

SME



**SME
MARKET
SUMMARY**

January 2025

Executive Summary:

The month of January 2025 presented a significant fall and negative outlook for SME companies and IPOs in India. Additionally, positive government initiatives and favorable policies for MSME continues 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 January 2025 was influenced by a combination of these factors, with some companies experiencing success while others faced headwinds.

Recent Economic Developments :

India:

- In **January 2025**, the **Reserve Bank of India (RBI)** projected a rebound in economic growth, anticipating a **6.2%** GDP increase for the **October-January** quarter of **2024-25**. This optimism is attributed to strengthening domestic demand and robust rural consumption, supported by favourable agricultural prospects.
- The **Securities and Exchange Board of India (SEBI)** implemented stricter regulations for **Initial Public Offerings (IPOs)** by **small and medium enterprises (SMEs)**. Notably, companies are now required to have a minimum operating profit of **₹10 million** in at least two of the preceding three years to qualify for listing. Additionally, the offer for sale by existing shareholders is capped at **20%** of the total issue size.
- The RBI conducted a six-month **\$5 billion** dollar-rupee buy/sell swap auction, which was oversubscribed by approximately five times, receiving bids totaling **\$25.59 billion** from **253 participants**. This move aimed to inject rupee liquidity into the banking system, reflecting the central bank's strategy to manage liquidity and stabilize the currency.
- In **January 2025**, the Indian government announced the establishment of the country's second Gene Bank for Crop Germplasm. This facility will house **10 million** germplasm lines, aiming to ensure future food and nutritional security by preserving genetic diversity in crops.
- The Indian stock market experienced significant foreign outflows in **January**, with foreign investors selling a net **\$9.04 billion** worth of Indian stocks. The financial sector was notably impacted, accounting for nearly a third of these sales, approximately **\$3 billion**. This trend was influenced by higher U.S. Treasury yields and concerns over potential U.S. trade tariffs.

Global:

- The International Monetary Fund (IMF) released its **World Economic Outlook Update**, projecting global growth at **3.3%** for **both 2025 and 2026**, slightly below the historical average of **3.7%**. This forecast reflects an upward revision for the United States, offset by downward adjustments in other major economies. The IMF emphasized that medium-term risks are tilted to the downside, with elevated policy uncertainty posing challenges to the disinflation process and financial stability.
- On January 20, **Donald Trump was inaugurated for his second term as President of the United States**. Shortly thereafter, he announced plans to implement **sweeping tariffs**

on imports from Canada, Mexico, and China, initiating trade policies that could have significant implications for global trade dynamics.

- The **World Economic Forum's Annual Meeting** took place in Davos, Switzerland, from January 15 to 19, under the theme "Rebuilding Trust." The event brought together approximately 3,000 global leaders from over 125 countries, including 350 heads of state and government, business executives, policymakers, and representatives from international organizations. Discussions focused on geopolitical stability, economic resilience, climate change, artificial intelligence governance, and inclusive economic growth.
- The **World Economic Forum 2025** in Davos highlighted environmental concerns, with leaders emphasizing the need for **accelerated climate action**. Discussions centered on sustainable development, the transition to renewable energy, and the economic implications of environmental policies. Initiatives introduced included climate financing mechanisms and strategies for achieving net-zero emissions.
- In January, **European stock markets outperformed their U.S. counterparts**, with the STOXX 50 index rising by **8%**, surpassing the S&P 500 by over 5 percentage points. This trend was driven by investor optimism in European markets, despite potential disruptions from U.S. tariffs under President Trump's administration.

These events collectively underscore a month marked by significant political transitions, economic policy shifts, environmental initiatives, and notable movements in global financial markets.

SME Stock Exchange Activities :

January 2025 saw robust activity in the SME segment:

- BSE SME IPOs: 13 companies filed their Draft Red Herring Prospectus (DRHP) with the BSE SME exchange. Notable listings included Malpani Pipes & Fittings Limited, which raised ₹25.92 crore, and H.M. Electro Mech Limited, securing ₹27.74 crore.
- NSE SME Emerge IPOs: 18 companies filed DRHPs with the NSE Emerge platform. Significant listings comprised Rexprow Enterprises Limited, raising ₹53.65 crore, and EMA Partners India Limited, which garnered ₹76.01 crore.

These developments underscore a dynamic month for India's economy, marked by regulatory changes, financial strategies, environmental initiatives, and active participation in the SME sector.

Performance Of SME-Listed Companies:

- The **BSE SME IPO** index had a significant fall in **January 2025**. While it experienced some volatility on lower side falling **-17.70%** throughout the month, it ultimately closed at **-10.46%** below its opening level. Notably, the monthly fall stood at **10.46%** and annual return for the index remained strong at just **6.05%**.
- The NSE Emerge index followed suit, demonstrating fall by **10.64%** in January and delivering **23.47%** annual return.
- We witnessed significant fall in almost all the sectors except Power sector showing strength to some extent 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 **77.09x** and **7.17x**, respectively, highlighting investor confidence in the prospects of SME stocks.

Investor Enthusiasm Drives Oversubscription in January 2025 SME IPOs

Investor confidence in India's SME sector remained robust in January 2025, as highlighted by exceptional oversubscription levels in recent IPOs. Here are the key takeaways:

Top 5 Oversubscribed SME IPOs of January 2025:

	<p>The most oversubscribed SME IPO in January 2025, with a subscription of 740.37 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in January 2025, with a subscription of 607.07 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in January 2025, with a subscription of 425.09 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in January 2025, with a subscription of 356.02 times the issue size.</p>
	<p>The fifth most oversubscribed SME IPO in January 2025, with a subscription of 342.10 times the issue size.</p>

Other Notable Oversubscribed SME IPOs In January 2025:



332.78 times



307 times



260.42 times







221.06 times

Overall, January 2025 shown a slight downturn on subscriptions compared to last month for SME IPOs. The momentum and subscriptions overall in the month of January remained slightly low but still very strong showing faith of Investors in SME IPOs. 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.

January 2025 SME IPO Listing Day Gains/Loss:

January marked a strong revival in the SME IPO market after a quiet November, with 22 listings showcasing significant investor interest. Out of which 6 companies achieved listing-day gains of 99% or more; which also lower than previous month totalling to 11 companies gains over 99%, reflecting growing confidence in India's SME growth story. The details are as below:

	<p>The highest listing day gain, with a gain of 99.50%. The company's shares listed at Rs 139.65, which was significantly higher than the issue price of Rs 70.00.</p>
	<p>The 2nd highest listing day gain, with a gain of 99.50%. The company's shares listed at Rs 91.77, which was significantly higher than the issue price of Rs46.00.</p>
	<p>The 3rd highest listing day gain, with a gain of 99.49%. The company's shares listed at Rs 255.35, which was significantly higher than the issue price of Rs 128.00.</p>
	<p>The 4th highest listing day gain, with a gain of 99.49%. The company's shares listed at Rs 169.57, which was significantly higher than the issue price of Rs 85.00.</p>



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The highest listing day gain, with a gain of 99.48%.
The company's shares listed at Rs 171.55, which was significantly higher than the issue price of Rs86.00.

January 2025 was a sustainable month for SME IPO Listing gains, with most of the companies listing on the highest listing gains cap Listing Day performance. Although, January month wasn't positive overall some fundamentally strong companies have significantly outperformed the broader market outlook showing Investors' confidence in Fundamental strong SME 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 2025-2026:

The outlook for SME IPOs in 2025-2026 is expected to be positive, building on the strong performance of 2024 and continuing trends of investor confidence. However, with the January month beginning with negative trend this calendar year, the SME market is tend to slow down in the first quarter on this year. Here's a breakdown of the factors contributing to this optimism:

- **Momentum from 2024:** 2024 saw a record number of SME IPOs, and experts predict this positive trend will likely hold for the next 2-3 years. However, markets are subject to correct we might see a consolidation in SME market for few months. Following this the trend will be strongly backed by higher earning and results of SME companies.
- **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 2025 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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