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SME & Microcap Exchange
Focused Wealth Creation



STEPTRADE
SHARE SERVICES PRIVATE LIMITED

July 2025



SME MARKET SUMMARY

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OPPORTUNITIES FUND

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REVOLUTION
FUND

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Executive Summary:

In July 2025, the Indian capital market saw record SME IPO volumes and robust investor interest, although average listing gains diminished significantly due to market volatility, new US tariffs, and evolving regulatory norms.

- **IPO Activity:** July featured around 33 SME IPOs on BSE and NSE, demonstrating strong demand. In the first half of 2025, 87 SME IPO were listed on SME Exchanges (BSE and NSE SME Emerge) with average listing day gain of ~13%. However, Average listing gains dropped from 60% in 2024 to about 16% in July-25, with many listings now trading below their offer prices, reflecting increased investor scrutiny and market volatility.
- **Market Headwinds:** US imposed a 25% tariff on Indian exports, dampening market sentiment and triggering outflows from Foreign Institutional Investors (FIIs). Domestic Institutional Investors (DIIs) supported market stability with strong net purchases.
- **Regulatory Changes:** Indian SME IPO regulatory changes, effective July 1, 2025, introduce stricter bidding requirements, enhanced eligibility criteria for issuers, and new investor protections.
 1. Minimum application size
 2. Cut-off price option removed
 3. Minimum Operating Profit requirement
 4. OFS Size and Limit on General Corporate Exp (GCP)
- **Sector Performance:** Defence and Defensive sectors like FMCG, Healthcare, and Pharma outperformed, while Consumer Durables and Auto faced declines.

Overall, July 2025 saw heightened primary market fundraising, sectoral resilience amid volatility, and a shift in investor activity as DIIs supported the market in the face of foreign outflows and challenging global conditions.

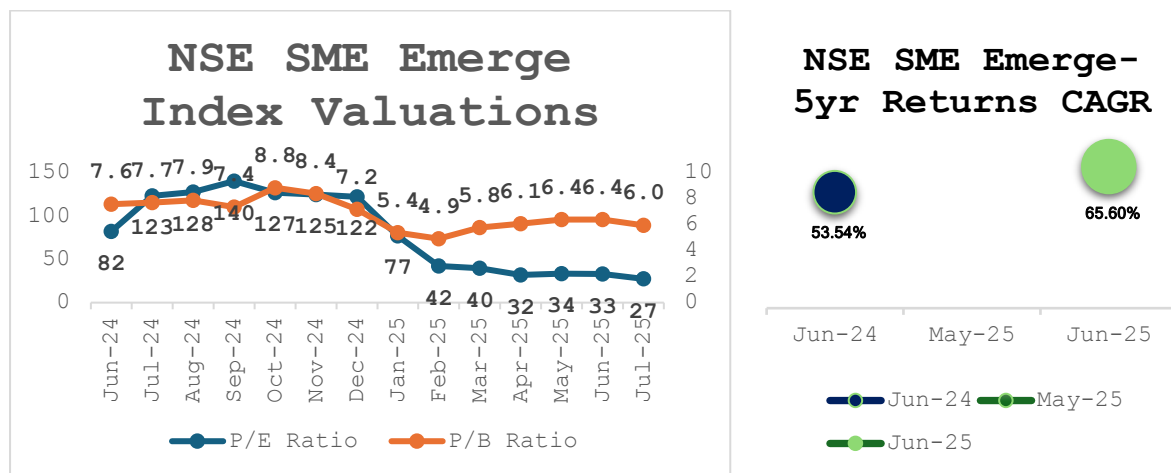
Momentum in SME IPO during July'25 and increase in Issue size and subscription level:

The SME IPO segment has seen a surge in activity with more than 180 companies debuting on SME platforms like BSE SME and NSE Emerge in 2025—a 45% jump from the previous year.

Despite a mild slowdown in the number of IPOs compared to the previous year, larger and more established SMEs continue to use the IPO route to raise significant capital. This indicates sustained momentum and maturity in the SME IPO space with increasing average issue sizes and robust subscription levels.

Improvement in transparency and governance Level:

At the same time, **enhanced regulatory norms and market discipline are improving transparency and governance, supporting sustainable growth.** In 2025, there have been significant improvements in transparency and governance levels in SME IPOs in India, driven by regulatory reforms from SEBI and operational changes by exchanges like NSE and BSE.



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 move into mid-FY2025, the Indian equity markets—particularly the broader and SME segments—are showing clear signs of emerging from a prolonged consolidation phase. **July 2025 marked the strongest indication of a sustained recovery.** While benchmark indices continued to witness intermittent volatility driven by **global macroeconomic uncertainties due to tariff war**, sentiment within the **SME space has turned decisively positive**. This renewed optimism is being fuelled by improving market liquidity and improvement in **overall MSME landscape**.

- **Valuations across the SME segment remained steady and attractive**, with the **NSE SME Emerge P/E ratio holding around 27.24x during July-25, lower than June (~33.2x) but still significantly below the December 2024 peak near 140x**. This stabilization indicates that the valuation reset of the past Seven months has largely played out, aligning investor expectations more closely with operational performance and providing a credible base for long-term accumulation.
- **July 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.
- In June 2025, the **RBI maintained a cautious yet supportive monetary stance, cutting the repo rate by 50 basis points to 5.50%**, and the government continued to enhance MSME access to credit and public procurement opportunities. These measures have helped create a favorable macroeconomic backdrop. At the same time, early signs of liquidity returning to the SME secondary market—spurred by improving investor sentiment and steady corporate results—are laying the groundwork for a sustained re-rating in fundamentally strong names.

July 2025 marks a clear inflection point in India's SME equity journey—a shift from a phase of excess and correction to one of normalization and renewed opportunity. With earnings visibility strengthening and valuations aligning with fundamentally sound levels, the quarters ahead are likely to reward investors who focus on transparent, well-governed, and growth-driven SMEs. The current environment is laying the foundation for long-term capital formation, favoring patient and disciplined equity participation.

Recent Economic Developments:

India:

- **GDP Growth for estimation:**
India's GDP growth for the **first quarter (Q1) of the financial year 2025-26 is projected at 6.5%**. The Reserve Bank of India (RBI) has **retained its real GDP growth forecast for the entire FY 2025-26 at 6.5% despite of tariff war**, with Q1 expected to grow at the same rate of 6.5%. The RBI projections for subsequent quarters are Q2 at 6.7%, Q3 at 6.6%, and Q4 at 6.3%.
- **SEBI Tightens IPO Disclosure Norms:**
In Q1 FY26, 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.
- **Markets Correction during July-25:**
The Nifty 50 index **registered a decline of approximately -2.8% during July 2025**. The index started the month near 25,551 points on July 1 and ended around 24,837 points by the later part of July, reflecting a modest negative return for the month **amid volatility and mixed market sentiments**. This **decline aligns with broader market pressures from global uncertainties and interest rate concerns** that affected investor sentiment during the period.

Major Changes in Regulatory Bodies:

- **SEBI Enhances SME IPO Disclosure Requirements:**
 - a) **Higher Minimum Application Size:**
Minimum bid size increased to at least 2 lots valued above ₹2 lakh for all investor categories. Aimed at attracting committed, informed investors and discouraging speculative retail bids.
 - b) **OFS Quota Cap:**
The maximum Offer-for-Sale (OFS) allowed in SME IPOs is now capped at 20% of the total issue size. **Additionally, selling shareholders cannot offload more than 50% of their existing holdings in the IPO.**
 - c) **GCP Quota Cap:**
 - Funds raised from the IPO for General Corporate Purpose (GCP) are limited to the lower of 15% of the issue size or ₹10 crore.
 - This prevents abuse of IPO proceeds for general purposes and promotes transparency in fund utilization.
 - Importantly, IPO funds cannot be used to repay loans taken from promoters or related parties, ensuring the capital raised is used for genuine business expansion.

d) Cut-off Price Option Removed:

No more bidding at cut-off price for any category. Promotes disciplined bidding based on proper valuation analysis.

e) No Bid Modification or Cancellation:

Once placed, bids cannot be altered or cancelled.

- **SEBI (Securities and Exchange Board of India) Updates:**

- a) Introduction of stricter regulations for Special Purpose Distinct Entities (SPDVs) including annual disclosures of litigations and defaults affecting investor interests.
- b) Revised internal audit and governance norms for Market Infrastructure Institutions (Stock Exchanges, Clearing Corporations) to strengthen accountability.
- c) Consultation paper released on July 9, 2025, proposing significant reforms to the regulatory framework of Credit Rating Agencies (CRAs) addressing conflicts of interest and transparency.
- d) Enhanced trading norms in equity derivatives with a Delta-Based Open Interest model and adjusted Market-Wide Position Limits to curb speculation and improve market integrity.
- e) Amendments to Listing Obligations, Insider Trading Rules, and related party transactions disclosures with phased implementation timelines.

- **RBI (Reserve Bank of India) Regulatory Changes:**

- f) Issuance of "RBI (Co-Lending Arrangements) Directions, 2025" in early July to create a unified framework for banks and NBFCs to jointly lend under structured co-lending arrangements.
- g) Enforcement of stricter KYC/AML compliance by banks and NBFCs with penalties for breaches in June-July 2025.
- h) Easing of investment exposure regulations for banks and NBFCs in Alternative Investment Funds (AIFs) with capped limits introduced in late July.**
- i) Introduction of stringent personal loan guidelines, including a Loan-to-Income ratio cap of 50% and enhanced borrower assessment frameworks.
- j) Implementation of the Banking Laws (Amendment) Act, 2025, effective August 1, aiming to improve governance, audit quality, and depositor protection across PSBs and cooperative banks.

Global:

- **United States:**

The S&P 500 gained about 2.17% during July 2025, marking its third consecutive monthly gain and reaching new record highs. The Dow Jones Industrial Average rose modestly by 0.08%.

Small-cap stocks outperformed large caps, with the Russell 2000 up about 5.4% compared to the S&P 500's 5.1% gain for the month. Market sentiment was supported by easing trade tensions, strong corporate earnings, and a resilient macroeconomic backdrop.

- **Eurozone:**

The Eurozone market showed resilience despite challenges like a strong euro (up 13.4% vs. USD in 2025), which weighed on exporters.

Investor optimism was underpinned by easing trade uncertainties and expectations of continued economic resilience.

- **Asia:**

- a. Asian markets showed mixed performance in July 2025 amid trade tensions and global uncertainties.
- b. Chinese markets were supported by policy stimulus including central bank rate cuts and hopes for extension of the US-China tariff truce.
- c. Japan's Nikkei 225 and South Korea's KOSPI experienced minor declines; the Nikkei fell about 0.9%.
- d. Hong Kong's Hang Seng Index was volatile, ending July with a slight drop (~0.68% decline on July 4) after hitting a 3.5-year high earlier in the month.
- e. Profit-taking, US dollar rebound, and tariff concerns weighed on regional stocks.

- **Fixed Income Market:**

Global aggregate bond index declined by about 1.5% due to rising yields amid expected fiscal stimulus.

U.S. Treasury yields slightly declined late in the month on speculation about possible Fed rate cuts.

- **Commodities Market:**

Oil prices surged over 5% on geopolitical concerns. Gold prices paused their rally, and copper prices faced pressure from tariff announcements.

- **Trade Agreements and Sentiment:**

U.S. achieved trade deals with Vietnam, Japan, and the EU, easing tariff-related uncertainties and improving market sentiment globally.

Robust & Attractive SME Stocks Valuations:

- **Valuations Stabilizing Amid Improving Liquidity:** By July 2025, the NSE SME Emerge index maintained its P/E multiple **around 27.44x**, signalling 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**.
- **Momentum from Successful SME IPOs:** July saw the launch of 33 SME IPOs, several of which were oversubscribed 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 July 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.





Performance of SME-Listed Companies:

- The **NSE Emerge Index** continued upwards in **July 2025**, gaining **3.19% 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 5 year return at 66.25% CAGR**, indicating that despite earlier corrections, long-term optimism about SME earnings and growth prospects continues to support valuations.
- The **BSE SME IPO Index** also posted a positive performance in **July 2025**, rising by **4.49%**. While the YOY return remained in the green, it is still stagnant to **1.22%**, signalling a slow momentum in BSE 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 27.44x, while the **median P/B ratio** was recorded at **5.96x** in July 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.





Investor Enthusiasm Drives Oversubscription in July 2025 SME IPOs

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

Top 5 Oversubscribed SME IPOs of July 2025:

	The was the most oversubscribed SME IPO in July, 2025, with a subscription of 486.12 times the issue size.
	The second most oversubscribed SME IPO in July 2025, with a subscription of 19.36 times the issue size.
	The third most oversubscribed SME IPO in July 2025, with a subscription of 183.103 times the issue size.
	The fourth most oversubscribed SME IPO in July 2025, with a subscription of 177.37 times the issue size.
	The most oversubscribed SME IPO in July 2025, with a subscription of 174.81 times the issue size.

Other notable oversubscribed SME IPOs in July 2025:

			
134 times	130 times	118.63 times	117 times

Overall, July 2025 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 July remained very positive showing faith of Investors in SME IPOs compared to Q4 of FY2024-25. 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.

July 2025 SME IPO Listing Day Gains/Loss:

July marked a strong revival in the SME IPO market after a quiet couple of months, with 33 listings showcasing significant investor interest. Although, the listing gains remained stagnant (~16%), 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:

	<p>The highest listing day gain, with a gain of 99.49%. The company's shares listed at Rs 89.3, which was significantly higher than the issue price of Rs47.</p>
	<p>The 2nd highest listing day gain, with a gain of 65.16%. The company's shares listed at Rs 151, which was significantly higher than the issue price of Rs96.</p>
	<p>The 3rd highest listing day gain, with a gain of 60.59%. The company's shares listed at Rs 130, which was significantly higher than the issue price of Rs 85.</p>
	<p>The 4th highest listing day gain, with a gain of 60.08%. The company's shares listed at Rs 421.25, which was significantly higher than the issue price of Rs250.</p>
	<p>The 5th highest listing day gain, with a gain of 57.08%. The company's shares listed at Rs 157, which was significantly higher than the issue price of Rs 97.00.</p>

July 2025 was a comeback month for SME IPO Listings, with most of the companies listing on the decent listing gains 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 **Q1 of FY26**, largely due to correction in valuations and broader market volatility, the medium- to long-term narrative for SME listings continues to hold promise.

- **Market Recovery and Growth:** After a cautious start in early 2025, SME IPO activity is expected to pick up in the latter half of the year, supported by improving corporate earnings and business expansion of emerging enterprises. Although 2025 has seen a slowdown in the number of IPOs compared to 2024, the funds raised have only modestly declined, indicating larger, more established SMEs are continuing to tap public markets.
- **Investor Confidence:** Retail investors, high net worth individuals (HNIs), and institutional participants remain interested in the SME space, recognizing its potential for superior growth and diversification. Quality SMEs with strong fundamentals and governance, especially those in sectors like manufacturing, defense, and renewables, are expected to attract capital despite market volatility.
- **Sectoral Trends:** Technology, healthcare, fintech, and niche manufacturing sectors have been strong performers in SME IPOs recently and are likely to continue attracting investor interest. Many SMEs are also successfully transitioning from SME platforms to mainboard listings, signalling maturation and scalability.
- **Caution on Market Volatility:** Despite positive fundamentals, global uncertainties, rising interest rates, geopolitical risks, and domestic market volatility may impact the pace and returns of SME IPOs in the short term. Investors should watch for regulatory compliance and corporate governance as key to maintaining trust and market vibrancy.

In summary, the SME IPO segment in India during 2025-2026 is poised for sustained growth, driven by strong structural factors, improving business fundamentals, and supportive policies. While immediate listing gains may moderate compared to the spectacular returns seen in 2024, the space offers significant long-term opportunities as India's dynamic SME ecosystem continues to mature and attract diverse investor participation. Cautious optimism is warranted given global and domestic economic uncertainties.

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