SEBI plans SME IPO reset: Rs 4,000-crore firms may qualify, Rs 2-lakh trade rule could go- Moneycontrol.com

Bloomberg

The proposals could let firms valued up to Rs 4,000 crore choose SME platforms, remove the Rs 2-lakh minimum trade size and reduce listing costs.

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The National Stock Exchange (NSE) in Mumbai, India, on Wednesday, Sept. 17, 2025. Urban Co. shares soared in premarket trading during its Mumbai debut after the company wrapped up India's most oversubscribed major initial public offering this year. Photographer: Indranil Aditya/Bloomberg

India's markets regulator is planning sweeping changes in rules that could bolster tiny-company listings and increase investor participation, according to people familiar with the matter.

The Securities and Exchange Board of India plans to allow companies with a market value of as much as 40 billion rupees ($420 million) to use the so-called small and medium-enterprise platforms for initial public offerings, the people said, asking not to be identified as the details are not public. Typically, firms valued less than 5 billion rupees go public on such platforms.

The regulator's primary market advisory committee met Wednesday to discuss the proposals and SEBI is expected to issue a consultation paper seeking public comments, the people said.

SEBI didn't respond to an emailed query seeking comment.

The proposed changes would mark the biggest overhaul of India's SME market since dedicated platforms were introduced in 2012. The plan comes less than two years after the regulator tightened its oversight of the booming micro-IPO market following concerns over pricing manipulation and frauds. India has already seen close to 100 such listings so far this year compared with 267 in all of 2025.

The financial markets watchdog could consider raising the paid-up capital threshold for businesses eligible to list on SME platforms to 1 billion rupees from 250 million rupees, one of the people said.

That would effectively give firms valued between 10 billion rupees and 40 billion rupees a choice between an SME platform and the mainboard, the people said.

SEBI is considering eliminating the minimum trade size, they said. That would allow investors to buy and sell shares in smaller quantities, boosting investor participation.

The current rules require bids in multiples of 200,000 rupees, creating a barrier for smaller investors.

Currently, market-makers must continuously offer buy-and-sell quotes in SME shares. While intended to ensure liquidity, it increases costs for issuers.

Managers also have to underwrite the SME IPOs in case demand falls short, driving up investment-banking fees. Bankers charged an average 5.3% of the amount raised, compared to about to 2.2% for mainboard offerings, according to data provider Prime Database.