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SME & Microcap Exchange
Focused Wealth Creation



STEPTRADE
SHARE SERVICES PRIVATE LIMITED

August 2025



SME MARKET SUMMARY

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OPPORTUNITIES FUND

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REVOLUTION 
FUND

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Executive Summary:

In August 2025, India's capital markets experienced high volatility amid mixed global and domestic signals. The early part of the month saw strong performance, but rising US sectoral tariffs and persistent foreign institutional investor (FII) outflows led to market corrections and cautious investor sentiment by month-end.

Despite August's turbulence—driven by tariff shocks and FII selling - India's economic fundamentals, positive outlook from GST overhaul and DII flows provided stability.

FIIs net sold over ₹45,000 crores amid US-China trade tensions, Trump tariff on Indian Goods export, while DIIs provided counterbalance with steady inflows.

Mixed IPO listings, with some newly listed SME and mainboard stocks slipping below their issue prices.

Economic Data: Manufacturing and services purchasing managers' indices (PMIs) in India have been robust, GST collections have remained strong, and the outlook for GDP growth continues to be positive. Domestic data such as manufacturing, services, and GST collections indicate underlying economic resilience despite global headwinds.

Market Headwinds: US imposed a 50% 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.

Rupee Depreciation: The Indian Rupee experienced depreciation, further adding to the economic headwinds.

India's capital markets in August 2025 faced increased volatility and consolidation due to international trade risks, profit booking, and persistent FII outflows, although strong domestic fundamentals provided resilience.

- **IPO Activity:** August featured around 27 SME IPOs on BSE and NSE, demonstrating moderate demand and listing day gain. 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%, whereas for the Aug'25 average listing day gain dropped to ~8%. Average listing gains dropped from 60% in 2024 to about 8% in August-25 and 13% in first half 2025, with many listings now trading below their issue prices, reflecting increased investor scrutiny and market volatility.

- **Regulatory Changes:**

Block Deal Size: India's markets regulator proposes changes to block deal framework. SEBI proposed to increase the minimum block deal size to 250 million rupees from the current 100 million rupees, according to a consultation paper published on its website.

Regulation of Pre-IPO trading: SEBI Chairman proposed a pilot program for a regulated pre-IPO trading platform where unlisted companies could trade shares under disclosure norms to deepen capital markets and increase transparency.

Algorithmic trading: All algorithmic trading strategies must now be registered with the exchange and receive a unique identification number before implementation. The rules require mandatory strategy registration, static IP-based access for traders using APIs, and enhanced risk management measures to protect investors and market integrity.

Cybersecurity: SEBI provided technical clarifications on the Cybersecurity and Cyber Resilience Framework for regulated entities to safeguard data and market operations.

RIA deposit: SEBI allowed Investment Advisers and Research Analysts to maintain deposits through liquid mutual funds instead of bank fixed deposits via a circular dated August 12.

IRDAI updates: IRDAI approved important regulatory reforms including updated Risk Based Capital guidelines, new technical guidance for QIS 2, and rural/social sector insurance obligations for FY 2025-27 in July, with ongoing implementation into August.

Sector Performance: Auto, Consumer Durables, and FMCG led the gains, while Realty, Pharma, Bank, Financial Services, Private Bank, Healthcare, Oil & Gas, and Energy were the major laggards, each falling over 3%.

IT and textile sectors faced the most significant pressure due to the US tariffs. However, sectors benefiting from domestic demand showed relative resilience.

Overall, August 2025 saw moderate primary market fundraising, sectoral turbulence 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 Aug'25 and increase in Issue size and subscription level:

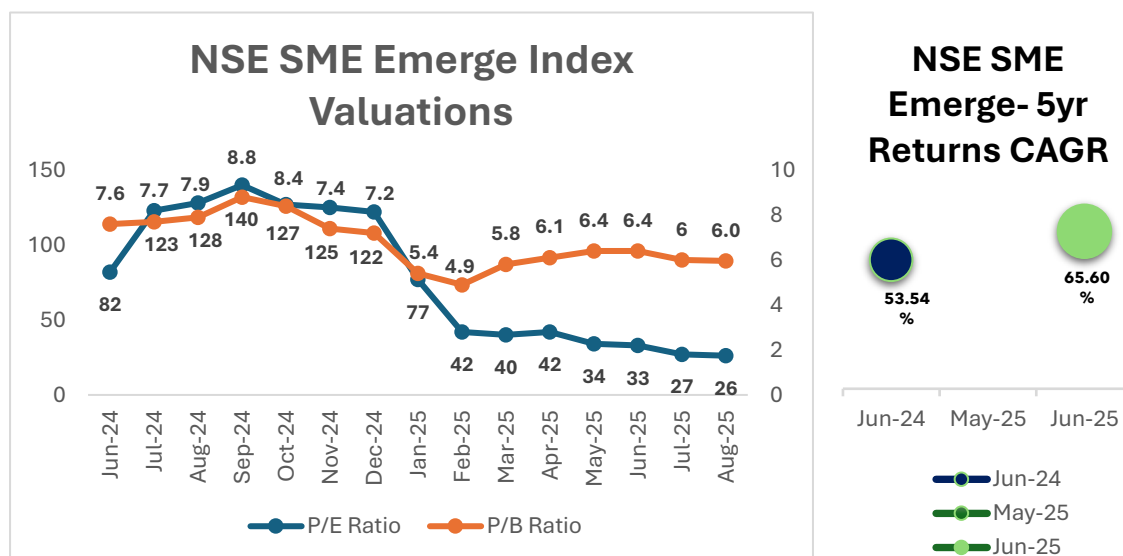
The SME IPO segment has seen a surge in activity with more than 180 companies debuting on SME platforms like BSE SME and NSE Emerge in Calendar year 2025.

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.

NSE SME Emerge Valuation and Return:



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-FY 2025, the Indian equity markets—particularly the broader and SME segments—are showing clear signs of emerging from a prolonged consolidation phase.

August 2025 witnessed a modest correction across major indices. While large-cap indices such as the Nifty 50 and Sensex declined by around 1–1.5%, mid-cap and small-cap indices experienced steeper falls of nearly 4%, reflecting risk aversion and sectoral adjustments.

- Despite these corrections, the domestic economic fundamentals remained intact, **supported by robust GDP growth projections, strong manufacturing and services PMI data, and healthy GST collections.** Additionally, domestic institutional investors (DIIs) continued to provide steady inflows, cushioning the market impact and limiting downside.
- **SME Valuation:** Valuations across the SME segment remained steady and attractive, with the **NSE SME Emerge P/E ratio holding around 26.18x during Aug-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.
- **Sustained Valuation of Indian Capital Market:** Valuations compressed slightly but remained elevated above historical averages, indicating a phase of consolidation rather than a major downturn. Consequently, **the market correction in August 2025 can be seen as a healthy recalibration amid external headwinds,** with optimism sustained **by domestic demand and policy support.**

August 2025 proved to be a turbulent month for the Indian stock market, as escalating US sectoral tariffs dominated investor sentiment. While IT and textile sectors faced pressure, FII outflows continued, strong and resilient demand offered glimmers of hope. Amid global trade tensions, the market showed cautious optimism, balancing short-term shocks with long-term potential.

Recent Economic Development:

India:

- **Surprise GDP Growth acceleration for Q2:**
India's real GDP has expanded by 7.8 per cent year-on-year in Q2 2025. The robust growth, which marks a strong start to fiscal 2026 (FY26), was underpinned by heavy front-loading of government spending and exports.
- **Revised Growth Outlook:** India's GDP growth has been forecasted for **current fiscal year to 6.9 per cent from 6.5 per cent earlier on the back of strong June quarter growth and domestic demand drivers.**
- **Proposed GST Reforms:** The proposed change in the Goods and Services Tax structure, which may reduce the tax in some consumer segments, could also support growth this fiscal, depending on when the proposed changes come into effect.
- **GST Collection:** Goods and Services Tax (GST) collections reached ₹1.86 lakh crore in August 2025, a 6.5% growth year-on-year. CGST and SGST components showed strong double-digit growth while IGST and cess collections were modest. GST refunds fell 20% year-on-year, supporting net revenue growth to ₹1.67 lakh crore.
- **RBI Monetary Policy:** the RBI's 100-bps cut in the repo rate so far in 2025 and a cut in the cash reserve ratio would help liquidity position of Capital Market. RBI may further cut repo rate during Q-3 FY26.
- **Markets Correction during Aug-25:**
The Nifty 50 index **registered a decline of approximately -1% during Aug- 2025.** The index started the month near 24,734 points on Aug' 1 and ended around 24,426 points by the later part of Aug'25, 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.

Global:

- **United States:**
The United States capital markets showed solid performance amid strong corporate earnings, moderating inflation, and expectations of lower interest rates.
The S&P 500 gained 1.91% for the month, with the Dow Jones Industrial Average up 3.20% and the S&P MidCap 400 rising 3.26%. The small-cap S&P SmallCap 600 posted the highest monthly gain of 6.89%. **Small-cap stocks in the United States outperformed large-cap stocks.**
- **Eurozone:**

In August 2025, the Eurozone capital markets showed modest but positive performance amid easing trade tensions and stabilizing inflation.

The EURO STOXX 50 Index, Eurozone's leading blue-chip index, rose around 0.6% in euros over the month, supported by resilient economic activity and steady manufacturing growth.

Inflation rose slightly to 2.1%, just above the European Central Bank's (ECB) target of 2%, with core inflation steady at 2.3%. Services inflation saw a small decline to **3.1%**, the lowest since March 2022, providing some comfort to policymakers.

- **Asia:**

Japan's Nikkei 225 surged around 2.2%, hitting record highs above 42,700 points, supported by strong corporate earnings, improved manufacturing sentiment, and optimism about US-Japan trade relations.

China's Shanghai Composite rose approximately 4.6% for the month, hitting multi-year highs near 3,820 points, buoyed by strong performances in computing power, chip, and lithium battery sectors, despite some profit booking in key stocks.

The Hang Seng Index in Hong Kong was somewhat volatile with a minor correction early in the month but showed signs of recovery, supported by southbound capital inflows and improving China services activities.

Emerging markets in Asia were varied, with Thailand, Indonesia, and Taiwan posting strong gains of approximately 14%, 8%, and 5.8%, respectively, while Malaysia experienced mild declines of 2.9% and 1.3%.

- **Fixed Income Market:**

The 10-year U.S. Treasury yield started the month near 4.0% but saw a decline toward the end of August, closing around 3.75% due to growing expectations of a Federal Reserve interest rate cut in the coming months.

- **Indian Fixed Income Market:**

The 10-year benchmark government bond yield rose by approximately 21 basis points (bps) during the month, closing at around 6.59% at end-August, up from 6.38% at the end of July.

- **Commodities Market:**

Oil prices corrected by 2% on geopolitical concerns. Gold prices went up by 4%, and copper prices faced pressure from tariff announcements.

Robust & Attractive SME Stocks Valuations:

- **Valuations Stabilizing Amid Improving Liquidity:** By August 2025, the NSE SME Emerge index maintained its P/E multiple **around 26.18x**, 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**.
- **Favourable Risk-Reward for Long-Term Investors:** The August 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.




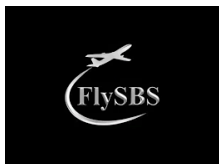

Performance of SME-Listed Companies:

- The **NSE Emerge Index** continued upwards in **August 2025**, slightly gaining **0.29% 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 63.13% 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 negative performance in **August 2025**, falling by 2.40%, 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** (all sme listed company) stood at **20.93x**, while the **median P/B ratio** was recorded at **2.19x** in August 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 August 2025 SME IPOs

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

Top 5 Oversubscribed SME IPOs of August 2025:

	The most oversubscribed SME IPO in August, 2025, with a subscription of 560.69 times the issue size.
	The 2 nd most oversubscribed SME IPO in August 2025, with a subscription of 382.14 times the issue size.
	The 3 rd most oversubscribed SME IPO in August 2025, with a subscription of 379.44 times the issue size.
	The 4 th most oversubscribed SME IPO in August 2025, with a subscription of 318.68 times the issue size.
	The 5 th most oversubscribed SME IPO in August 2025, with a subscription of 300.89 times the issue size.

Other Notable Oversubscribed SME IPOs in August 2025:

			
198 times	180 times	35.67 times	27.75 times






Overall, August 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 August 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.

August 2025 SME IPO Listing Day Gains/Loss:

August marked sustained momentum in the SME IPO market after July's revival, with 27 listings reflecting continued investor interest. However, listing gains moderated further (~8%), indicating increasing caution among 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 99.5%. The company's shares listed at Rs 228, which was significantly higher than the issue price of Rs 120.
	The highest listing day gain, with a gain of 99.49%. The company's shares listed at Rs 427.5, which was significantly higher than the issue price of Rs 225.
	The highest listing day gain, with a gain of 27.32%. The company's shares listed at Rs 90.95, which was significantly higher than the issue price of Rs 75.
	The highest listing day gain, with a gain of 24.4%. The company's shares listed at Rs 110, which was significantly higher than the issue price of Rs 84.
	The highest listing day gain, with a gain of 21.12%. The company's shares listed at Rs 155, which was significantly higher than the issue price of Rs 130.

August 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 FMCG, Auto, defense, Pharma 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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