

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



December 2025

SME & Microcap Report



steptrade.capital

Executive Summary:

Capital Market Update: December 2025

- In December 2025, India's capital markets (Nifty-50) experienced a corrective phase amid year-end volatility, persistent FPI selling pressure, robust DII counter-buying, and selective IPO momentum from high-profile Mainboard listings. Large caps provided relative stability while mid caps showed resilience; small caps and micro caps faced deeper profit-taking and underperformance as FPIs targeted overvalued segments and DIIs focused on quality names.
- NIFTY 50 (large-cap benchmark) dropped by **~0.28%** in Dec, Nifty Midcap 100 dropped by ~0.92%, while Nifty small cap 100 & Nifty micro cap 250 dropped by about **0.65% & 2.46% respectively**.
- Cyclical sectors such as banking, metals, automobiles, and energy demonstrated relative resilience amid a cautious market environment, while FMCG, IT, and capital goods lagged the broader indices.
- Foreign Institutional Investors (FIIs) remained net sellers with outflow of ~34,349 Cr in Cash segment, but strong buying of ~79,619 Cr from Domestic Institutional Investors (DIIs) provided support during the month.
- Consumer discretionary spending remained robust in essential goods and rural segments, helped by lower GST rates on key categories. Key policy factors included ongoing GST reforms and an accommodative monetary stance by the RBI, all boosting domestic demand.
- The central bank has revised its FY26 growth forecast to 7.4% from 6.8% earlier, supported by robust demand driven largely by private consumption.
- Inflation ease: The CPI inflation in India for November 2025 was approximately 0.71%, a slight increase from the multi-year low of 0.25% in October 2025.

IPO Activity: December featured 41 SME IPOs on BSE and NSE raising ~Rs. 1,600 crores with an average listing day gain of 9.76%. During the first 6 months of this financial year i.e. from Apr'25 to Sep'25, 132 IPOs listed at an average listing day gain of ~13%. Average listing gains dropped from 60% in 2024 to about 12% in 2025, with many listings now trading below their issue prices, reflecting increased investor scrutiny and market volatility.

10 Mainboard IPOs featured in the month of December raising ~Rs. 22,000 crore and listed with an average listing day gain of ~11%. The first half of this financial year i.e. Apr'25 to Sep'25 saw a total of 57 IPOs listing at an average listing day gain of ~9%. The average listing day gain in mainboard in 2024 was about 29% in which reduced to around 9% in the year 2025.

Global:

- **United States:**

The **S&P 500 posted negligible decline by ~0.05%** in December putting an end to its seven-month winning streak while **Nasdaq declined ~0.53%**. Market sentiment was shaped by shifting interest-rate expectations and profit-taking after strong tech gains earlier in the year.

In its December 9–10 meeting, the **Federal Reserve cut the federal funds rate by 25 bps to a 3.50 %–3.75 % target range**, marking its **third consecutive rate reduction in 2025** as the central bank balanced slowing job growth and moderately elevated inflation.

Russell 2000 fell by 0.74%, while the **S&P SmallCap 600 and MidCap 400 fell 0.26% and 0.10%, respectively**, reflecting rotation out of growth and smaller cap stocks.

- **Eurozone:**

European equities continued upward momentum in December, with the **EU50 index rising 2.26%**, supported by sector rotation into financials, resources and defensive stocks, and ending the year near record highs.

- **Asia:**

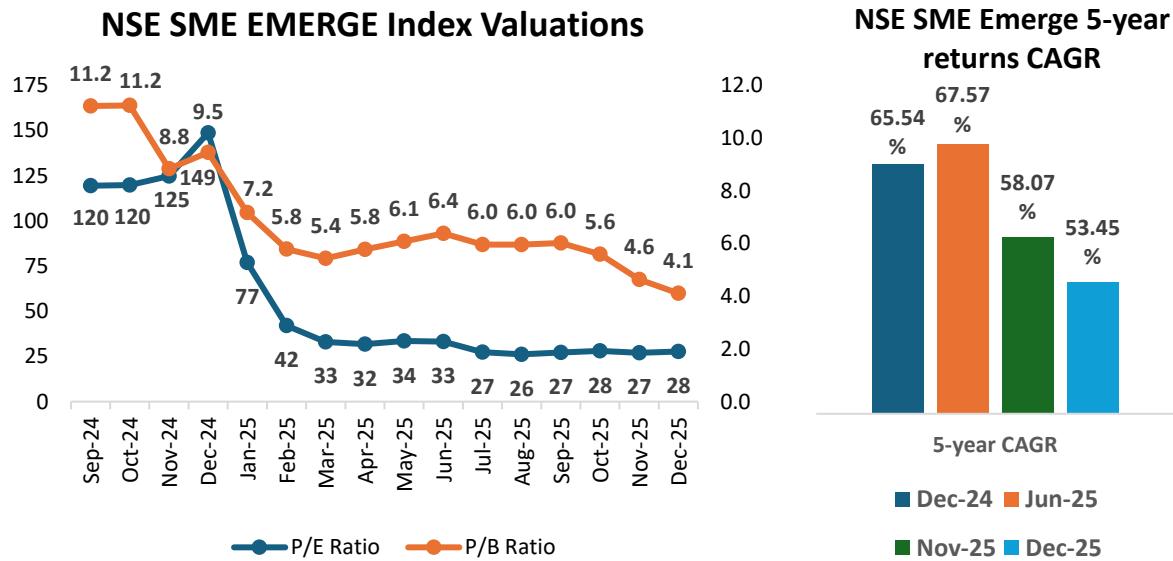
Bank of Japan raised interest rates, lifting the policy rate to multi-year highs. **Japan's Nikkei 225 closed up by 0.17%**; as financial sector gained and volatility increased in rate sensitive stocks. Additionally, Yen volatility and rising long term government bond yields influenced capital flows and equity sentiment.

China's Shanghai Composite was up 2.06% in December with broader 2025 returns up to 18.4% on renewed growth signals. In December 2025, China's financial markets reflected a mix of supportive policy signals and cautious investor positioning. Continued monetary easing cues, credit support measures and strategic policy guidance helped underpin markets.

Meanwhile, India's **Nifty 50 and Nifty Midcap 100 fell approximately 0.28% and 0.92%** in December; Further, the **Nifty Smallcap 100 and Nifty Microcap 250 dropped around 0.65% and 2.46% respectively**. Indian equities weakened in December as elevated valuations, and intermittent foreign investor outflows weighed more heavily on mid-, small- and micro-cap stocks.

SME Market:

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 ~65.54% in Dec'24 and increased in Jun'25 at 67.57% then drifted to ~53.45% in Dec'25 signalling normalising of the rolling average as superior returns moved out of the calculation range. Additionally, it shows the effect of regulatory tightening in which SEBI raised the minimum investment amount to Rs. 2 lakhs, minimum profitability criteria, maximum limit on Offer for Sale (OFS) by promoters. The chart reflects a transition from extraordinary, liquidity-driven gains to more earnings-aligned performance.

Robust & Attractive SME Stocks Valuations:

- **Valuations Stabilizing Amid Improving Liquidity:** By December 2025, the NSE SME Emerge index maintained its P/E multiple **around 27.80x**, signalling that the sharp correction from the December 2024 high of 148.76x has largely played out and slightly higher as comparing to November'25 (i.e. 27x). Valuations started stabilising post Jun'25 suggesting a **shift from momentum-driven buying to selective, fundamentals-led participation**.
- **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** dropped **~6% in December 2025** continuing the downward momentum. The monthly return in Nov'25 was -1.20%. Despite these short-term declines, **the five-year CAGR remains strong at 53.45%**, indicating that long-term confidence in SME earnings and growth prospects continues to underpin valuations.
- **Valuation multiples** for SME stocks remained almost similar. The median P/E ratio (all NSE SME listed company) stood at **17.27x**, while the median P/B ratio was recorded at **1.98x** in Dec'25.

Investor Enthusiasm Drives Oversubscription in December 2025 IPOs

Investor confidence in India's SME sector remained moderate in December 2025, as highlighted by robust oversubscription levels in recent IPOs but moderate listing gain. Here are the key takeaways:

Top Oversubscribed SME IPOs of December 2025:

	The most oversubscribed SME IPO in December, 2025, with a subscription of 988 times the issue size.
	The 2 nd most oversubscribed SME IPO in December, 2025, with a subscription of 947 times the issue size.
	The 3 rd most oversubscribed SME IPO in December, 2025, with a subscription of 635 times the issue size.
	The 4 th most oversubscribed SME IPO in December, 2025, with a subscription of 438 times the issue size.
	The 5 th most oversubscribed SME IPO in December, 2025, with a subscription of 353 times the issue size.

Momentum and subscription activity in December showed a clear improvement, indicating a more upbeat market tone than previous month and investor participation strengthened across select segments. It is important to note that not all oversubscribed IPOs go on to perform well in the long term and vice versa.

December 2025 SME IPO Listing Day Gains/Loss:

The details of top listing day gains are provided below:

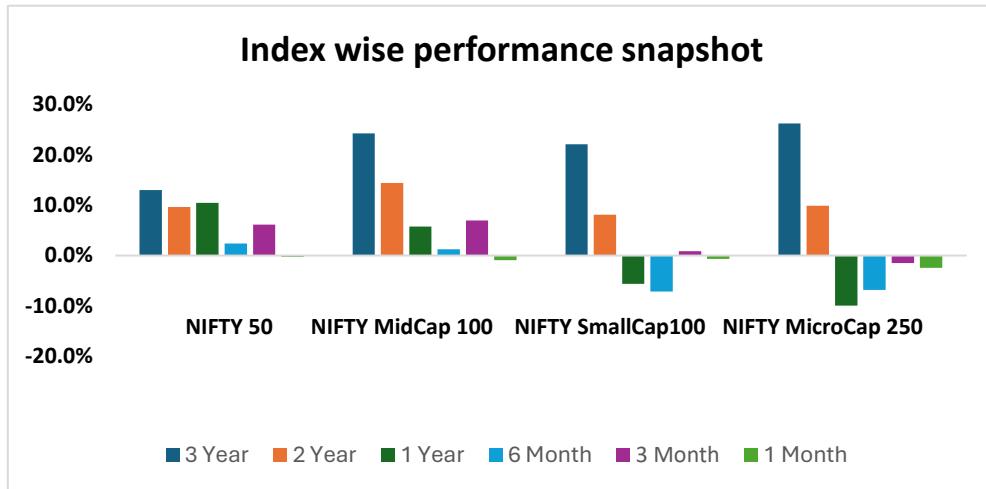
	The highest listing gain, with a gain of 90.00%. The company's shares listed at Rs 203.30, which was significantly higher than the issue price of Rs 107.
	The 2 nd highest listing gain, with a gain of 90.00%. The company's shares listed at Rs 155.80, which was significantly higher than the issue price of Rs 82.
	The 3 rd highest listing gain, with a gain of 90.00%. The company's shares listed at Rs 133, which was slightly higher than the issue price of Rs 70.
	The 4 th highest listing gain, with a gain of 90.00%. The company's shares listed at Rs 266, which was higher than the issue price of Rs 140.
	The 5 th highest listing gain, with a gain of 54.62%. The company's shares listed at Rs 201, against the issue price of Rs 130.

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 liquidity in the markets and investors' enthusiasm.

Micro Cap:

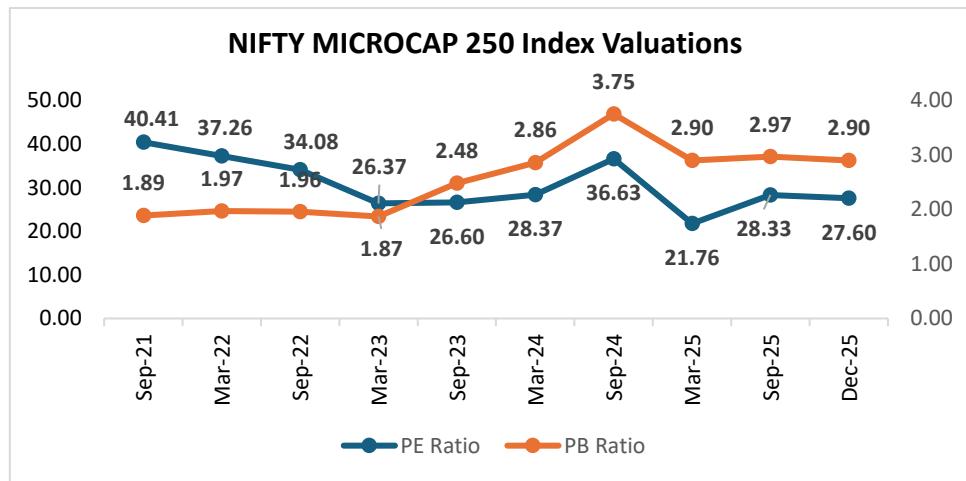
Mainboard Performance and Valuation Matrix during Dec-2025



Micro Cap Performance:

The Nifty Microcap 250 emerged as the top performer over the long term, outperforming large-cap, mid-cap, and small-cap indices, driven by strong liquidity, elevated retail participation, and a high-risk investment environment. However, its short-term momentum has softened, with returns over past 1 year moderating and even turning negative.

Micro Cap Valuation Matrix:



The chart shows moderation of valuation after peaking in Sep'24, with the PE multiple stabilising around 28x and PB multiple at around 2.9. The movement reflects earnings catching up to the price appreciation and rotation of capital towards companies with strong fundamentals.

IPO Activity of Mainboard IPO:

Top Oversubscribed Mainboard IPOs of December 2025:

	The most oversubscribed Mainboard IPO in December, 2025, with a subscription of 145 times the issue size.
	The 2 nd most oversubscribed Mainboard IPO in December 2025, with a subscription of 104 times the issue size.
	The 3 rd most oversubscribed Mainboard IPO in December, 2025, with a subscription of 82 times the issue size.

December 2025 Mainboard IPO Listing Day Gains/Loss:

Listing day gains in December 2025 stood at approximately 11%, broadly in line with the average performance recorded in November, indicating a sustained level of investor appetite for new listings.

The details of top listing day gains are as follows:

	The highest listing gain, with a gain of 46.40%. The company's shares listed at Rs 162.5 against the issue price of Rs 111.
	The 2 nd highest listing gain, with a gain of 38.42%. The company's shares listed at Rs 1,470, against the issue price of Rs 1,062.
	The 3 rd highest listing gain, with a gain of 20.09%. The company's shares listed at Rs 2,600, against the issue price of Rs 2,165.

Mainboard activity remained muted in December as compared to November with just 10 IPOs being listed raising around Rs. 22,000 Cr. 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 IPOs in 2025-2026:

IPO activity in India delivered a standout performance in CY2025, positioning the country among the most active global equity capital markets.

The outlook for SME IPOs in Q4 FY26 remains broadly moderate, shaped by SEBI's more disciplined and transparent regulatory framework, tightening liquidity conditions, and heightened due-diligence standards.

Similarly, the outlook for **Mainboard IPOs in 2025–2026** is also **moderate**, driven by institutional and retail investor interest; however, elevated valuations continue to pose challenges.

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