SEBI lines up a reset for small-company IPOs: easier access, tighter screens

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Summary:

India's market regulator floated draft rules to simplify how tiny firms list and trade, aiming to widen investor access.

Companies valued up to 10 billion rupees would list on SME platforms, while those worth more than 10 billion and up to 40 billion rupees could opt for SME or the main board.

The plan raises profit hurdles, shrinks minimum IPO applications, allows single-share trading, and removes market-making and underwriting mandates.

What SEBI has proposed

India's Securities and Exchange Board rolled out a consultation paper on Wednesday with a sweeping revamp for small listings. The watchdog is mounting one of the most sweeping resets of India's

market for very small IPOs since SME boards launched in 2012.

Under the draft, issuers with market values up to 10 billion rupees ($105 million) would use the SME platforms for their IPOs. Firms with a valuation above 10 billion rupees but not exceeding 40 billion rupees would have the option to list either on an SME platform or on the main board.

Listing rules decide which small companies can access public money. Market Briefs covers that policy free every morning.

New listing rules and investor access

SEBI wants tougher entry bars. Tiny issuers would need to show average operating profit of no less than 30 million rupees per year across the last three fiscal years. That replaces today's test of 10 million rupees in profit in any two of the prior three years.

The aim, SEBI said, is to ensure small companies demonstrate steady, reasonable operating profitability. Firms that do not clear this hurdle could still go public if qualified institutional buyers are allotted at least three quarters of the net offer.

To pull more investors in, SEBI suggested cutting the minimum IPO application by half to 100,000 rupees, and letting investors trade a single share post listing, rather than lots that can run to 10,000 shares. The regulator also wants to drop market-making and underwriting requirements to trim IPO costs for smaller companies.

Why now, and what to watch

SEBI's push arrives during a hot streak for small IPOs. According to Prime Database, nearly 180 companies have listed on SME venues this year to date, following a record total of 267 in all of 2025. Since SME platforms began, about 1,496 firms have listed and raised a combined 402.2 billion rupees via IPOs, the consultation paper said.

Prime Database notes that 2026 figures run through September. Alongside the boom, micro caps have drawn scrutiny over governance, disclosure quality, and alleged fund diversion.

For your money, the big takeaways are access and quality. Smaller minimum tickets and single-share trading could make tiny IPOs easier to get into and out of. Stricter profit screens and a backstop for institutions on weaker candidates might nudge the mix toward steadier businesses. If you follow small caps, expect more deals on the shelf, but also more differentiation between those built to last and those just chasing the moment.

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