

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



January 2026



SME & Microcap Report

Executive Summary:

Capital Market Update: January 2026

- Indian capital markets faced significant headwinds in January 2026, driven by substantial FPI outflows and heightened global uncertainties. These pressures resulted in monthly declines across major indices, despite a late recovery ahead of the Union Budget announcement. Key factors contributing to the weakness included concerns surrounding US trade policies under President Trump, depreciation of the rupee, and elevated market valuations.
- In January, the Nifty 50 and Nifty Midcap 100 registered declines of approximately 3.10% and 3.39%, respectively. Broader market indices underperformed, with the Nifty Smallcap 100 and Nifty Microcap 250 dropping by 4.71% and 5.66%, respectively. The weakness was driven by corporate earnings that lagged market expectations, coupled with sustained net selling by FPIs in Indian equities.
- Cyclical outperformed demand-driven sectors amid macro rotation. Commodity-linked sectors, particularly metals and PSUs, outperformed amid sectoral rotation. In contrast, consumption, IT, and mid- and small-cap segments witnessed sharp corrections due to elevated valuations and a risk-off sentiment.
- Foreign Institutional Investors (FIIs) remained net sellers with outflow of ~41,435 Cr in Cash segment, but strong buying of ~69,220 Cr from Domestic Institutional Investors (DIIs) provided support during the month.
- 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.
- CPI inflation in India rose to approximately 2.3% in January 2026 from a multi-year low of 0.25% in October 2025; however, it remained well within the RBI's tolerance band of 2%–6%.

IPO Activity: Primary market activity remained subdued in January 2026, with the SME IPO segment recording a negative average listing-day return, indicating continued weakness in investor sentiment. January featured 13 SME IPOs on BSE and NSE raising ~Rs. 647 crores with an average listing day return of -22.31%. During the first 9 months of this financial year i.e. from Apr'25 to Dec'25, 217 SME IPOs listed at an average listing day gain of ~12%. Average listing day gains in SME IPOs dropped from 60% in CY2024 to about 12% in CY2025, with many listings now trading below their issue prices, reflecting increased investor scrutiny and market volatility.

3 Mainboard IPOs featured in the month of January raising ~Rs. 4,767 crore and listed with an average listing day gain of ~20.53%. The first 9 months of this financial year i.e. Apr'25 to Dec'25 saw a total of 94 Mainboard IPOs listing at an average listing day gain of ~9%. The average listing day gain in mainboard in CY2024 was about 29% which reduced to around 9% in the year CY2025.

Global:

- **United States:**

US Stock market kicked off 2026 with positive performance. The **S&P 500 posted positive return of ~1.37%** in January while tech-heavy **Nasdaq** showed upward momentum, **increasing by ~0.95%**.

Late in January, the Federal Reserve kept interest rates unchanged, signaling a steady policy stance and moderate odds of rate cut later in the year.

Treasury yields climbed, especially on the long end (10-year), due to persistent inflation concerns and reduced odds of an imminent rate cut.

Russell 2000 increased by 5.31%, while the **S&P Small-Cap 600 and Mid-Cap 400 increased 5.55% and 3.99%, respectively**. The strong January performance of these small-cap and mid-cap indices reflected a combination of **rotation into less expensive, domestically focused stocks, improving earnings prospects, and supportive monetary policy expectations**.

- **Eurozone:**

Eurozone inflation eased more than expected in January, with CPI dropping to around 1.7%-1.9%, below the European Central Bank's 2% target. EU50 index gained 1.70% in January 2026 reflecting a mix of **earnings strength in some major European companies and supportive macro data**, despite periodic volatility from weaker tech earnings and slower economic momentum.

- **Asia:**

Japan's stock markets began trading on January 5 after the New Year holiday period. **Nikkei 225 closed up by 2.87%** driven partly by investor optimism ahead of the upcoming general election and supported by ongoing strength in the semiconductor sector. Additionally, Yen remained weak against USD driving exporter gains.

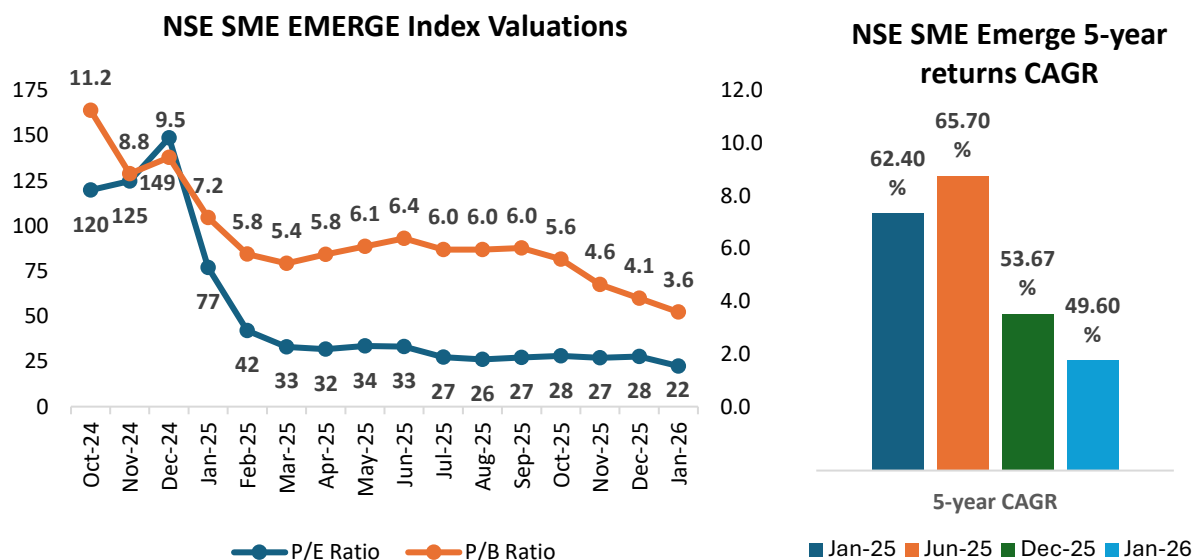
China's Shanghai Composite was up 3.76% in January driven by Strong sentiment from **frontier tech, AI application stocks, and thematic sectors**. China Q4 GDP slowed to 4.5% year over year, the weakest pace in nearly three years, though exports remained resilient, with China posting a **record \$1.2 trillion annual trade surplus**.

Meanwhile, India's **Nifty 50 and Nifty Midcap 100 fell approximately 3.10% and 3.39%** in January. Further, the **Nifty Small-cap 100 and Nifty Micro-cap 250 dropped around 4.71% and 5.66% respectively**. Earnings of Indian corporates have been below market expectations and FPIs were **net sellers of Indian equities**.

In January 2026, the Indian Rupee (INR) experienced significant depreciation against the US Dollar (USD), hitting record lows, driven primarily by massive foreign capital outflows and aggressive US trade policies. The weaker currency weighed on investor sentiment, contributing to declines in Indian benchmark equity indices as concerns over imported inflation and reduced foreign portfolio inflows intensified.

SME Market:

NSE SME Emerge Valuation and Return:



The NSE SME Emerge Index valuation chart demonstrates how the Price-to-Earnings (P/E) multiples within the SME index have recalibrated. This valuation adjustment over past 1-2 years is not merely a consequence of the decline in equities; it also reflects the **robust earnings growth delivered by leading SME companies**. A key impetus for the valuation contraction has been **sustained foreign institutional investor (FII) selling**. Overall, 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 ~62.40% in Jan'25 and increased in Jun'25 at 65.70% then drifted to ~49.60% in Jan'26 signalling normalising of the euphoric growth phase and valuation contraction. 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:** In January 2026, the NSE SME Emerge index maintained its P/E multiple around **22.47x** in January 2026, falling from 27.80x in December 2025. Substantial number of SME stocks experienced double digit declines indicating significant correction.
- **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.






Performance of SME-Listed Companies:

- The **NSE Emerge Index** dropped **10.78% in January 2026** continuing the downward momentum. The monthly return in Dec'25 was -6%. Despite these short-term declines, **the five-year CAGR remains strong at 49.60%**, 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 **16.14x in Jan'26** against 17.27x in December 2025, while the median P/B ratio was recorded at **1.83x in Jan' 26** falling from 1.98x in Dec'25.

IPO Performance in January 2026:





Investor confidence in India's SME sector remained weak in January 2026, as highlighted by moderate subscription levels in recent IPOs and weak listing gain. Here are the key takeaways:

Top Oversubscribed SME IPOs of January 2026:

	The most oversubscribed SME IPO in January, 2026, with a subscription of 826 times the issue size.
	The 2 nd most oversubscribed SME IPO in January, 2026, with a subscription of 377 times the issue size.
	The 3 rd most oversubscribed SME IPO in January, 2026, with a subscription of 132 times the issue size.
	The 4 th most oversubscribed SME IPO in January, 2026, with a subscription of 110 times the issue size.
	The 5 th most oversubscribed SME IPO in January, 2026, with a subscription of 106 times the issue size.

January 2026 SME IPO Listing Gains/Loss:

The details of top listing gains are provided below:

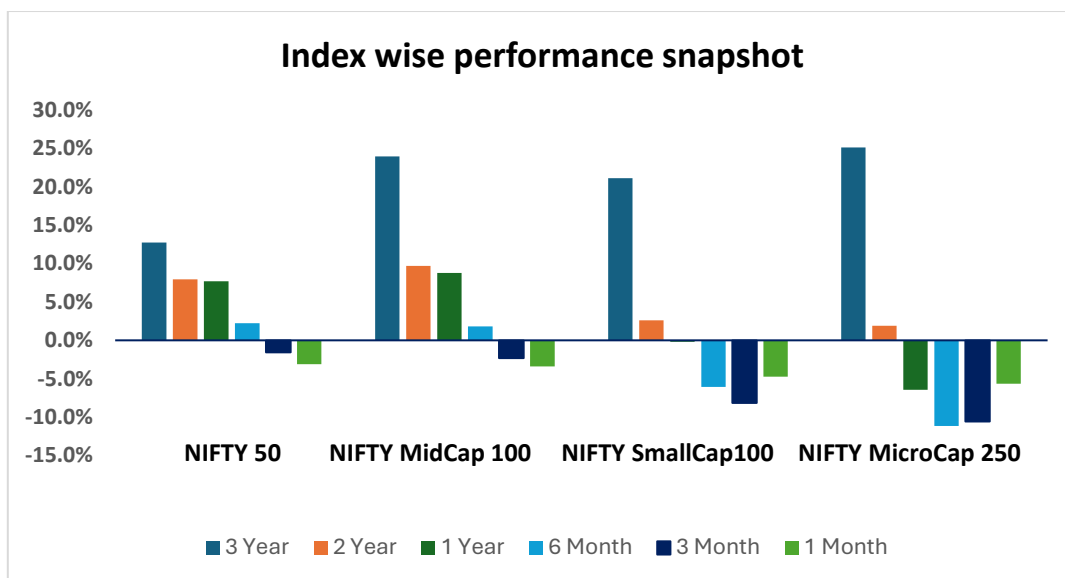
 AVANA ELECTROSYSTEMS LIMITED	<p>The highest listing gain, with a gain of 31.36%. The company's shares listed at Rs. 77.5, slightly higher than the issue price of Rs. 59.</p>
 DEFRAIL TECHNOLOGIES LIMITED	<p>The 2nd highest listing gain, with a gain of 28.38%. The company's shares listed at Rs. 95, slightly higher than the issue price of Rs 74.</p>
 KRM ayurveda	<p>The 3rd highest listing gain, with a gain of 27.48%. The company's shares listed at Rs 172.1, against the issue price of Rs 135.</p>
 GTI Gabion Technologies India Ltd.	<p>The 4th highest listing gain of 9.88%. The company's shares listed at Rs 89, against the issue price of Rs 81.</p>

During the month of January, 2026, SME market showcased almost negative or negligible performance in terms of listing gain. Subscription levels and investor participation in SME IPOs remained muted, reflecting a growing reluctance among investors to pursue short-term opportunities in the segment following mixed post-listing performance in 2025.

It is important to note that not all oversubscribed IPOs go on to perform well in the long term and vice versa. 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.

Micro Cap:

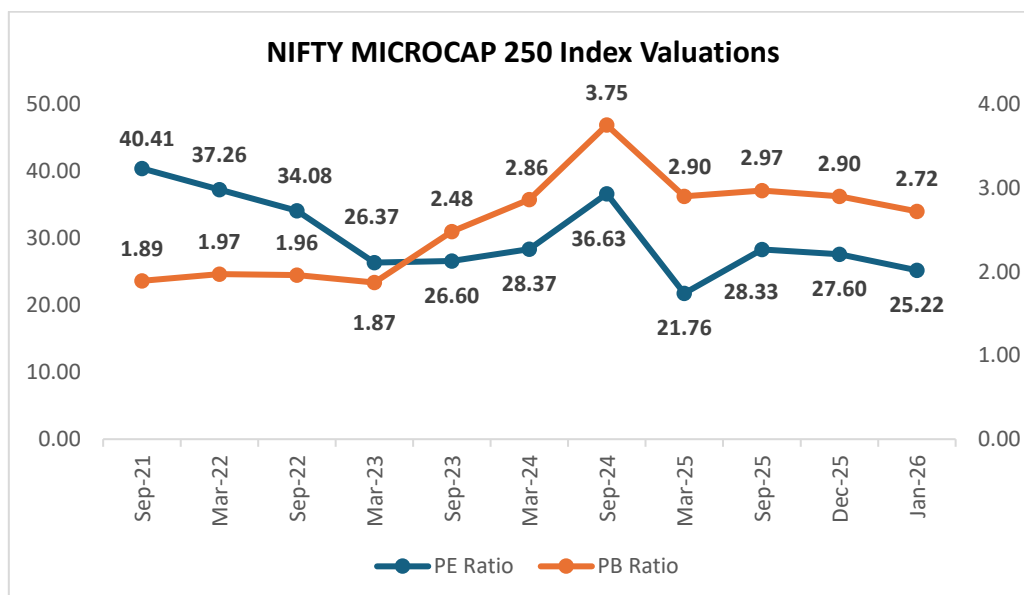
Mainboard Performance and Valuation Matrix during Jan-2026



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 correcting to around 25x and PB multiple at around 2.72x in January, reflecting earnings catching up to the price appreciation and rotation of capital towards companies with strong fundamentals.

IPO Activity of Mainboard IPO:




Mainboard activity remained muted in January as compared to December with only 3 IPOs being listed raising around Rs. 4,767 Cr.

Top Oversubscribed Mainboard IPOs of January 2026:

	The most oversubscribed Mainboard IPO in January, 2026 with a subscription of 144 times the issue size.
	Received subscription of 30 times the issue size.
	Received subscription of 2.86 times the issue size.

January 2026 Mainboard IPO Listing Gains/Loss:

The details of listing gains/loss are as follows:

	Listed with a gain of 96%. The company's shares listed at Rs. 45 against the issue price of Rs. 23.
	Listed at a loss of 12%. The company's shares listed at Rs. 318, against the issue price of Rs. 361.
	Listed at loss of 9%. The company's shares listed at Rs. 112.6, against the issue price of Rs. 124.

It is important to remember that listing gains are not always an indicator of long-term performance. Investors should carefully consider the risks involved before investing in any IPO.

Overall, January's pipeline, though active, skewed toward smaller issues and SME offerings, typically drawing less institutional and retail capital. January's softer subscription and weak listing gains point toward market maturation, with investors weighing fundamentals and valuation discipline more heavily than in the previous phase.

Outlook for IPOs in 2025-2026:

IPO activity in India delivered a moderate performance in CY2025 and subdued performance during the month of January, 2026.

The outlook for SME IPOs in Q4FY26 remains broadly moderate due to Investor caution, 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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