.32 times the issue size.</p>
 PESB [®] <small>Your trust is our capital</small> Pune E-Stock Broking Limited	<p>The third most oversubscribed SME IPO in March 2024, with a subscription of 371.16 times the issue size.</p>
 EnFuse	<p>The fourth most oversubscribed SME IPO in March 2024, with a subscription of 357.31 times the issue size</p>
 naman instore	<p>The fifth most oversubscribed SME IPO in March 2024, with a subscription of 309.03 times the issue size.</p>

Other Notable Oversubscribed SME IPOs In March 2024:

				
296.43 times	273.50 times	178.54 times	108.63 times	93.41 times

Overall, March 2024 was a strong month for SME IPOs, with many companies seeing significant oversubscriptions. This is a positive sign for the Indian economy, as it shows that there is strong investor appetite for small and medium-sized businesses. However, it is important to note that not all oversubscribed IPOs go on to perform well in the long term. Investors should carefully consider the risks involved before investing in any IPO.

March 2024 SME IPO Listing Day Gains:

	PURV FLEXIPACK LTD.	The highest listing day gain, with a gain of 247.89%. The company's shares listed at Rs 247.00, which was significantly higher than the issue price of Rs 71.00.
	OMMPL	The second-highest listing day gain among the SME IPOs that listed in March 2024, with a gain of 201.72%. The company's shares listed at Rs 262.50, which was significantly higher than the issue price of Rs 87.00.
	SIGNORIA	The third-highest listing day gain, with a gain of 111.62%. The company's shares listed at Rs 137.55, which was significantly higher than the issue price of Rs 65.00.
	ROYAL SENSE	The fourth-highest listing day gain, with a gain of 80.50%. The company's shares listed at Rs 122.74, which was significantly higher than the issue price of Rs 68.00.
	PESB Your trust is our capital Pune E-Stock Broking Limited	The fifth-highest listing day gain, with a gain of 60.46%. The company's shares listed at Rs 133.18, which was significantly higher than the issue price of Rs 79.00.

March 2024 was a good month for SME IPOs, with many companies seeing strong listing day gains. This is a positive sign for the SME sector, and it suggests that investors are interested in these companies. However, it is important to remember that listing day gains are not always an indicator of long-term performance. Investors should carefully consider the risks involved before investing in any IPO.

- The sustained momentum in SME IPOs is anticipated to continue in 2024, driven by:
- **Economic Recovery:** Projected economic growth is expected to fuel SME expansion and investment opportunities.
- **Government Initiatives:** Continued policy support for SMEs is likely to further strengthen the sector's growth trajectory.
- **Evolving Investor Preferences:** Growing awareness of SME potential and a quest for diversification may attract a broader investor base.

The economic outlook for the early months of 2024 remains clouded by global uncertainties. However, India's gradual deceleration in inflation and resilience of the SME sector provide grounds for cautious optimism. Continued government support and easing supply chain issues could further bolster domestic growth. Global factors, particularly the trajectory of major economies and their monetary policies, will play a crucial role in shaping the domestic market performance.

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