**Executive Summary:**

July 2024 presented a mixed bag of economic signals. While challenges remain, positive developments in inflation, SME performance, and projected growth point towards a cautiously optimistic future for India. However, navigating the global uncertainties will be crucial to ensure sustained progress.

**Recent Economic Developments:**

**India:**

* India's GDP growth for the first quarter of FY2024-25 was announced, showcasing continued robust economic expansion driven by domestic consumption and investments.
* The government introduced a new scheme to promote startups and innovation in the agriculture sector, aiming to boost rural incomes and create employment opportunities.
* The Indian rupee faced pressure due to global economic uncertainties and increased capital outflows. However, the Reserve Bank of India intervened to stabilize the currency.
* Monsoon rainfall was below average in several parts of India, leading to concerns about agricultural output and water scarcity. The government-initiated measures to mitigate the impact.
* The Indian stock market experienced volatility in July due to global factors such as rising interest rates and recession fears. Due to Union Budget after newly formed BJP Government stock market experienced volatility. However, domestic factors like strong corporate earnings provided some support taking Nifty IT and Nifty 50 All-time High.
* SME IPO NSE caps listing gains to 90% over the issue price.

**Global:**

* Global economic growth showed signs of deceleration in July as central banks maintained their hawkish stance on interest rates to combat persistent inflation. This led to concerns about a potential global recession.
* The European Union implemented new data privacy regulations in July, aimed at protecting consumer data and regulating the use of personal information by businesses.
* Global financial markets experienced increased volatility in July due to concerns about economic slowdown and geopolitical tensions. Investors sought safe-haven assets as a hedge against uncertainty.
* Extreme weather events such as heatwaves, floods, and wildfires continued to wreak havoc across the globe in July, underscoring the urgent need for climate action and adaptation.
* Global stock markets experienced a volatile July, marked by concerns over persistent inflation, the potential for a global recession, and the ongoing impact of geopolitical tensions. Major indices in regions like the US, Europe, and Asia experienced fluctuations, with investors seeking safe-haven assets as a hedge against uncertainty.

**Union Budget Highlights:**

* The budget significantly influenced the macro-economic landscape, with increased public expenditure aimed at boosting economic growth and creating employment opportunities.
* The budget introduced several structural reforms, including the Prime Minister's package of five schemes for employment and skilling, which will have a long-term impact on the Indian workforce.
* The budget outlined fiscal consolidation measures with a target fiscal deficit of 4.5% in FY25, indicating a commitment to fiscal prudence.
* New tax slabs and changes in tax structure under the new tax regime will impact individual taxpayers and businesses.
* The budget's focus on capital expenditure and infrastructure development is likely to positively impact investor sentiment and stock market performance in the long term. However, short-term market reactions might be influenced by other global and domestic factors.
* The budget's emphasis on agriculture, education, and social welfare indicates a strong focus on inclusive growth. The government's commitment to digital initiatives and technology can drive innovation and economic transformation.

**Performance of SME-Listed Companies:**

* The BSE SME IPO index exhibited high volatility in July-24, primarily because of global concerns and Union Budget 2024 concerns. The market was in positive outlook backed by strong earnings growth and Positive outlook on Government CAPEX to SME and Specific Industries affecting SME Space companies. Notably, the annual return for the index remained strong at 249.78%.
* The NSE Emerge index followed suit, rising by 3.81% in July and delivering 91.83% annual return.
* Strong growth in Engineering, Auto Ancillaries, Solar, Energy, Defence and Water Infrastructure sectors continued to fuel the positive performance of SME-listed companies.
* Valuations remained elevated, with median P/E and P/B ratios at 32.23x and 3.69x, respectively, highlighting investor confidence in the prospects of SME stocks.

**Investor Enthusiasm Drives Oversubscription in July 2024 SME IPOs**

Investor confidence in India's SME sector remained robust in July 2024, as highlighted by exceptional oversubscription levels in recent IPOs. Here are the key takeaways:

**Top 5 Oversubscribed SME IPOs of July 2024:**

* **V.L. Infraprojects Limited** was the most oversubscribed SME IPO in July 2024, with a subscription of 636.17 times the issue size.
* **SA Tech Software India Limited** was the second most oversubscribed SME IPO in July 2024, with a subscription of 621.25 times the issue size.
* **Sahaj Solar Limited** was the third most oversubscribed SME IPO in July 2024, with a subscription of 507.21 times the issue size.
* **Sati Poly Plast Limited** was the fourth most oversubscribed SME IPO in July2024, with a subscription of 499.13 times the issue si ze.
* **Trom Industries Limited** was the fourth most oversubscribed SME IPO in July 2024, with a subscription of 459 times the issue size.

Other notable oversubscribed SME IPOs in July 2024:

* Mangalam Infra and Engineering Limited (394.42 times)
* Kataria Industries Limited (393.87 times)
* Effwa Infra & Research Limited (313.65 times)
* VVIP Infratech Limited (236.92 times)

Overall, July 2024 was strong month for SME IPOs, with many companies seeing significantly higher oversubscriptions, despite the strength the oversubscription has reduced compared to last few months but it is still significantly higher. This is a positive sign for the Indian economy, as it shows that there is strong investor appetite for small and medium-sized businesses. However, it is important to note that not all oversubscribed IPOs go on to perform well in the long term. Investors should carefully consider the risks involved before investing in any IPO.

**July 2024 SME IPO Listing Day Gains:**

* **Divine Power Energy Limited** had the highest listing day gain, with a gain of 280.75%. The company's shares listed at Rs 326.55, which was significantly higher than the issue price of Rs 40.00.
* **Shivalic Power Control Limited** had the second-highest listing day gain among the SME IPOs that listed in July 2024, with a gain of 226.55%. The company's shares listed at Rs 326.55, which was significantly higher than the issue price of Rs 100.00.
* **Diensten Tech Limited** had the third-highest listing day gain, with a gain of 152%. The company's shares listed at Rs 252, which was significantly higher than the issue price of Rs 100.00.
* **Ganesh Green Bharat Limited** had the fourth-highest listing day gain, with a gain of 152%. The company's shares listed at Rs 398.00, which was significantly higher than the issue price of Rs 190.00.
* **Sati Poly Plast Limited** had the fifth-highest listing day gain, with a gain of 99.5%. The company's shares listed at Rs 259.35, which was significantly higher than the issue price of Rs 130.00.

July 2024 was a good month for SME IPOs, with many companies seeing strong listing day gains. This is a positive sign for the SME sector, and it suggests that investors are interested in these companies. However, 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 SME IPOs in 2024-2025:**

The outlook for SME IPOs in 2024-2025 is expected to be positive, building on the strong performance of 2023 and continuing trends of investor confidence. Here's a breakdown of the factors contributing to this optimism:

* **Momentum from 2023:** 2023 saw a record number of SME IPOs, and experts predict this positive trend will likely hold for the next 3-4 years.
* **Investor Confidence:** There's continued confidence from retail investors, high net-worth individuals (HNIs) and institutional investors in the SME market, signifying a robust and resilient market.

The economic outlook for the early months of 2024 remains clouded by global uncertainties. However, India's gradual deceleration in inflation and resilience of the SME sector provide grounds for cautious optimism. Continued government support and easing supply chain issues could further bolster domestic growth. Global factors, particularly the trajectory of major economies and their monetary policies, will play a crucial role in shaping the domestic market performance.