

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



September 2025



SME MARKET SUMMARY



steptrade.capital

Executive Summary:

In September 2025, India's capital markets experienced high volatility amid mixed global and domestic signals especially due to rising US sectoral tariffs and persistent foreign institutional investor (FII) outflows led to market corrections and cautious investor sentiment by month-end.

The government implementing major tax reforms such as the GST rationalisation effective September 22, 2025, aimed to simplify tax slabs, boost consumption and reduce compliance burdens for businesses and consumers.

FPIs withdrew a net \$2.7 billion from Indian equity markets in September, marking the largest continuous monthly outflows seen in 2025, attributed to geopolitical tensions, US interest rate policies, and a strengthening US dollar.

Banks were encouraged by RBI's liquidity schemes targeting dormant accounts reactivation and lower cash reserve requirements for improved credit flow.

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

Consumer spending remained robust in essential goods and rural segments, helped by lower GST rates on key categories.

Rupee volatility: Rupee volatility, breaching ₹88/USD, raised concerns over imported inflation and stressed corporate earnings linked to foreign expenses.

September 2025 marked a critical phase of consolidation and cautious optimism for the Indian economy and capital markets. The macroeconomic fundamentals remained robust, supported by steady GDP growth driven largely by domestic consumption and investment, despite emerging global headwinds including trade uncertainties, inflationary pressures, and currency volatility. The government's regulatory reforms, particularly the GST rationalisation, alongside RBI's measured monetary policies, demonstrated a commitment to sustaining growth while managing inflation risks.

IPO Activity: September featured around 36 SME IPOs on BSE and NSE with average listing day gain of ~15%, 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%. The average listing day gain in Aug'25 was ~8% whereas for the Sep'25 average listing day gain increased to ~15%. Average listing gains dropped from 60% in 2024 to about 15% in September-25, with many listings now trading below their issue prices, reflecting increased investor scrutiny and market volatility.

17 Mainboard IPOs featured in the month of September in 2025 demonstrating weak demand in the markets. The year 2024 saw an average listing day gain of ~30% reflecting high investor enthusiasm and liquidity. The 6-month period from Jan'25 to Jun'25 saw only a total of 19 IPOs being listed in the market with an average listing day gain of ~11% showing weak momentum and shift towards caution. The month of Sep'25 saw the listing gain average drop to ~4% despite high volume of IPOs.

Regulatory Changes:

GST Rationalisation (GST2.0): The previous four-tier GST structure (5%, 12%, 18%, 28%) was replaced with just three main rates: 5% (merit rate) for essentials and mass-consumption items, 18% (standard rate) for most other goods and services and 40% for sin and luxurious goods.

All goods and services previously in the 12% slab now largely attract 5% GST, while those at 28% (except sin/luxury goods) are shifted to 18%.

Major Sectoral Impact of GST:

Automobile & Auto Parts- Small cars, two-wheelers, three-wheelers, buses, trucks, and auto parts saw GST rates fall from 28% to 18%, while tractors and tractor parts shifted from 12–18% to just 5%. Motor cycle (above 350 cc) shifted from 28% to 40%.

FMCG & Consumer Durables: GST on food items (biscuits, packaged foods) slashed from 18% to 5%, boosting margins and affordability. Household articles, kitchenware, and tableware (excluding porcelain) reduced to 5%.

Textiles, Handicrafts, & MSMEs: Manmade fibers and yarn, handicrafts, and artisan goods dropped to 5% GST, helping exporters, artisans, and young manufacturers compete globally. Textile rate cut removes structural anomalies and encourages job creation.

Healthcare & Pharmaceuticals: Life-saving medicines, diagnostic kits, and medical devices now attract nil or 5% GST, making healthcare more affordable and broadening insurance coverage.

Insurance: Life Insurance and health Insurance shifted from 18% to exempted category, improving social protection.

Hospitality, Wellness & Tourism: Hotels (up to ₹7,500 per day), gyms, salons, and yoga centres dropped from 12–18% to 5%, boosting tourism, wellness, and job creation.

Agriculture & Allied: Tractors, harvesters, threshers, drip irrigation equipment, poultry, and bee-keeping machines dropped from 12% to 5% GST.

Renewable Energy: GST on solar, wind, biogas, and waste-to-energy equipment reduced from 12% to 5%, lowering project costs, improving viability, and supporting India's Net Zero 2070 goals.

Construction & Real Estate: Lower rates on steel, cement, and fittings (from 28% to 18%) reduce project costs, boost housing demand, and spur infrastructure growth.

Global:

- **United States:**

The S&P 500 gained 3.53% during the month, and is up 13.72% year-to-date. Technology and AI-related stocks powered the Nasdaq index to over a 6% rise for the month.

Small-cap and mid-cap stocks rose modestly, with the S&P SmallCap 600 up 0.80% and the S&P MidCap 400 up 0.29%.

- **Eurozone:**

The Stoxx Europe 600 Index gained nearly 1.5% in September, marking the best monthly performance since 2019.

Positive momentum was attributed to resilient US growth, lower European interest rates, and improving Eurozone inflation. The German elections and subdued trade tensions boosted investor sentiment earlier in the year.

- **Asia:**

Asian markets rose sharply, with China, Taiwan, and Korea outperforming other regions. MSCI Emerging Market Index posted ~7% increase, outpacing developed markets.

The MSCI Asia ex-Japan Index was up 11.1% for the quarter, with notable momentum extending into September.

China's Hang Seng Tech Index surged 22.1% in Q3CY25 and ~45% year-to-date, powered by policy support for domestic chipmakers and rapid AI adoption.

Japan's TOPIX Index gained ~10% for the quarter, benefiting from a weaker yen, a trade deal with the US, resilient domestic macro data, and continued governance reforms.

China, South Korea, and Taiwan delivered high single-digit to low double-digit gains, leading the emerging markets rally.

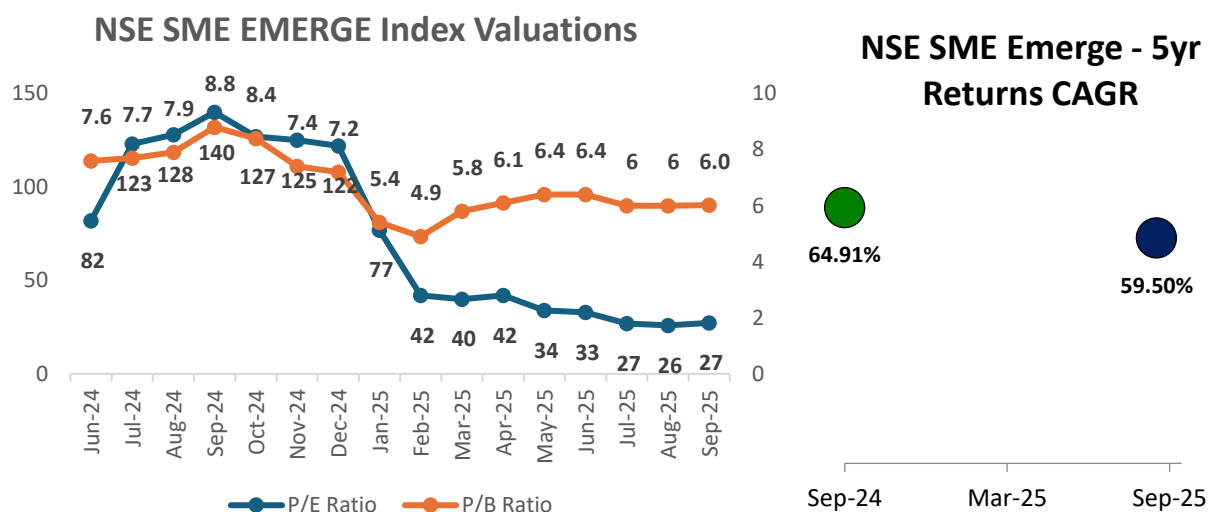
Indian equities underperformed in the region as FPI flows tapered and US tariffs pressured sentiment in September.

- **Fixed Income Market:**

United States: The 10-year Treasury yield closed September at 4.16%, down from 4.23% in August, as seasonal softness in employment data and increased expectations of further Fed cuts boosted bond prices.

India: The 10-year benchmark government bond yield ticked up slightly to 6.52% at September-end. This was due to robust Q1 GDP data (7.8% growth) and speculation that rate cuts by the RBI may be delayed.

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 was ~64.91% in Sep'24 which decreased to ~59.50% in Sep'25.

Robust & Attractive SME Stocks Valuations:

- Valuations Stabilizing Amid Improving Liquidity:** By September 2025, the NSE SME Emerge index maintained its P/E multiple **around 27.24x**, signalling that the sharp correction from the December 2024 high of 148.76x has largely played out.
- Market Resilience:** Despite some IPOs falling below issue price, the overall SME segment displayed resilience, showing healthy investor confidence and demand for fundamentally strong smaller companies.
- Growing Role in India's Growth Story:** Experts regard the SME IPO market as a cornerstone for broad-based capital formation and economic growth in India, indicating increasing maturity and market discipline in 2025.

Performance of SME-Listed Companies:

- The **NSE Emerge Index** continued upwards in **September 2025**, slightly gaining **0.6% during the month** after a prolonged downtrend earlier in the year. The positive performance helped **stabilize the 5 year return at 59.53% CAGR**, indicating that despite earlier corrections, long-term optimism about SME earnings and growth prospects continues to support valuations.
- The **BSE SME IPO Index** posted a negative performance in **September 2025**, falling by **~1.4%**, signalling negative 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 were remained almost similar to Aug'25. The **median P/E ratio** (all SME listed company) stood at **20.16x**, while the **median P/B ratio** was recorded at **2.32x** in September 2025.

Investor Enthusiasm Drives Oversubscription in September 2025 SME IPOs

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

Top 5 Oversubscribed SME IPOs of September 2025:

	The most oversubscribed SME IPO in September, 2025, with a subscription of 1076.99 times the issue size.
	The 2 nd most oversubscribed SME IPO in September 2025, with a subscription of 718.3 times the issue size.
	The 3 rd most oversubscribed SME IPO in September 2025, with a subscription of 301.52 times the issue size.
	The 4 th most oversubscribed SME IPO in September 2025, with a subscription of 182.95 times the issue size.
	The 5 th most oversubscribed SME IPO in September 2025, with a subscription of 169.09 times the issue size.

Other Notable Oversubscribed SME IPOs in September 2025:

			
127.78 times	124.34 times	76.59 times	64.455 times

The momentum and subscriptions overall in the month of September 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.

September 2025 SME IPO Listing Day Gains/Loss:

The month of September continued the uptick in momentum in August, with 36 listings reflecting continued investor interest. Average Listing gains increased to ~15% in Sept'25 as compared to ~8% in Aug'25, reflecting a resurgence in positive sentiment.

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 266, which was significantly higher than the issue price of Rs 140.
	The highest listing day gain, with a gain of 99.48%. The company's shares listed at Rs 366.7, which was significantly higher than the issue price of Rs 193.
	The highest listing day gain, with a gain of 99.48%. The company's shares listed at Rs 275.5, which was significantly higher than the issue price of Rs 145.
	The highest listing day gain, with a gain of 90.94%. The company's shares listed at Rs 152, which was significantly higher than the issue price of Rs 80.
	The highest listing day gain, with a gain of 83.21%. The company's shares listed at Rs 136.1, which was significantly higher than the issue price of Rs 78.

September 2025 has shown recovery in SME IPO market listing. 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.

Overall the IPO market has shown the presence of good liquidity in the markets and investors are actively choosing opportunities instead of a broad participation suggesting selective optimism.

Outlook for SME IPOs in 2025-2026:

The outlook for **SME IPOs in 2025–2026** remains broadly **positive**, buoyed by more disciplined & transparent framework introduced by SEBI, attractive Valuation, niche sectors and retail Investor participation.

- **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, disciplined & transparent framework attractive Valuation and business expansion of emerging enterprises.
- **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 Capital goods & Electrical equipment, FMCG, Auto, defence, Pharma and renewables, are expected to attract capital despite market volatility.

The SME market momentum in September 2025 points to a structurally stronger and more vibrant segment supported by attractive valuations, solid fundamentals, and Investor appetite. The growing number of SME IPO signals robust opportunities despite inherent risks, making it a compelling segment for balanced portfolio diversification.

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