

India's First Pioneer in
SME & Microcap Exchange
Focused Wealth Creation



June 2025



SME MARKET SUMMARY



steptrade.capital

Executive Summary:

Indian markets showed more pronounced signs of recovery in June 2025, as broader indices extended their gains and the SME segment began to rebound decisively after months of sustained correction. Liquidity, while still below historical averages, improved meaningfully, with renewed participation from retail and institutional investors selectively re-entering quality SME stocks, especially those demonstrating consistent earnings performance and transparent disclosures.

The IPO pipeline staged a notable comeback, with several SME IPOs not only fully subscribed but attracting strong demand across categories. This resurgence reflected improving investor risk appetite and confidence in fundamentally robust businesses tapping the public markets.

Overall, June 2025 reflected a cautious but strengthening optimism, as the combination of improving liquidity, the comeback of SME IPOs, and a selective re-rating of strong, well-managed companies marked a turning point in sentiment within the SME ecosystem.

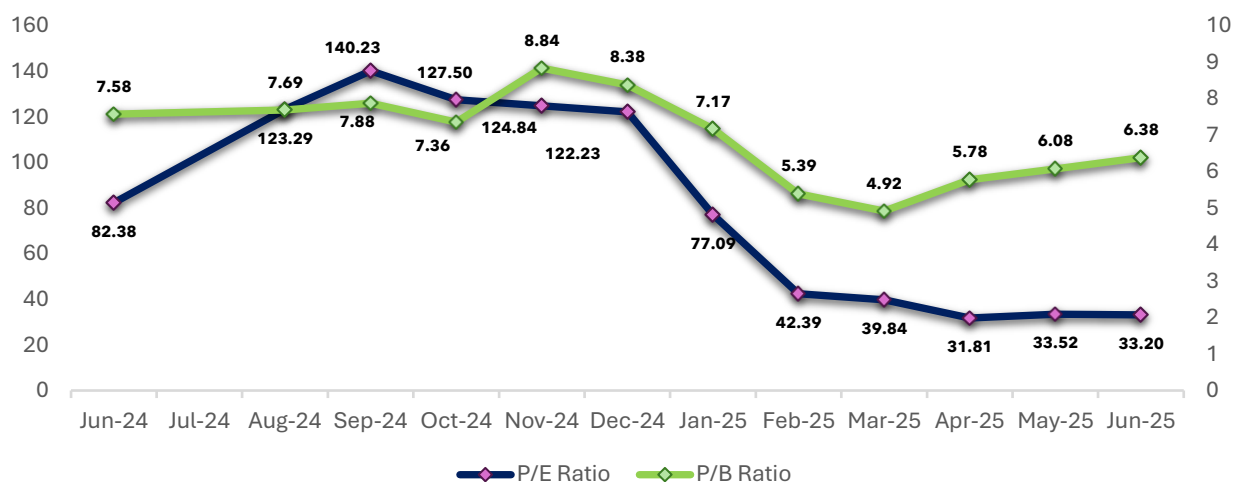
Valuation Gap & Growth in SMEs:

Unlike many small- or mid-cap companies listed on the mainboard, SMEs have delivered exceptional growth over the past year. Several have achieved annual growth rates exceeding 50% CAGR, with some even surpassing 100% CAGR.

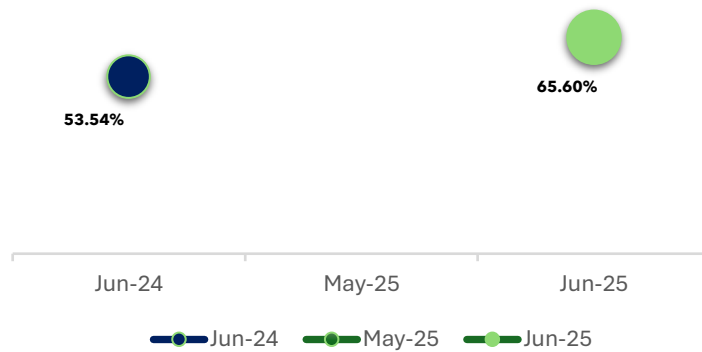
However, the SME segment is not solely about impressive returns or rapid expansion. It reflects the intent, vision, and strong management capabilities of companies that can identify and capitalize on market opportunities, translating those opportunities into tangible results on their financial statements.

While the SME space is often perceived to be clouded by concerns around weak governance and compliance standards, the reality goes well beyond these assumptions. The data below illustrates this point clearly.

NSE SME Emerge Index Valuations



NSE SME Emerge- 5yr Returns CAGR



The chart demonstrates how the Price-to-Earnings (P/E) multiples within the SME index have recalibrated. This valuation adjustment is not merely a consequence of the recent decline in share prices; it also reflects the robust earnings growth delivered by leading SME companies. These results underscore the ability of SMEs to meet their business projections and provide strong visibility and guidance for the future.

The 5-year stock returns CAGR has risen from 53.54% to 65.60% despite the decline over the past year. This demonstrates that even as the broader markets have remained sluggish, SME returns have continued to outperform and sustain their momentum.

Market Outlook Going forward:

As we advance into mid-FY2025, the Indian equity markets—particularly the broader and SME segments are **emerging from a prolonged consolidation phase**, with June 2025 marking the clearest signs yet of a sustained recovery. While benchmark indices continued to experience intermittent volatility driven by global macro uncertainties and high interest rates abroad, the underlying tone within the SME space **shifted decisively towards renewed optimism**, supported by improving liquidity and better-than-expected Q4 earnings releases.

- **Valuations across the SME segment remained steady and attractive**, with the NSE SME Emerge P/E ratio holding around 33.22x, only modestly higher than June but still significantly below the December 2024 peak near 140x. This stabilization indicates that the valuation reset of the past six months has largely played out, aligning investor expectations more closely with operational performance and providing a credible base for long-term accumulation.
- **June reinforced the ongoing investor shift towards quality**—favoring SME businesses that exhibit profitability, compliance strength, and consistent cash flows. Companies with clean audit trails, independent governance practices, and clear growth strategies continued to attract institutional and HNI interest, especially in sectors like industrial automation, precision manufacturing, renewables, and niche IT services.

- **While larger corporates reported flat or pressured margins in Q4 FY24**, many SME players—particularly in B2B technology, engineering exports, and specialty chemicals—posted 20–30% YoY revenue growth, underlining their adaptability to macro challenges and superior demand visibility. This earnings divergence is enhancing investor conviction in select SME counters.
- With the **RBI maintaining a cautious yet supportive monetary policy** and the government continuing to strengthen MSME access to credit and public procurement, the macro backdrop remains favorable. Additionally, early signs of liquidity returning to the SME secondary market—driven by improving sentiment and steady results—are setting the stage for sustained re-rating in quality names.

June 2025 will represent the inflection point in India's SME equity story—a transition from excess and correction to normalization and opportunity. As earnings visibility improves and valuations settle at fundamentally justifiable levels, the coming quarters are poised to reward investors who selectively back transparent, well-managed, and growth-oriented SMEs. The groundwork for long-term capital formation is being laid now—favoring patient, disciplined equity participation.

Recent Economic Developments:

India:

- **GDP Growth Beats Estimates:**
India's Ministry of Statistics released revised data showing **GDP growth for Q4 FY25 at 7.2%**, slightly above market expectations. Strong services activity and resilient rural demand contributed to the better-than-expected performance, reinforcing India's position as the fastest-growing major economy.
- **SEBI Tightens IPO Disclosure Norms:**
In June, SEBI issued **new guidelines requiring all IPO-bound companies to provide enhanced disclosures on related-party transactions, contingent liabilities, and ESG metrics** in their draft prospectus. The move aims to improve transparency, especially in the SME and startup IPO segments.
- **FPI Inflows Hit 6-Month High:**
Foreign portfolio investors poured nearly **₹42,000 crore (~\$5 billion)** into Indian equities in June, the highest monthly inflow since December 2024. The buying was driven by optimism over robust GDP data and anticipation of more stable interest rates globally.
- **Heatwave Intensifies Across Northern States:**
India faced **record heatwave conditions**, with temperatures exceeding **48°C** in Rajasthan and Delhi. The extreme weather led to power shortages, water stress, and emergency measures by state governments to protect vulnerable populations.

- **Markets Extend Recovery:**

Indian benchmark indices advanced for the **fourth consecutive month**, with the **Nifty 50 gaining about 3% in June**, driven by strong FPI flows and solid Q4 earnings. The SME indices also rebounded as improved sentiment and selective IPO successes revived interest in smaller companies.

Major Changes in Regulatory Bodies:

- **SEBI Enhances SME IPO Disclosure Requirements:**

In June, the **Securities and Exchange Board of India (SEBI)** implemented new rules mandating **detailed disclosures in Draft Red Herring Prospectuses (DRHPs) of SME IPOs**. Companies must now provide comprehensive reporting of **related-party transactions, contingent liabilities, ESG practices, and promoter group structures**. The move aims to strengthen transparency and protect retail investors participating in SME listings.

- **RBI Issues Guidelines for Green Deposits:**

The **Reserve Bank of India (RBI)** released a **framework for regulated entities to offer Green Deposits**, effective from July 1. Banks and NBFCs accepting these deposits will be required to **allocate proceeds only to verified environmentally sustainable activities** and disclose use-of-funds reports annually. This step is part of India's broader push to deepen sustainable finance markets.

- **IRDAI Launches Online Insurance Marketplace Pilot:**

The **Insurance Regulatory and Development Authority of India (IRDAI)** launched a **pilot for an online insurance marketplace** under its Regulatory Sandbox. The platform aims to **simplify distribution, improve price discovery, and increase insurance penetration**, particularly in rural areas. Feedback collected over the pilot period will inform permanent regulations in 2026.

- **SEBI Tightens Cybersecurity Compliance for Market Infrastructure Institutions:**

In June, SEBI issued **revised cybersecurity and cyber resilience framework guidelines** for stock exchanges, clearing corporations, and depositories. These entities must now adopt **24x7 Security Operations Centres, advanced monitoring tools, and independent cyber audits twice yearly**, strengthening defences against digital threats to India's capital markets.

Global:

- **Eurozone Enters Mild Recession:**

In June 2025, Eurostat confirmed that the **Eurozone economy contracted for a second straight quarter**, officially entering a mild recession. High energy costs, weak manufacturing output, and softer consumer spending weighed on growth, prompting calls for stimulus measures from the European Central Bank.

- **U.S. Federal Reserve Signals Rate Cut Readiness:**

After months of holding rates steady, the **U.S. Federal Reserve shifted its tone**, indicating it is prepared to **begin rate cuts later this year** if labor markets cool further and inflation continues to moderate. This marked a major pivot from the Fed's prior hawkish stance, easing global liquidity concerns.

- **Global Debt Hits Record High:**

The Institute of International Finance reported that **global debt surged to a record \$316 trillion**, driven by rising sovereign borrowing and refinancing costs in emerging economies. The report warned of potential risks to financial stability if yields remain elevated.

- **Record-Breaking Heat Waves Across Asia and Europe:**

June brought **historic heat waves**, with temperatures exceeding 45°C in parts of India, southern Europe, and China. These extremes disrupted agriculture, strained power grids, and reignited calls for accelerated climate adaptation policies worldwide.

- **Global Equities Rally on Rate Cut Hopes:**

Global stock markets posted strong gains in June, driven by optimism over possible U.S. and European rate cuts. The **S&P 500 climbed over 4%**, while European and Asian indices also rallied. Investors rotated back into growth stocks, and volatility fell to its lowest level since early 2024.

These events collectively highlight a month marked by significant economic policy adjustments, diplomatic initiatives, financial market fluctuations, environmental trade impacts, and stock market volatility.

Robust & Attractive SME Stocks Valuations:

- **Valuations Stabilizing Amid Improving Liquidity:** By June 2025, the NSE SME Emerge index maintained its P/E multiple **around 33.26x**, signaling that the sharp correction from the December 2024 high of 148.76x has largely played out. This steady consolidation, coupled with a visible pickup in secondary market liquidity and renewed institutional participation, suggests valuations have found a **sustainable floor**. Investor sentiment has shifted from defensive caution to **measured accumulation**, anchored in realistic growth expectations and improved transparency.
- **Momentum from Successful SME IPOs:** June saw the launch of 15 SME IPOs, several of which were oversubscribed by more than 5 times and listed with strong premiums. This rebound in primary market activity reinforced confidence in the SME segment and sent a positive signal about underlying demand. Companies with credible business models, clean governance records, and scalable operations benefited most, attracting both retail and institutional flows.
- **Favourable Risk-Reward for Long-Term Investors:** The June landscape represents an important inflection point for long-term investors. With excessive valuations corrected and market breadth improving, SME stocks now offer a more balanced risk-reward profile. As liquidity conditions continue to normalize and participation broadens






beyond speculative pockets, fundamentally sound SMEs are well positioned for multi-quarter rerating, creating opportunities for disciplined investors to build exposure to scalable, growth-focused businesses.

May 2025 presents an attractive entry window for investors to accumulate select SME counters trading at realistic valuations, backed by strong Q4 earnings. With the valuation reset largely complete and fundamentals driving stock selection, the stage is set for a steady, earnings-led recovery in the SME segment over the coming quarters.




Performance of SME-Listed Companies:

- The **BSE SME IPO Index** continued upwards in **June 2025**, gaining **5.46% during the month** after a prolonged downtrend earlier in the year. While sentiment remained cautious and liquidity patchy, the recovery reflected improving investor confidence, particularly in companies with strong fundamentals. The positive performance helped **stabilize the Year-on-Year return at 59.35%**, indicating that despite earlier corrections, long-term optimism about SME earnings and growth prospects continues to support valuations.
- The **NSE Emerge Index** also posted a positive performance in **June 2025**, rising by **3.76%**. While the YOY return remained in the green, it is still stagnant to **1.77%**, signalling a slow momentum in NSE listed SME companies, although confidence amongst investors remained strong looking at monthly returns amid decline in broader markets in past few months.
- **Valuation multiples** for SME stocks also underwent notable correction. The **median P/E ratio** stood at **33.26x**, while the **median P/B ratio** was recorded at **6.08x** in June 2025. Despite the decline, these valuations continue to reflect **investor belief in the long-term growth story** of quality SME businesses, though short-term challenges remain evident.

Top 5 Oversubscribed SME IPOs of June 2025:

	<p>The most oversubscribed SME IPO in December 2024, with a subscription of 312.94 times the issue size.</p>
	<p>The second most oversubscribed SME IPO in December 2024, with a subscription of 296.34 times the issue size.</p>
	<p>The third most oversubscribed SME IPO in December 2024, with a subscription of 273.08 times the issue size.</p>
	<p>The fourth most oversubscribed SME IPO in December 2024, with a subscription of 232.73 times the issue size.</p>
	<p>The most oversubscribed SME IPO in December 2024, with a subscription of 223.64 times the issue size.</p>

Other notable oversubscribed SME IPOs in June 2025:

			
201.35 times	182.89 times	169.93 times	128.18 times

Overall, December 2024 shown a comeback on SME IPO and subscriptions compared to last 3 months for SME IPOs. The momentum and subscriptions overall in the month of December remained very positive 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.

June 2025 SME IPO Listing Day Gains/Loss:

June marked a strong revival in the SME IPO market after a quiet couple of months, with 18 listings showcasing significant investor interest. Although, the listing gains remained stagnant, reflecting consciousness amongst investors.

This resurgence highlights the SME sector's potential as a key contributor to India's economic growth and sets a positive tone for future IPO activity. The details are as below:

	The 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 Rs128.00.
	The 2nd highest listing day gain, with a gain of 70%. The company's shares listed at Rs 243.10, which was significantly higher than the issue price of Rs143.00.
	The 3rd highest listing day gain, with a gain of 57.4%. The company's shares listed at Rs 160.55, which was significantly higher than the issue price of Rs102.00.
	The 4th highest listing day gain, with a gain of 35.62%. The company's shares listed at Rs 162.75, which was significantly higher than the issue price of Rs120.00.
	The 5th highest listing day gain, with a gain of 31.46%. The company's shares listed at Rs 126.20, which was significantly higher than the issue price of Rs96.00.

June 2025 was a comeback month for SME IPO Listings, with most of the companies listing on the highest listing gains cap Listing Day performance. This is a positive sign for the SME sector able to sustain the market and as the sentiments revived in December 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 2025-2026:

The outlook for **SME IPOs in 2025–2026** remains broadly **positive**, buoyed by strong structural momentum from 2024, despite a cautious start to the current calendar year. While the market experienced a significant slowdown in **June and June 2025**, largely due to correction in valuations and broader market volatility, the medium- to long-term narrative for SME listings continues to hold promise.

- **Momentum from 2024:** The year **2024 marked a record high** in SME IPO activity, both in terms of volumes and successful listings. While **2025 began with a phase of consolidation**, market experts anticipate this to be temporary. As corporate earnings stabilize and the broader indices find footing, **SME IPO activity is expected to rebound in the latter half of the year**, driven by strong financial results and business expansion by emerging enterprises.
- **Investor Confidence:** Retail investors, HNIs, and institutional participants continue to show interest in the SME space, recognizing its potential for superior growth and diversification. Even amid market corrections, quality SME companies with solid fundamentals and governance are expected to attract capital, especially those positioned as OEMs or enablers for large sectors like manufacturing, defense, and renewables.
- **Macro-Economic and Policy Tailwinds:** Despite a clouded global macrooutlook, India's gradual cooling of inflation, stable interest rate environment, and targeted government support to MSMEs and start-ups are key enablers. Incentives like PLI schemes, digital infrastructure upgrades, and access to credit are setting the stage for sustained SME growth.
- **Global & Domestic Influences:** Going forward, global monetary policies, geopolitical risks, and capital flow trends will influence the pace and volume of SME IPOs. Domestically, continued focus on regulatory compliance and corporate governance among SME issuers will be vital for maintaining investor trust and market vibrancy.

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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