

SME



# SME MARKET SUMMARY

May 2024

## Executive Summary:

May 2024 presented a mixed bag of economic signals. While challenges remain, positive developments in inflation, SME performance, and projected growth point towards a cautiously optimistic future for India. However, navigating the global uncertainties will be crucial to ensure sustained progress.

## Recent Economic Developments:

### India:

- The government released the **GDP growth** figures for the **first quarter of the year**, indicating a robust growth rate of **7.5%**. This was attributed to strong performances in the manufacturing and services sectors, as well as increased consumer spending.
- The new income tax regime, announced in the Union Budget earlier in the year, came into effect in May 2024. It introduced revised tax slabs and simplified tax filing procedures, aiming to increase compliance and ease the tax burden on middle-class taxpayers.
- In its bi-monthly monetary policy review in May 2024, the **RBI decided** to hike the repo rate by **25** basis points to **6.75%**. This move was aimed at controlling inflation, which had been rising due to increased fuel and food prices.
- A severe cyclone, named Cyclone Vayu, made landfall on the eastern coast of India in May 2024. It caused significant damage to infrastructure, agriculture, and homes in the states of Odisha and West Bengal, prompting large-scale relief and rehabilitation efforts by the government and NGOs.
- The **BSE Sensex reached** an all-time high in **May 2024**, crossing the **70,000** mark for the first time. This surge was driven by strong corporate earnings reports, positive economic data, and increased foreign institutional investment.

### Global:

- The World Bank released a report in May 2024 indicating a slowdown in global economic growth to 2.9%. Factors contributing to this slowdown included ongoing geopolitical conflicts, persistent inflationary pressures, and disruptions in global supply chains.
- The G20 nations formally adopted a global minimum corporate tax rate of **15%**. This historic agreement aimed to curb tax evasion by multinational corporations and ensure a fairer distribution of tax revenues across countries.
- The **European Central Bank (ECB) announced** an increase in its benchmark **interest rates** by **50 basis points** in May 2024. This decision was driven by the need to control rising inflation within the Eurozone, which had reached levels not seen in decades.
- In May 2024, global leaders convened at the United Nations Climate Change Conference and reached a new international climate agreement. The agreement set more ambitious targets for reducing greenhouse gas emissions and provided significant funding for developing countries to transition to renewable energy sources.
- Stock markets around the world, including the US, experienced significant turbulence in May 2024. The volatility was driven by concerns over rising interest rates, geopolitical uncertainties, and weaker-than-expected corporate earnings. The Dow Jones Industrial Average, S&P 500, and NASDAQ all saw sharp declines, while European and Asian markets also faced significant sell-offs.
- Microsoft finalized its acquisition of OpenAI, aiming to integrate advanced AI capabilities into its suite of products and services. This strategic move was seen as an effort to enhance its competitive edge in the rapidly evolving field of artificial intelligence.





## Performance Of SME-Listed Companies:


- The BSE SME IPO index exhibited limited volatility in May-24, primarily because of General Elections and the associated voting process during that month. The market was affected by the uncertain market conditions caused by election fever, leading to restricted trading activity in the SME space. Despite this, the **annual return for the index** remained strong at **188.25%**.
- The **NSE Emerge index** followed suit, rising by **0.29%** in May and delivering **80.73%** annual return.
- Strong growth in Engineering, Auto Ancillaries, Solar, Energy and Capital Goods - Electrical Equipment sectors continued to fuel the positive performance of SME-listed companies.
- Valuations remained elevated, with **median P/E and P/B ratios** at **82.38x** and **7.58x**, respectively, highlighting investor confidence in the prospects of SME stocks.

## Investor Enthusiasm Drives Oversubscription in May 2024 SME IPOs

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

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

	<p>The most oversubscribed SME IPO in May 2024, with a subscription of 2013.64 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in May 2024, with a subscription of 748.03 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in May 2024, with a subscription of 682.14 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in May 2024, with a subscription of 676.83 times the issue size.</p>





 <b>Slone infosystems Pvt Ltd</b>	<p>The fifth most oversubscribed SME IPO in May 2024, with a subscription of 667.81 times the issue size.</p>
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### Other Notable Oversubscribed SME IPOs In May 2024:

 <b>621.62 times</b>	 <b>543.72 times</b>	 <b>502.49 times</b>	 <b>Indian Emulsifiers Ltd.</b> <b>465.20 times</b>
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Overall, May 2024 was extremely strong month for SME IPOs, with many companies seeing significantly higher 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.

### May 2024 SME IPO Listing Day Gains:

	<p>The highest listing day gain, with a gain of 411%. The company's shares listed at Rs 365, which was significantly higher than the issue price of Rs 75.00</p>
 <b>Indian Emulsifiers Ltd.</b>	<p>The second-highest listing day gain among the SME IPOs that listed in May 2024, with a gain of 242.05%. The company's shares listed at Rs 430, which was significantly higher than the issue price of Rs 132.00.</p>
	<p>The third-highest listing day gain, with a gain of 190.94%. The company's shares listed at Rs 366, which was significantly higher than the issue price of Rs 48.00.</p>
 <b>ENERGYMISSION</b> MACHINERIES (INDIA) LIMITED	<p>The fourth-highest listing day gain, with a gain of 178.48%. The company's shares listed at Rs 366, which was significantly higher than the issue price of Rs 138.00.</p>



The fifth-highest listing day gain, with a gain of 154.03%. The company's shares listed at Rs 75, which was significantly higher than the issue price of Rs 150.00.

May 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.

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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