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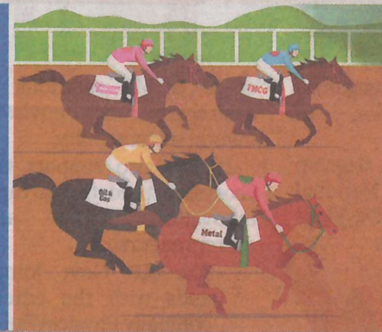

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How the pendulum has swung to the other extreme for SME stocks

ANATOMY OF FALL. 90% of listed SME universe delivered negative returns since Jan 3 peak of BSE SME IPO Index

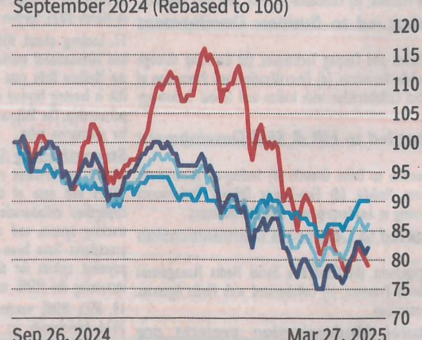
Dhuraivel Gunasekaran
bl. research bureau

Small and Medium Enterprise (SME) stocks were the rage through much of last year with the pinnacle being the ₹12-crore IPO of Resourceful Automobile, a company then operating just two Yamaha showrooms with eight employees, receiving bids worth nearly ₹4,800 crore. Many other IPOs, too, had similar dramatic interest, with Hoac Foods India, Nacdac Infrastructure, and Hamps Bio garnering subscriptions of 1,963, 1,545, and 1,048 times, respectively, per Primedatabase.

But as in all things that stretch, the tide has turned here too! While SME segment/stocks initially demonstrated resilience when main board index and stocks were correcting since September 2024, they have made a violent U-turn since the start of 2025.

SME stocks bear the brunt

From the last peak that the major indices saw in September 2024 (Rebased to 100)



Source: Primedatabase and Capitaline

How overall SME stocks corrected from their 52-week highs*

0%	3 (0.4%)
0% to -25%	133 (18.0%)
-26% to -50%	254 (34.4%)
-51% to 75%	293 (39.7%)
-75% and below	55 (7.5%)

*BSE and NSE

Performance distribution of SME IPO stocks launched in the last one year

-75% and below	3 (1%)
-51% to -74%	32 (14%)
-26% to -50%	42 (19%)
0 to -25%	51 (23%)
0 to 25%	33 (15%)
26% to 50%	19 (8%)
51% to 100%	20 (9%)
101% and above	24 (11%)

No. of stocks (percentage distribution)

NEGATIVE TERRITORY

As of Friday's close, the benchmark index for the segment, the BSE SME IPO Index, has plummeted 32 per cent from its January 3 peak.

The early resilience of SME stocks can be attributed to the robust retail IPO demand. However, as market weakness persisted and risk appetite diminished, sell-offs accelerated. The impact has been widespread within the SME universe, with approximately 90 per cent of the 755 stocks listed delivering negative returns since the January 3 peak. Further, 83 per cent of the stocks are deep in bear market and down by more than 25 per cent from their 52-week highs.

Within the stocks launched in the last one year, among the 224 listed, a staggering 57 per cent delivered negative returns, with three stocks seeing their capital nearly wiped out (fall of more than 75 per cent). The stock of Resourceful Automobile whose IPO, which got widespread attention, is down 55 per cent from its offer price now.

SOME BRIGHT SPOTS

However, despite this challenging environment, some bright spots remain — 24 stocks managed to deliver multi-bagger returns. The most impressive performers include AFCOM Holdings with a staggering 555 per cent return, followed by Sodhani Academy of Fintech Enablers at 450 per cent, and Z-TECH (India) at 448 per cent.

FOR QUICK RETURNS

SME IPOs got investor attention in recent years due to their impressive subscription numbers and substantial listing gains. However, the current phase will be a hard test and one needs to see whether the interest remains robust.

Retail investors should approach SME IPOs with caution as a thorough examination of company fundamentals, financial health and growth potential is essential while investing. If investors do not have adequate info on these parameters, it is better to stay away rather than speculate. As the performance from the start of the year shows, the pendulum can swing swifty and sharply to the other extreme.