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SEBI's ICDR Amendments for SME IPO Listing

SEBI Modifies ICDR Norms to
Enhance SME IPO Transparency



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Offer for Sale (OFS)

SEBI sets a **20% limit on OFS** in SME IPOs.

Existing shareholders **cannot offload more than 50% of pre IPO Holdings.**



General Corporate Purpose (GCP)

GCP capped at **15% or ₹10 Cr**, whichever is lower.

GCP + Unidentified acquisition capped at **25%** of issue size.



Lock-In Period for Promoters

Minimum promoter contribution - 20% of post issue capital is **locked-in for 3 years.**

Excess of MPC -

- a) **50%** released after **1 year**
- b) Remaining **50%** after **2 years.**

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Increased Minimum Application Lot Size

Individual investors must now **buy at least 2 lots in SME IPOs**, promoting serious participation.

Number of **alottees increased from 50 to 200.**



Restriction on Loan Repayment

SMEs **can't use IPO funds to repay loans** of promoters or related parties.



Public Comments on DRHP

SME IPO DRHP requires a **21-day public review, newspaper advertisements** (within 2 days of filing DRHP), and a QR code for seamless investor access.



Fundraising Through Further Issues

SMEs can **raise further capital without shifting to the main board** by complying with SEBI (LODR) regulations.



Mandatory 1-Year Existence for Converted Entities

SMEs must complete 1 financial year as a company post-conversion from a proprietorship, partnership, or LLP before filing for an IPO.



Change in Promoter Holding

A **1-year waiting period** is required for filing offer document if an SME undergoes a **major promoter change exceeding 50% ownership**.



Profitability Requirements

SME IPOs require **₹1 crore EBITDA** in **any 2 of the past 3 years**, ensuring financial stability.



Monitoring Agency

Appointment of monitoring agency is mandatory if **issue size exceeds ₹ 50 crores**.



If Monitoring Agency is not Mandatory

Certificate of Statutory Auditor (along with quarterly financial statement filing with sme exchange) for fund utilisation.

Certificate of Statutory Auditor (along with quarterly financial statement filing with sme exchange) for fund utilisation where **working capital is > than ₹ 5 crores as an object of issue.**


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