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Outlook Business Desk

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India's capital markets regulator is considering a major overhaul of the rules governing small and medium enterprise (SME) listings, including allowing companies valued at up to Rs 4,000 crore to list on SME platforms, Moneycontrol reported.

The proposed threshold would represent a significant increase from the roughly Rs 500 crore valuation typically associated with small-cap companies. The Securities and Exchange Board of India's (SEBI) primary market advisory committee discussed the proposals on August 12 and is expected to release a consultation paper seeking public feedback shortly.

SEBI did not respond to a request for comment.

Higher Threshold For SME Listings

Under the proposed framework, SEBI could increase the paid-up capital threshold for SME listings to Rs 100 crore from Rs 25 crore.

The change would potentially allow companies valued between Rs 1,000 crore and Rs 4,000 crore to choose between listing on an SME platform or the mainboard, giving larger businesses greater flexibility in accessing public markets.

The proposed changes would represent the most significant revamp of India's SME listing framework since dedicated SME platforms were introduced in 2012.

The review comes less than two years after SEBI tightened rules around micro-IPOs amid concerns over market manipulation, excessive speculation and fraudulent practices.

India has already seen strong activity in the SME IPO segment, with nearly 100 companies listing in 2026 so far, compared with 267 throughout 2025.

Smaller Investors Could Get Easier Access

SEBI is also considering removing the minimum trading lot requirement for SME stocks.

Currently, investors generally have to place bids in multiples of Rs 2 lakh, making SME shares relatively inaccessible to smaller investors. Eliminating the requirement could allow investors to buy and sell smaller quantities and potentially improve participation and liquidity.

Lower Costs For Companies

Another proposal involves reducing the costs associated with SME listings by removing certain market-making and underwriting requirements.

At present, market-makers must continuously provide buy and sell quotes to support liquidity. Companies are also required to have underwriters step in when IPO demand falls short.

Removing these obligations could lower issuance expenses. SME investment-banking fees currently average around 5.3% of funds raised, significantly higher than the 2.2% average for mainboard IPOs, according to Prime Database.

The proposed reforms could therefore make SME listings more accessible to larger businesses while reducing costs and widening investor participation.