



**INDIA IPO**

**SEBI's**

**ICDR Amendments  
for SME IPO Listing**

**SEBI Modifies ICDR Norms to  
Enhance SME IPO Transparency**

---

*Regd. Office: 808, 8th Floor, D-Mall, Netaji Subhash Place, Pitampura, Delhi-110034  
Mob. +91-74283-37280, Email: [info@indiaipo.in](mailto:info@indiaipo.in), Website: [www.indiaipo.in](http://www.indiaipo.in)*

## SEBI SME IPO Rules:

SEBI has introduced a comprehensive overhaul of SME IPO regulations to enhance transparency, investor protection, and market integrity. Below are the main updates effective as per current circular:

### Stricter Eligibility and Profitability Criteria:

- ◆ SMEs must report a minimum operating profit (EBITDA) of ₹1 crore in at least two of the last three financial years to qualify for an IPO.
- ◆ If a company has converted from a proprietorship, partnership, or LLP, it must exist for at least one full financial year before filing for an IPO.

### Higher Minimum Application Size:

- ◆ The minimum application size for SME IPOs has been increased from ₹1 lakh to ₹2 lakh, effectively excluding retail investors (those applying for less than ₹2 lakh) from participation.
- ◆ This change aims to attract only serious investors with higher risk tolerance, reducing speculative or casual retail participation.

### Offer for Sale (OFS) and Promoter Restrictions:

- ◆ The OFS portion is capped at 20% of the issue size.
- ◆ No selling shareholder can offload more than 50% of their holding in the IPO.
- ◆ Promoter lock-in: Any promoter shareholding above the minimum promoter contribution (MPC) will be released in two phases, 50% after one year, and the remaining 50% after two years.

### **Use of IPO Proceeds:**

- ◆ The amount allocated for general corporate purposes (GCP) is capped at 15% of the total issue size or ₹10 crore, whichever is lower.
- ◆ IPO proceeds cannot be used to repay loans from promoters, promoter groups, or related parties.

### **Enhanced Disclosure and Transparency:**

- ◆ The Draft Red Herring Prospectus (DRHP) must be available for public comments for 21 days, with mandatory newspaper notices and QR codes for easy access.
- ◆ More detailed disclosures are required regarding the use of funds.

### **Other Notable Changes:**

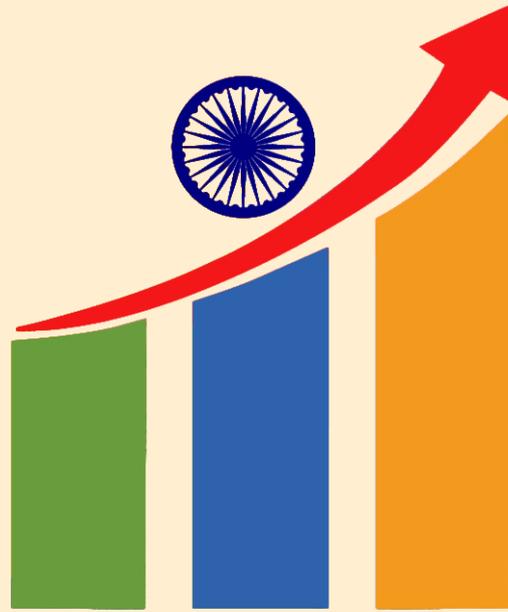
- ◆ Minimum post-issue capital requirement raised to ₹10 crore from ₹3 crore.
- ◆ Merchant bankers must now underwrite at least 15% of the issue size, ensuring greater due diligence.
- ◆ For book-built SME IPOs, allotment to non-institutional investors (NIIs) will now be done via a lottery (draw of lots), aligning with mainboard IPO practices.

INDIA IPO

## Summary Table: Major SME IPO Rule Changes

| Aspect                       | Old Norms                                   | New Norms (2025)   |
|------------------------------|---|--|
| Minimum Application Size     | No strict EBITDA criteria                   | ₹2 lakh  |
| Profitability Requirement    | 3 years for MPC, 1 year for excess          | ₹1 crore EBITDA in 2 of the last 3 years                 |
| OFS Limit                    | No specific GCP cap, loan repayment allowed | Max 20% of issue size, 50% per shareholder               |
| Promoter Lock-in             | Not mandatory                               | Phased: 50% excess after 1 year, rest after 2 years      |
| Use of IPO Proceeds          | ₹3 crore                                    | GCP max 15% or ₹10 crore; no loan repayment to promoters |
| DRHP Public Review           | Not mandatory                               | 21-day mandatory public review                           |
| Post-issue Capital           | ₹1 lakh                                     | ₹10 crore  |
| Merchant Banker Underwriting | ₹1 lakh                                     | 15% of issue size  |

INDIA IPO



# INDIA IPO

**FOLLOW US FOR  
REGULAR UPDATES  
AND INSIGHTS!**

 +91-74283-37280  [info@indiaipo.in](mailto:info@indiaipo.in)

 [www.indiaipo.in](http://www.indiaipo.in)