

Trading activity in SME stocks lags even as mkt sees new listings

Value and quantity of shares changing hands has fallen

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Trading in small and medium enterprise (SME) shares has not been keeping pace with new listings of late.

While the number of companies whose shares are traded is up, the number of trades has been coming down as the value and quantity of shares changing hands has actually shrunk.

The number of trades grew only 6.4 per cent year-on-year on the BSE SME platform in August, compared to a 13.2 per cent increase last year.

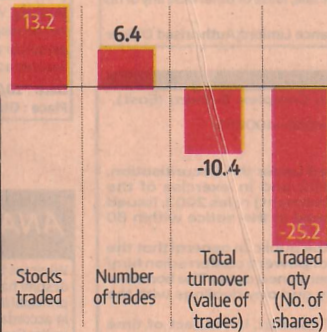
Trading activity can be gauged by the average of the number of trades executed, the companies whose shares change hands, number of shares changing hands, and the value of these transactions.

The average value of the shares changing hands has fallen 10.4 per cent in the same period, and the actual number of shares which changed hands has declined by over 25 per cent.

The NSE data for July shows a similar trend. The data for August was not available. The average daily turnover fell 46.9 per cent year-on-year as of July-end. This compares to a 32.2 per cent fall in the mainboard average daily turnover during the same period.

Trading slump

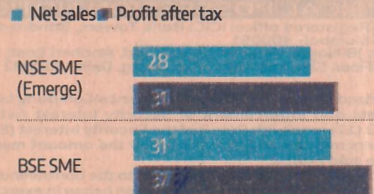
% Y-o-Y change in monthly average in August



Source: BSE, Business Standard calculations

SME firms' financials

Year-on-year change for 2024-25 (in %)



Note: Compiled by BS Research Bureau. Based on 337 BSE-listed companies and 430 NSE-listed companies with comparable data across both years. Source: Capitaline, Business Standard calculations

"I have been advising my clients to be very careful," said Alok Churiwala, former vice-chairman, BSE Brokers' Forum and managing director at Churiwala Securities. He has told his clients that any investments in the SME space should be done only after clients are confident about the management and comfortable with the business overall.

Lower trading activity comes on the heels of a booming initial public offer (IPO) market. After August 2024, 201 such companies hit the market, show July-end numbers from tracker prime-database.com.

Market makers provide liquidity for a

period of three years after an SME IPO. The end of such periods for various companies may play a role.

But over 40 per cent of the companies which have hit the market have been from 2023-24 onwards, which means that market making should still be ongoing for them.

To be sure, some of this may also reflect larger companies moving from the SME segment to the mainboard.

Data from the BSE shows 608 companies listed on the BSE's SME platform since inception in 2012 and 196 have moved to the mainboard.

The total value of the BSE-listed SME

companies (including migrated ones) was ₹1.8 trillion as of August-end. The NSE platform shows 647 listings raising ₹18,697 crore, with 147 companies moving to the main board as of July. The total value of NSE-listed SMEs was ₹2.2 trillion as of July-end.

Emails sent to the exchanges did not immediately receive a reply.

The aggregate financial performance of SMEs has been robust in the financial year 2024-25 (FY25). The segment has clocked over 25 per cent growth in sales across both the NSE and the BSE. Profit has grown over 30 per cent.