

SME



# SME MARKET SUMMARY

August 2024

## Executive Summary:

India demonstrated resilience in August 2024. While challenges persisted, particularly in areas like manufacturing and external factors, positive developments emerged in several key areas such as moderate Inflation numbers, Positive SME performance, and as India's economic growth remains optimistic. However, navigating the global economic uncertainties, including geopolitical tensions and trade disputes, will be crucial for India to sustain its growth momentum.

## Recent Economic Developments:

### India:

- India's manufacturing sector witnessed a slowdown in August due to global economic uncertainties and rising interest rates. However, the services sector continued to be a major driver of growth.
- The government announced a new scheme to promote renewable energy and reduce dependence on fossil fuels. The Government introduced PM-Surya Ghar which includes incentives for solar and wind power projects.
- The Indian rupee appreciated against the US dollar in August, benefiting importers and reducing the cost of imports. This was supported by increased foreign portfolio investments.
- India experienced heavy rainfall in several parts of the country in August, leading to flooding and landslides in some regions. The government-initiated relief efforts and disaster management measures.
- The Indian stock market remained volatile in August due to global factors and domestic concerns. However, there were signs of recovery towards the end of the month, driven by positive corporate earnings and government measures to support the economy.

### Global:

- Global economic growth slowed down in August due to rising interest rates, geopolitical tensions, and concerns about a potential recession.
- The European Union announced a new energy strategy aimed at reducing dependence on fossil fuels and accelerating the transition to renewable energy sources.
- Global financial markets experienced increased volatility in August as investors grappled with concerns about economic slowdown and geopolitical risks. Safe-haven assets like gold and government bonds saw increased demand.
- Extreme weather events such as heatwaves, floods, and wildfires continued to intensify across the globe in August, highlighting the urgent need for climate action.
- Both the global and US stock markets faced a challenging period in August, with major indices experiencing losses due to concerns about economic recession, rising interest rates, and geopolitical tensions.






## Performance Of SME-Listed Companies:

- The BSE SME IPO index had a mixed performance in August 2024. While some **SME IPOs** performed well, others experienced declines. Overall, the index witnessed a slight increase, reflecting the resilience of the SME sector despite global economic uncertainties. Notably, the monthly rise stood at **26.75%** and annual return for the index remained strong at **172%**.
- The **NSE Emerge index** followed suit, rising by **3.81%** in August and delivering **78.34%** annual return.
- Strong growth in **Engineering, Manufacturing, Solar, Energy, Defence and Water Infrastructure sectors** continued to fuel the positive performance of SME-listed companies.
- Valuations remained elevated, with **median P/E and P/B ratios** at **32.23x** and **3.69x**, respectively, highlighting investor confidence in the prospects of SME stocks.





## Investor Enthusiasm Drives Oversubscription in August 2024 SME IPOs

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

### Top 5 Oversubscribed SME IPOs of August 2024:

	<p>The most oversubscribed SME IPO in August 2024, with a subscription of 705.26 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in August 2024, with a subscription of 657.81 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in August 2024, with a subscription of 621.25 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in August 2024, with a subscription of 535 times the issue size.</p>
	<p>The fifth most oversubscribed SME IPO in August 2024, with a subscription of 418.82 times the issue size.</p>

## Other Notable Oversubscribed SME IPOs In August 2024:

			
416.99 times	414.86 times	376.42 times	350.5 times

Overall, August 2024 was strong month for SME IPOs, with many 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.

## August 2024 SME IPO Listing Day Gains:

	<p>The highest listing day gain, with a gain of 109.44%. The company's shares listed at Rs 167.55, which was significantly higher than the issue price of Rs 40.00.</p>
	<p>The second-highest listing day gain among the SME IPOs that listed in August 2024, with a gain of 99.50%. The company's shares listed at Rs 498.75, which was significantly higher than the issue price of Rs 260.</p>
	<p>The third-highest listing day gain, with a gain of 99.49%. The company's shares listed at Rs 215.45, which was significantly higher than the issue price of Rs 108.</p>
	<p>The fourth-highest listing day gain, with a gain of 99.5%. The company's shares listed at Rs 117.7, which was significantly higher than the issue price of Rs 59.</p>
	<p>The fifth-highest listing day gain, with a gain of 99.5%. The company's shares listed at Rs 229.4, which was significantly higher than the issue price of Rs 108.</p>

August 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.

### 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.

There has been speculation and concern surrounding the SME market after Resourceful Automobile Limited's IPO saw an overwhelming subscription of ₹4800 Cr against an original offer size of ₹12 Cr. While these concerns primarily stem from the significant subscription numbers, it is important for investors to recognize that such speculations are not based on any confirmed irregularities. The SME market operates under strict regulatory frameworks, ensuring that companies undergo thorough scrutiny before receiving approval for their IPOs.

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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