

SME



SME MARKET SUMMARY

October 2024

Executive Summary:

The month of October 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 October 2024 was influenced by a combination of these factors, with some companies experiencing success while others faced headwinds.

Recent Economic Developments:

India:

- The Reserve Bank of India (RBI) continued its aggressive stance on monetary policy, further raising interest rates to curb inflation. This move aimed to stabilize the rupee and control rising prices, but it also had the potential to slow down economic growth.
- The government implemented stricter fiscal measures to reduce the fiscal deficit and improve public finances. This included cutting subsidies, increasing taxes, and reducing government spending. These measures were aimed at improving the government's financial health and reducing its debt burden.
- The government further accelerated the Digital India initiative, focusing on expanding digital infrastructure and promoting digital literacy. This initiative aimed to boost economic growth, create jobs, and improve public services.
- The Indian financial markets experienced significant volatility due to global economic uncertainties and domestic factors such as interest rate hikes and geopolitical tensions. This volatility affected stock prices, bond yields, and currency exchange rates.
- Water scarcity continued to be a major challenge for India, especially in rural areas. The government implemented various measures to conserve water, improve water management, and promote water-efficient technologies.
- The Indian stock market experienced significant volatility due to global economic uncertainties and domestic factors such as interest rate hikes and geopolitical tensions. Foreign institutional investors (FIIs) were net sellers of Indian stocks, which put downward pressure on the market.
- The performance of different sectors in the Indian stock market varied. While some sectors, such as information technology and pharmaceuticals, performed well, others, such as metals and real estate, struggled.

Global:

- Concerns about a global recession escalated as major central banks continued to tighten monetary policy to combat inflation. The aggressive rate hikes by central banks worldwide, particularly the US Federal Reserve, raised fears of a potential economic downturn, leading to increased market volatility and uncertainty.
- Geopolitical tensions between major world powers escalated, leading to increased uncertainty in global markets. The ongoing conflict in Eastern Europe and tensions in the Indo-Pacific region contributed to this heightened geopolitical risk.

- The global banking sector faced further challenges, with several regional banks experiencing liquidity crises and forced to seek emergency funding. These events heightened concerns about the stability of the financial system and led to increased volatility in financial markets.
- Extreme weather events, such as hurricanes, wildfires, and floods, continued to impact various regions around the world. These events caused significant economic damage, disrupted supply chains, and highlighted the urgent need for climate action.
- A sharp decline in stock prices occurred as investors reacted to economic uncertainty, geopolitical tensions, and rising interest rates. The US stock market, in particular, experienced a significant correction, with major indices like the S&P 500 and Nasdaq Composite falling sharply.






Performance Of SME-Listed Companies:

- The BSE SME IPO index had a mixed performance in **October 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 October month. Notably, the monthly fall stood at **-7.26%** and annual return for the index remained strong at **44.92%**.
- The **NSE Emerge index** followed suit, rising by **-3.11%** in October and delivering **64.40%** 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.
- 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 October 2024 SME IPOs

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

Top 5 Oversubscribed SME IPOs of October 2024:

	<p>The most oversubscribed SME IPO in October 2024, with a subscription of 573.36 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in October 2024, with a subscription of 236.8 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in October 2024, with a subscription of 218.02 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in October 2024, with a subscription of 156.55 times the issue size.</p>
	<p>The fifth most oversubscribed SME IPO in October 2024, with a subscription of 126.65 times the issue size.</p>

Other Notable Oversubscribed SME IPOs In October 2024:

			
83.7 times	38.87 times	19.37 times	16.56 times

Overall, October 2024 was a weak month for SME IPOs, with a very low number of listings compared to previous months. Although, few companies are seeing significantly higher oversubscriptions, despite the strength the oversubscription has reduced compared to the last few months but it is still significantly higher. This is a positive sign for the Indian economy, as it shows that there is a 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.

October 2024 SME IPO Listing Day Gains:

	<p>The highest listing day gain, with a gain of 99.50%. The company's shares listed at Rs 359.10, which was significantly higher than the issue price of Rs 180.00.</p>
	<p>The second-highest listing day gain among the SME IPOs that listed in October 2024, with a gain of 99.49%. The company's shares listed at Rs 564.55, which was significantly higher than the issue price of Rs 283.</p>
	<p>The third-highest listing day gain, with a gain of 60.06%. The company's shares listed at Rs 131.25, which was significantly higher than the issue price of Rs 82.</p>
	<p>The fourth-highest listing day gain, with a gain of 51.17%. The company's shares listed at Rs 250.95, which was significantly higher than the issue price of Rs 166.</p>
	<p>The fifth-highest listing day gain, with a gain of 37.81%. The company's shares listed at Rs 88.20, which was significantly higher than the issue price of Rs 64.</p>

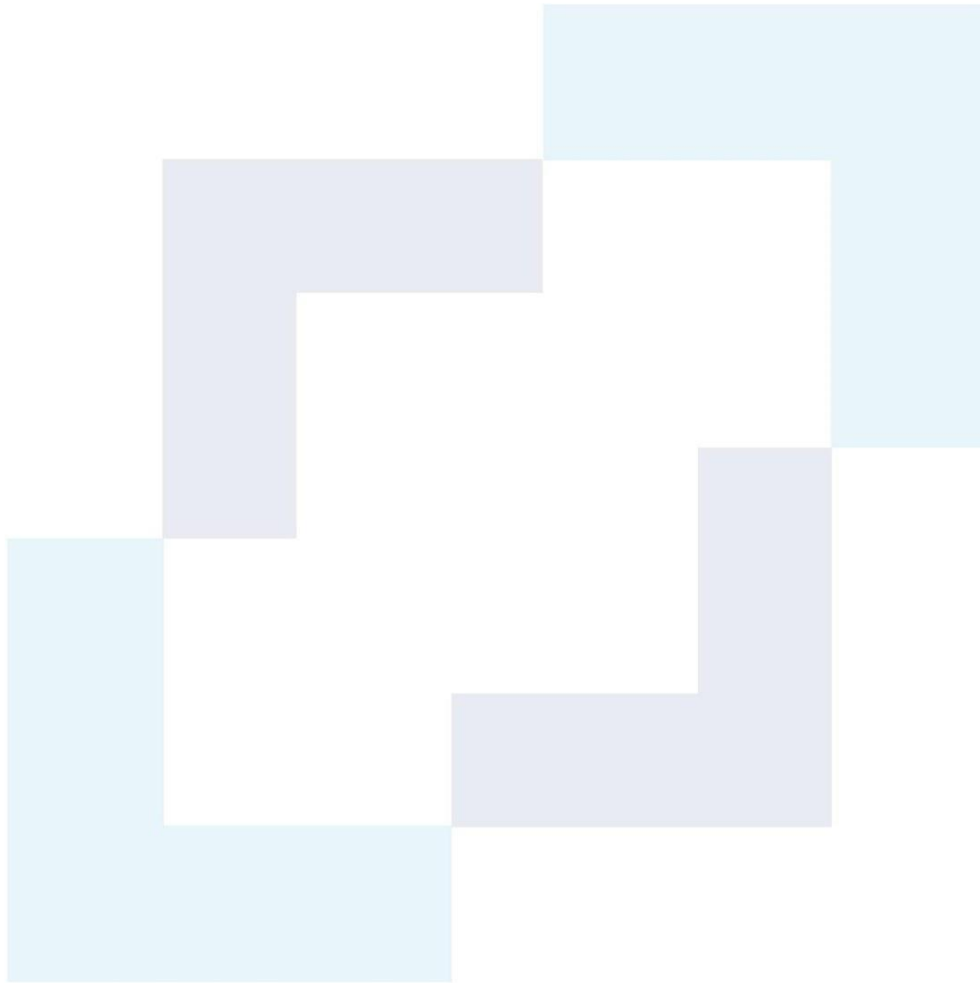
October 2024 was a decent month and on lower side for SME IPOs, with many companies seeing strong listing day gains but other companies seeing shrinkage of Listing gains. This is a positive sign for the SME sector able to sustain the market it, and it suggests that investors are interested in these companies. 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.

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 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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