

SME IPO rules may be changing. How quickly are we reflecting?

SEBI's consultation paper proposes changes to the SME IPO framework under the ICDR Regulations, 2018.

Here are six areas where the IPO project plan may need attention.

IPO



SME IPO ELIGIBILITY

Validate the route before locking the plan

WHAT SEBI PROPOSES

SEBI proposes market-cap-based eligibility thresholds, including an optional SME platform route for issuers in the ₹1,000–4,000 crore band, subject to conditions.

PM FOCUS

Needs to be in validating the proposed listing route against valuation assumptions, financial reporting requirements and offer-document milestones would be crucial before significant preparation costs are incurred.



Test eligibility and evidence early

WHAT SEBI PROPOSES

The proposals include an average operating profit criterion of ₹3 crore per year over the preceding three financial years, with an alternative route involving book-building and at least 75% of the net offer allotted to QIBs.

PM FOCUS

Needs to be on Confirming which eligibility route may apply, identifying gaps in restated financials and supporting records, and align the CFO, auditors, merchant bankers and legal advisers before the DRHP preparation advances.

Resolve the selling structure upfront

WHAT SEBI PROPOSES

The proposals address the one-year holding-period requirement for OFS shares, subject to exemptions, and provide greater flexibility for certain qualifying QIB sellers.

PM FOCUS

Needs to be on preparing a shareholder-wise selling plan covering holding periods, pre-issue shareholding, proposed sale quantities and applicable conditions. Ensuring resolution of promoter and investor expectations early to avoid late changes to the offer structure.

Rework the issue structure and intermediary plan

WHAT SEBI PROPOSES

The proposals include a minimum application value of ₹1 lakh, an increase in the minimum number of allottees from 200 to 500, and express provision for anchor-investor allocation.

PM FOCUS

Reassessing the proposed issue structure with the merchant banker. Aligning the allocation plan, investor communication, registrar and intermediary responsibilities with the applicable requirements once finalised.

Revisit the cost and responsibility matrix

WHAT SEBI PROPOSES

SEBI proposes removing the absolute ₹10 crore cap on general corporate purposes while retaining the 15% limit, moving towards a Main Board-style underwriting framework and removing compulsory market-making requirements.

PM FOCUS

Needs to be ensuring timely reworking the issue-cost assumptions, use-of-proceeds plan and intermediary scope. Calibrating potential cost savings from actual savings, which will depend on the final framework and transaction arrangements.

Build regulatory decision gates into the timeline

WHAT SEBI PROPOSES

The proposals address migration between SME and Main Board platforms and provide for a proposed three-month transition period after notification.

PM FOCUS

Tracking the filing date, applicable framework, market-cap assumptions and migration conditions as formal decision gates. Maintaining a contingency plan for changes in eligibility or the applicable regulatory route is the key.