

SME



# SME MARKET SUMMARY

November 2024

## Executive Summary:

The month of November 2024 presented a slightly bearish outlook for SME companies and IPOs in India. On the positive side, few SME IPOs witnessed strong listing gains, reflecting investor confidence in the key sector companies. Additionally, government initiatives and favorable policies continued to support SME growth. However, global economic uncertainties and rising interest rates posed challenges for some SMEs and concerns over Non-compliance of certain SME companies, impacting their profitability, expansion plans and market outlook. The overall performance of SME IPOs in November 2024 was influenced by a combination of these factors, with some companies experiencing success while others faced headwinds.

## Recent Economic Developments:

### India:

- India witnessed robust economic activity driven by festive season demand, with the **Purchasing Managers' Index (PMI)** for manufacturing climbing to **57.5** in **November** and sustaining momentum into November. This reflects strong industrial growth and increased international sales despite global uncertainties
- The Indian government unveiled a new **Production-Linked Incentive (PLI)** scheme aimed at boosting domestic manufacturing in the semiconductor and display manufacturing sectors. This initiative is expected to attract significant investments and create jobs in the technology sector.
- The **Reserve Bank of India (RBI)** maintained its stance on key interest rates, delaying a potential rate cut to **February 2025**. This decision aligns with ongoing efforts to manage inflation, which exceeded the RBI's tolerance band at **6.2%** in November due to a spike in food prices.
- **Unified Payments Interface (UPI)** transactions surged to record highs during the festive season, reaching INR **23.5 trillion** in **November**, and continued strong performance into November. This highlights India's increasing shift toward digital financial ecosystems.
- India experienced post-monsoon recovery in agricultural productivity, particularly benefiting rural areas. Above-average rainfall earlier in the year led to robust kharif crop output, further easing food inflation concerns.
- November saw increased volatility in the Indian stock market, influenced by global trends and capital outflows from **foreign institutional investors (FIIs)**. Concerns over high valuations and global economic headwinds dampened sentiment on the NSE and BSE.
- SEBI and Exchanged have become stringent in **SME IPO** and one of the latest acts to strict compliant to companies coming with an IPO is C2C Advanced systems where it was held by the Exchange asking for Independent Auditors report. This will increase the confidence within investors that the companies getting listed are following through a strict regulatory process.

### Global:

- The global economy saw continued resilience despite lingering impacts of earlier monetary tightening. Real income growth improved as inflation moderated in several regions, supported by easing supply chain disruptions. This trend aligned with increased trade activity and stable employment rates globally.

- At the COP29 climate summit, global leaders agreed on enhanced funding for climate adaptation and mitigation, particularly for developing nations. The summit emphasized implementing carbon capture technology and renewable energy to meet 2030 climate targets.
- Central banks in major economies, including the U.S. Federal Reserve and the European Central Bank, hinted at the possibility of reducing interest rates in 2025. However, high inflation in certain regions kept markets cautious as policymakers balanced growth and price stability.
- Climate-induced disasters continued to impact several regions. Notably, Southeast Asia experienced catastrophic flooding that displaced millions and underscored the urgent need for global climate action. These events also led to increased funding commitments for sustainable rebuilding.
- Global stock markets were marked by volatility in **November 2024**. Positive sentiments from improving inflation and trade data clashed with geopolitical tensions and concerns over tech sector valuations. While U.S. and European markets saw modest gains, emerging markets experienced mixed performance.






### Performance Of SME-Listed Companies:

- The BSE SME IPO index had a mixed performance in **November 2024**. While it experienced some volatility throughout the month, it ultimately closed higher than its opening level. The index saw a fall since the beginning of November month. Notably, the monthly rise stood at **2.05%** and annual return for the index remained strong at **33.58%**.
- The **NSE EmERGE index** followed suit, rising by **0.30%** in November and delivering **56.30%** annual return.
- Decent growth **Defence and Water Infrastructure sectors** continued to fuel the positive performance and steep fall in some renewable **energy, Engineering and Manufacturing** continue to dent performance of SME-listed companies but the recovery is strong in the sectors mentioned above.
- Valuations remained stagnant, with **median P/E and P/B ratios** at **27.5x** and **7.36x**, respectively, highlighting investor confidence in the prospects of SME stocks.

### Investor Enthusiasm Drives Oversubscription in November 2024 SME IPOs

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

## Top 5 Oversubscribed SME IPOs of November 2024:

 <small>(Formerly known as Rajputana Biodiesel Private Limited)</small>	<p>The most oversubscribed SME IPO in November 2024, with a subscription of 718.81 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in November 2024, with a subscription of 457.07 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in November 2024, with a subscription of 369.56 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in November 2024, with a subscription of 198 times the issue size.</p>
	<p>The fifth most oversubscribed SME IPO in November 2024, with a subscription of 125.35 times the issue size.</p>




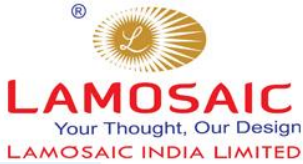
## Other Notable Oversubscribed SME IPOs In November 2024:



Overall, November 2024 was a mixed bag month for SME IPOs, with very low number of listings compared to previous months. Although, few companies seeing significantly higher oversubscriptions, despite the strength the oversubscription has reduced compared to last few months but it is still significantly higher. 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.

## November 2024 SME IPO Listing Day Gains/Loss:

Only 4 IPOs got listed during the month of November which was the lowest since Covid. The IPOs Listing gains were impacted by broadly negative sentiments during the whole month. The details are as below:

	<p>The highest listing day gain, with a gain of 58.54%. The company's shares listed at Rs 38.05, which was significantly higher than the issue price of Rs 24.00.</p>
	<p>The Negative listing day performance among the SME IPOs that listed in November 2024, with a loss -5.00%. The company's shares listed at Rs 42.75, which was significantly higher than the issue price of Rs 45.00.</p>
	<p>The Negative listing day performance, with a loss of -6.97%. The company's shares listed at Rs 56.75, which was significantly higher than the issue price of Rs.61.00</p>
	<p>The Negative listing day performance, with a loss of -13.9%. The company's shares listed at Rs 172.20, which was significantly higher than the issue price of Rs 200.00.</p>

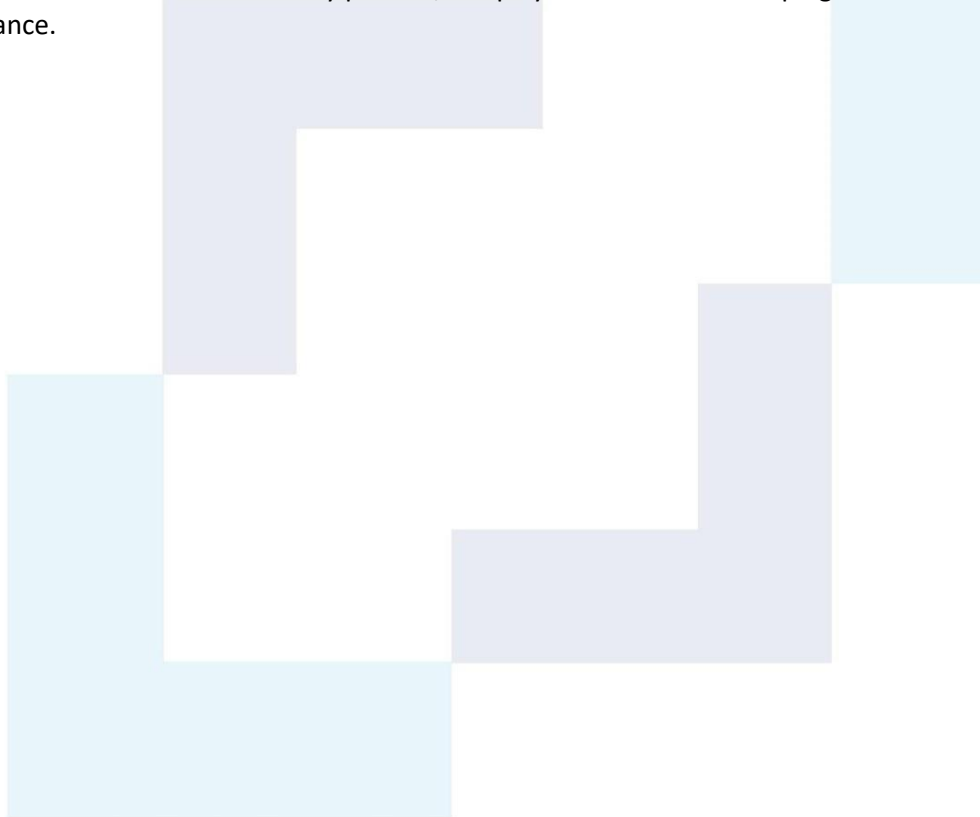
November 2024 was a not a month for SME IPO Listing gains, with only one company seeing strong listing day gains but other companies seeing loss on Listing Day performance. This is a positive sign for the SME sector able to sustain the market and as the sentiments revived by the end of November month with Strong FII inflows coming in again it suggests that investors belief is strong in growth of SME sector. 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.

### Outlook for SME IPOs in 2024-2025:

The outlook for SME IPOs in 2024-2025 is expected to be positive, building on the strong performance of 2023 and continuing trends of investor confidence. Here's a breakdown of the factors contributing to this optimism:

- **Momentum from 2023:** 2023 saw a record number of SME IPOs, and experts predict this positive trend will likely hold for the next 3-4 years.
- **Investor Confidence:** There's continued confidence from retail investors, high net-worth individuals (HNIs) and institutional investors in the SME market, signifying a robust and resilient market.

The economic outlook by the end of 2024 remains clouded by global uncertainties and domestic sentiments as well. 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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