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June 16, 2025

Ready, steady, list: The SME IPO playbook

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G. Joseph & Associates
Chartered Accountants

Why even think about an SME IPO?

Quick background on SME listing

- A listing on BSE SME or NSE Emerge lets a growth-hungry company raise equity without vaulting straight onto the main board. You collect fresh capital, a sharper public profile and a tradeable share price whilst still playing in a league built for your size. Think of it as moving from local gigs to a televised talent show – brighter lights, but still an audience that roots for newcomers.

- Here are a few quick points on it:
  - Cash for expansion without putting up bank security
  - Credibility with customers, suppliers and lenders
  - Liquidity for founders and early backers
  - Acquisitions and ESOPs funded with listed paper
  - A runway to the main board once you pass the ₹10 crore mark in paid-up capital and complete two years on the SME platform

Meet the platforms

- **BSE SME**: The first mover, broad sector mix, mandatory market maker for three years. About 486 companies and ₹6,400 crore raised so far.

- **NSE Emerge**: Similar rulebook, slightly larger average issue size, tech-friendly investor crowd. Roughly 414 issuers, ₹5,950 crore raised.

Eligibility test

- Can you tick these boxes?

Requirement	Quick test
Incorporation	Indian company and Companies Act, 2013 compliant
Post-issue paid-up equity	Not more than ₹25 crore
Operating history	Three financial years of audited numbers or promoter track record
Profits	Positive EBITDA of at least ₹1 crore in any two of the last three years plus positive net worth
Net tangible assets	Minimum ₹1.5 crore
Public shareholding	25% after the issue, with a lot size around ₹1 lakh
Clean record	No wilful defaults, no shareholder litigation hanging like a sword

Failed a box?

Fix it before you start. Rejections force a six month cooling off period before you can apply again

The road to ringing the bell – six pit stops

- Before you pop the champagne, remember that a debut on the SME floor is a six-leg relay. Each pit stop signs off a fresh regulatory checkbox and sharpens your story for investors. Cruise through them in sequence and the bell-ringing selfie practically takes itself; fumble one and you may find yourself at the starting grid again.

#1: Housekeeping

- Clean up legacy loans, reconcile ledgers, refresh statutory audits and appoint independent directors. Ind AS restatement is not mandatory for SME-listed companies unless your net worth already breaches the ₹250 crore threshold – continue with existing Indian GAAP unless you opt in voluntarily.

#2: Pick your pit crew

- **Merchant banker**: Team Captain of the IPO, wrangling valuation, offer paperwork and every SEBI / Exchange nod.

- **Registrar**: The back-office wizard who builds the bid platform, counts applications and keeps the shareholder roll tidy post-listing.

- **Legal counsel**: Combs contracts and disclosures for landmines, drafting so tightly that SEBI can sleep at night.

- **Market maker**: Keeps a two-way quote on the screen so your stock never gathers cobwebs.

#3: Due diligence & valuation

- Run a forensic sweep of accounts and contracts, craft the Draft Red Herring Prospectus (DRHP), defend googlies from SEBI and the exchange, benchmark peer multiples and hammer out a price both investors and promoters can cheer.

#4: Marketing

- Hit the circuit with punchy roadshows (virtual and in-person) aimed at HNIs, family offices and SME-focus funds, woo anchor investors, build demand through book-building (or set a fixed price) and secure the 50-plus allottees the exchange demands.

#5: Listing day

- Shares hit investors' demat accounts, you pose for the bell-ringing photo-op, the exchange assigns your ticker live at 10 a.m., opening price discovers itself in the first few trades, and your market maker stands ready with two-way quotes so liquidity never sleeps.

#6: After party (ongoing compliance)

- Push half-yearly results to the exchange within 45 days, drop audited annual numbers (and the glossy report) in four months, flash-file any price-sensitive twist before the rumour mill does, publish shareholding patterns every half-year, host your AGM inside six months of year-end and keep your market maker inside the agreed bid-ask spread.

What your IPO kitty CAN'T bankroll

- SEBI's rulebook fences off several no-go zones:
  - **Perks for promoters**: No villas, sports cars or personal debt pay-offs. Any benefit to promoters/related parties beyond disclosed limits is barred.
  - **Blind-spot acquisitions**: You can't earmark more than 25 % of the issue for an unidentified target. Name it, value it or forget it.
  - **Speculative trading**: The proceeds must sit in a dedicated bank account, not on a punt in equities, crypto or commodities.

- **Round-trip loans**: Lending back to group companies or subsidiaries is off-limits unless expressly disclosed and capped.
- **Real-estate vanity buys**: Land or property unrelated to core operations won't pass scrutiny.
- **Unannounced object shifts**: Post-IPO diversions need a special shareholders' resolution, exchange nod and a newspaper notice.

- Stick to the declared objects (and keep general corporate purposes below 15 %) and you'll stay on the right side of SEBI and your investors.

Gains Vs. Pains

- Before you tick the "raise money" box and pop the bubbly, pause: an SME IPO serves a cocktail of highs and hard work in equal measure. The table below lays out the cheers and the chores, so you know exactly what you're signing up for.

Gains	Pains
Growth capital and better valuation	Issue expenses of roughly ₹35–60 lakh plus annual fees
Brand clout and media attention	Public scrutiny of every slip and strategy tweak
Exit path for early investors	Promoter dilution due to minimum 25% public float
Shares as currency for deals and ESOPs	Mandatory market making for 36 months
Migration to main board once bigger	Thinner trading volumes until analyst coverage arrives

- **Bottom line**: If the gains column towers over the pains and your internal controls can stand being under constant scrutiny, an SME IPO can turbo-charge your growth story. If the compliance glare or dilution still feels like a bridge too far, keep polishing the fundamentals and circle back when you're match-fit.

Life after listing: Obligations you cannot dodge

- When the bell's echo fades and the photographer packs up, the real season kicks off: spreadsheets, disclosures and board-room scorecards. Below is the new daily drill you'll need to ace. Miss a deadline and the exchange blows the whistle.
  - **Continuous disclosure**: Numbers, related party transactions, material events hit the exchange promptly.
  - **Corporate governance:** At least one third independent directors, audit committee, vigil mechanism.
  - **Market maker**: You underwrite a liquidity arrangement for three years.
  - **Trading lot size**: Usually ₹1 lakh to keep speculators at bay.

- Master these post-listing drills and you'll stay on the exchange's good side. You'll be free to chase growth rather than firefight compliance notices.

The Final Word

- An SME IPO is neither a vanity parade nor a magic cheque. It rewards companies that already run tight accounts, have a believable growth story and embrace transparency. If that sounds like you, the SME exchanges are your springboard to bigger capital markets.

Notice to the reader

In relation to this publication, you may contact:

George Joseph, Managing Partner
Cell : +91 97464 00575
Email: gj@gja.co.in

P. Rajagopal, Jt. Managing Partner
Cell : +91 93886 09990
Email: pr@gja.co.in

Shaji Varghese, Partner
Cell : +91 98470 44030
Email: shaji.varghese@gja.co.in

Umesh Bhat, Partner
Cell : +91 98472 74567
Email: umeshbhat@gja.co.in

Reuben Joseph, Partner
Cell : +91 98952 09307
Email: reuben.joseph@gja.co.in

N. Vijayakumar, Principal (Indirect Tax.)
Cell: +91 94463 62533
Email: vjkumar@gja.co.in

Allen Joseph, Partner
Cell : +91 90483 06882
Email: allen.joseph@gja.co.in

Raphael Sharon, Partner
Cell : +91 99462 03087
Email: raphael.sharon@gja.co.in

Nithin Siva, Partner
Cell : +91 77368 93698
Email: nithin.s@gja.co.in

George Nettady, Partner
Cell : +91 94950 07758
Email: george.nettady@gja.co.in

37/2038, 1st Floor, Muttathil Lane
Kadavanthra, Cochin – 682 020, Kerala

Phone: +91 484 2207 411
Email - mail@gja.co.in

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Authors

Merlin Babu, Articled Assistant
merlin.babu@gja.co.in

Reuben Joseph, Partner
reuben.joseph@gja.co.in

Editorial board of GJA Learning

G. Joseph & Associates
Chartered Accountants