

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



February 2026



# SME & Microcap Report



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## Executive Summary:

### Capital Market Update: February 2026

- Indian capital markets partially recovered in February 2026 after the sharp correction seen in January. However, volatility remained amid mixed global signals and continued FPI outflows. Benchmark indices moved within a narrow range, supported by strong domestic institutional inflows, while sectoral rotation helped stabilize market sentiment.
- In February 2026, NIFTY 50 declined by 0.6%, while broader market indices recorded positive returns. The Nifty Midcap 100 increased by 1.2%, followed by Nifty Smallcap 100 rising by 0.3% and Nifty Microcap 250 gaining 0.1% during the month. The Indian market continued to reflect cautious investor sentiment amid volatile global cues and persistent FPI outflows.
- On February 20, the Supreme Court ruled 6–3 that President Trump’s tariffs under the International Emergency Economic Powers Act (IEEPA) were not allowed. Trump then announced a 10% global tariff under a different law, the Trade Act of 1974, and later on it may be further increased to 15%.
- PSU, energy and infrastructure outperformed, driven by domestic cyclical rotation and infrastructure momentum. IT stocks faced continued pressure from FPI selling and global demand concerns, while consumer durables surged on festive recovery expectations.
- Foreign Institutional Investors (FIIs) remained net sellers with outflow of ~6,640 Cr in Cash segment, but strong buying of ~38,423 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 (Feb-26 data is yet to be announced) 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 muted in February 2026, with trends diverging across segments and underscoring a more discriminating investor backdrop. In the **SME segment**, 14 IPOs were listed across BSE and NSE, collectively raising ~Rs. 641 crores. The segment delivered an average listing-day gain of 1.07%, marking a sharp recovery from the -22.31% recorded in January 2026. However, breadth remained weak, with 50% of the SME listings closing below their issue price on debut, indicating that sentiment, while improved, remains fragile. On a broader trend basis, SME IPO performance has moderated meaningfully. During Apr’25–Dec’25 (9MFY26), 217 SME IPOs listed at an average listing-day gain of ~12%. This compares sharply with CY2024, when average listing gains were ~60%, before normalizing to ~12% in CY2025.

In the **Mainboard segment**, activity remained limited with three IPOs raising ~Rs. 4,008 crores in February, delivering an average listing-day return of -1.45%, against ~20% in Jan'26. Similar to SMEs, returns have moderated significantly from CY2024 levels (~29%) to ~9% in CY2025, suggesting a normalization from last year's elevated primary market exuberance. Overall, the data indicates that while issuance continues, listing-day performance across both segments has structurally reset lower, pointing to a more valuation-conscious and quality-selective primary market environment.

## Global:

- **United States:**

After a strong start in January driven by optimism over earnings and macro indicators, Feb'26 saw downward pressure on stocks. The **S&P 500 fell by ~0.87%** in Feb'26 while tech-heavy **Nasdaq showed sharp fall of ~3.38% during the month.**

Announcements from Anthropic and OpenAI showcasing progress in agentic AI workflows triggered a wave of selling across software, data, and payments stocks. While technology, communications and financials fell, sectors like utilities, energy, industrials posted gains during the month.

**Russell 2000 increased by 0.71%**, while the **S&P Small-Cap 600 and Mid-Cap 400 increased 2.05% and 4.02%, respectively.** The divergence from S&P500 and Nasdaq composite underscores continued investor preference for higher-quality, growth-oriented names within the domestic small- and mid-cap space.

- **Eurozone:**

Eurozone equities posted robust monthly gains in Feb'26, with multiple benchmarks hitting record levels, fuelled by strong corporate earnings and indications of economic stabilization. EU50 index gained 3.20% in February 2026 reflecting a mix of **earnings strength in some major European companies and supportive macro data.** Business activity showed notable improvement, with the flash Eurozone Composite PMI for February climbing to 51.9, marking a three-month high. The Manufacturing PMI also rose to 50.8, its strongest reading in 44 months.

- **Asia:**

Japan's **Nikkei 225 closed up by 10.37%.** Prime Minister Sanae Takaichi's ruling coalition won a landslide victory, securing a commanding majority in the lower house reducing political uncertainty and reinforced expectations of expansionary fiscal policy and government support for strategic sectors such as semiconductors, defence, and AI-related industries.

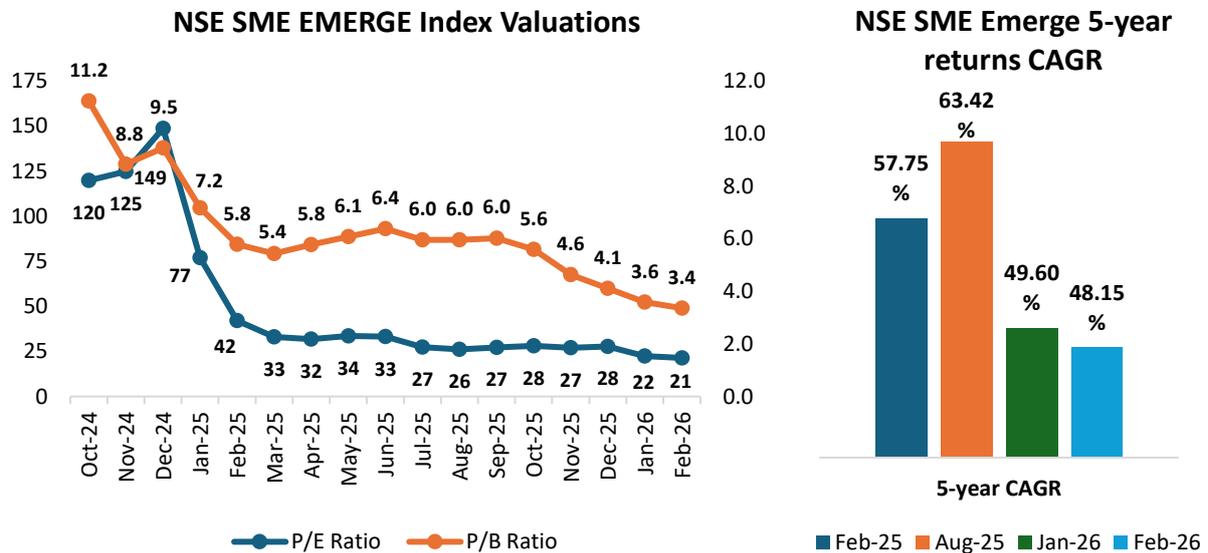
**China's Shanghai Composite was up 1.09% in February.** Oil and commodity-related stocks saw notable activity as energy prices were volatile in late February, which fed into sector performance divergences on the Shanghai market. Movements in major energy companies also reflected how global commodity trends influenced domestic equities.

India's **Nifty 50 fell by 0.56%** in Feb'26. Nifty Mid-cap 100 index gained 1.17%. Further, the **Nifty Small-cap 100 and Nifty Micro-cap 250 increased by around 0.30% and 0.13% respectively.** This highlights investor preference for domestic growth and resilient earnings in smaller companies amid caution on large, rate-sensitive names.

**India's Nifty IT index experienced a sharp decline of approximately 20% in February 2026,** reflecting significant sectoral pressure. A key driver of the IT sell-off was intensifying investor concern that rapid adoption of artificial intelligence (AI) technologies could structurally disrupt India's traditional IT services model

## 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 ~57.75% in Feb'25 and increased in Aug'25 at 63.42% then drifted to ~48.15% in Feb'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 Feb'26, the NSE SME Emerge index's P/E multiple moderated to 21.38x from 22.47x in Jan'26, continuing the broader downward adjustment observed over the past year as investor expectations recalibrated
- **Normalisation:** The segment appears to be undergoing a structural valuation reset, with demand concentrated in fundamentally strong smaller companies rather than broad-based market exuberance.
- **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 SME Emerge index showed moderation in its decline, falling 0.90% in Feb'26 following a sharper 10.78% drop in January. **The five-year CAGR remains strong at 48.15%**, indicating that long-term confidence in SME earnings and growth prospects continues to underpin valuations.
- **Valuation multiples for NSE SME-listed stocks remained largely stable in Feb'26. The median P/E moderated slightly to 15.29x** from 16.14x in January, while the median P/B ratio edged down to 1.78x from 1.83x, reflecting a continuation of the broader post-listing normalization in the segment.

## IPO Performance in February 2026:

Investor confidence in India's SME sector continued to remain weak in Feb'26 as well, highlighted by muted subscription levels in recent IPOs and weak listing gain. Here are the key takeaways:

### Top Oversubscribed SME IPOs of February 2026:

	The most oversubscribed SME IPO in February, 2026, with a subscription of 167 times the issue size.
	The 2 <sup>nd</sup> most oversubscribed SME IPO in February, 2026, with a subscription of 114 times the issue size.
	The 3 <sup>rd</sup> most oversubscribed SME IPO in February, 2026, with a subscription of 22 times the issue size.
	The 4 <sup>th</sup> most oversubscribed SME IPO in February, 2026, with a subscription of 19 times the issue size.
	The 5 <sup>th</sup> most oversubscribed SME IPO in February, 2026, with a subscription of 18 times the issue size.

## February 2026 SME IPO Listing Gains/Loss:

The details of top listing gains are provided below:

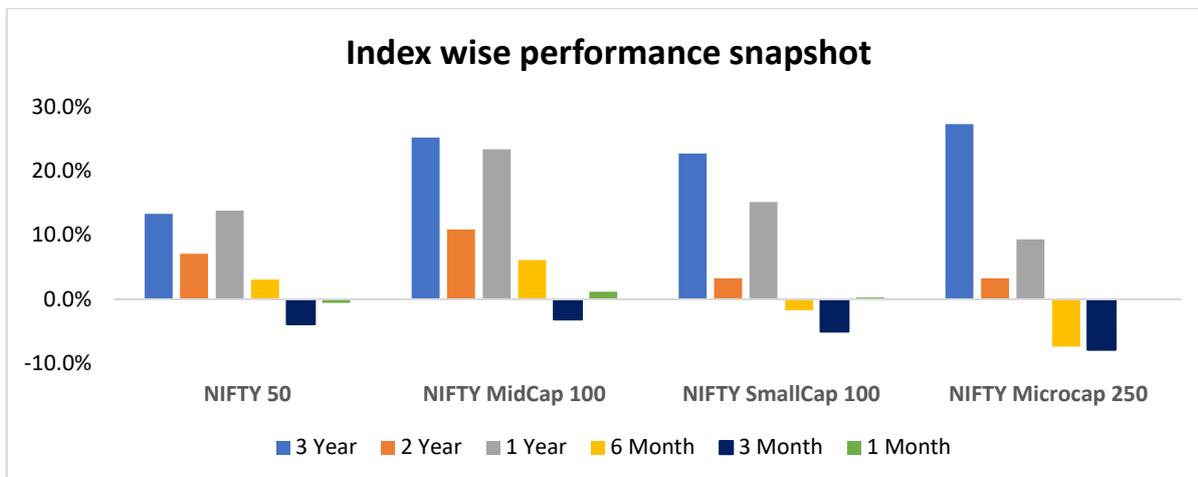
	The highest listing gain, with a gain of 48.1%. The company's shares listed at Rs. 191, much higher than the issue price of Rs. 129.
	The 2 <sup>nd</sup> highest listing gain, with a gain of 17.1%. The company's shares listed at Rs. 144, slightly higher than the issue price of Rs 123.
	The 3 <sup>rd</sup> highest listing gain, with a gain of 9.1%. The company's shares listed at Rs 96, against the issue price of Rs 88.

During the month of Feb'26, SME market showcased muted 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:

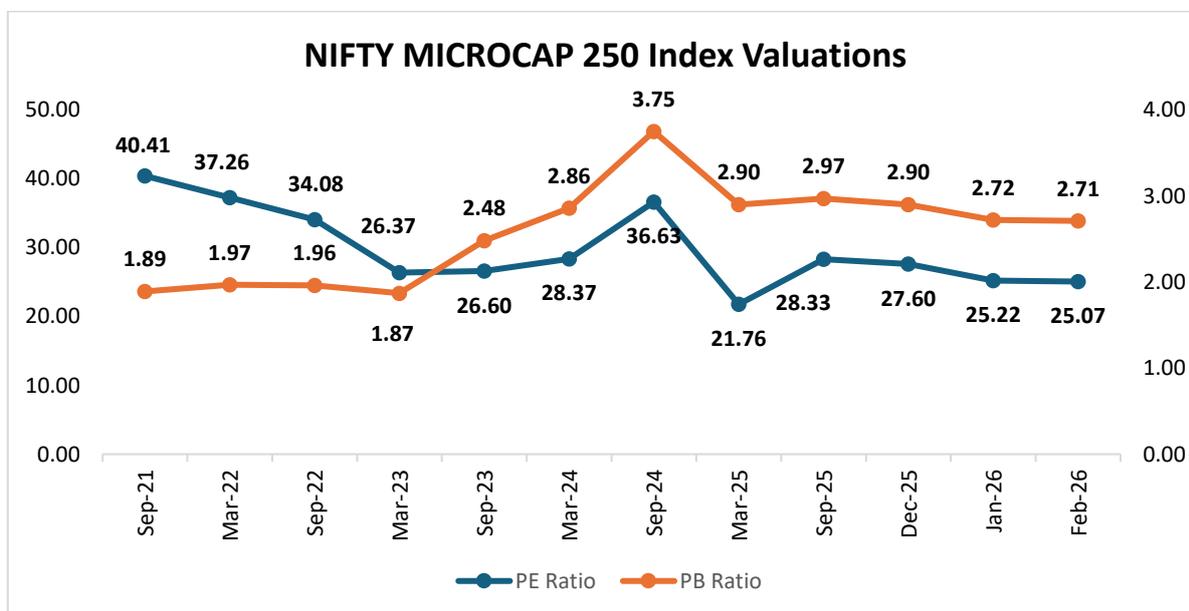
### Mainboard Performance and Valuation Matrix during Feb-2026



#### 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 eroded, with returns over past 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 2.71x in Feb'26, 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 February with only 3 IPOs being listed raising around Rs. 4,008 Cr.

## Top Oversubscribed Mainboard IPOs of February 2026:

 gaudium <sup>®</sup> IVF Delivering Motherhood Dreams	The most oversubscribed Mainboard IPO in February, 2026 with a subscription of 7.27 times the issue size.
 fractal	Clocked a subscription of 2.81 times the issue size.
 AYE [आय]	Clocked a subscription of 1.04 times the issue size.

## February 2026 Mainboard IPO Listing Gains/Loss:

The details of listing gains/loss are as follows:

 gaudium <sup>®</sup> IVF Delivering Motherhood Dreams	Listed with a gain of 5%. The company's shares listed at Rs. 83 against the issue price of Rs. 79.
 AYE [आय]	Listed flat; the company's shares listed at its issue price of Rs. 129.
 fractal	Listed at loss of 3%. The company's shares listed at Rs. 876, against the issue price of Rs. 900.

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, February's IPO activity, though active, skewed toward smaller issues and SME offerings, typically drawing less institutional and retail capital. Muted subscription and weak listing gains during Feb'26 point toward **market maturation**, with investors weighing fundamentals and valuation discipline more heavily than in the previous phase.

## Outlook for IPOs in 2025-2026:

India's IPO market witnessed **muted performance in January 2026**, following the strong activity seen in 2025. Fewer IPOs entered the market and subscription levels moderated as investors turned cautious due to volatile secondary markets and valuation concerns. In **February 2026**, the market showed **mixed performance**, with some SME IPOs delivering moderate listing gains while several mainboard issues recorded weak or negative listing returns, reflecting selective investor participation and cautious sentiment.

The outlook for SME IPOs in Q4FY26 remains broadly moderate due to Investor caution, tightening liquidity conditions, more disciplined and transparent regulatory framework, 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**. Despite the short-term slowdown, the **near-term outlook remains constructive** as India continues to have a strong pipeline of upcoming IPOs, including several startups and large companies planning to raise capital.

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