INDIA IPO

SEBI's

ICDR Amendments for SME IPO Listing March–November 2025

SEBI Modifies ICDR Norms to Enhance SME IPO Transparency

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SEBI SME IPO Rules:

SEBI has undertaken a comprehensive multi-phase overhaul of SME IPO regulations between March and November 2025, aimed at enhancing transparency, investor protection and market integrity. The amendments were introduced across three rounds, with the primary changes introduced in March 2025 based on SEBI's Consultative Paper dated November 19, 2024 and SEBI Board Meeting decisions of December 18, 2024.

Stricter Eligibility and Profitability Criteria

- SMEs must report a minimum operating profit (EBITDA) of Rs. 1 crore from operations in at least 2 out of the last 3 financial years preceding the application date.
- If a company has been converted from a proprietorship, partnership firm, or LLP, it must have existed as a company 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 Rs. 1 lakh to Rs. 2 lakh (minimum 2 lots), effectively raising the entry threshold for investors.
- 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 in any SME IPO is capped at 20% of the total issue size.
- No selling shareholder can offload more than 50% of their pre-issue holding through the OFS.
- Promoter Lock-in:

* The Minimum Promoter Contribution (MPC) of 20% of post-issue paid-up capital remains locked in for 3 years from the date of allotment (unchanged).
* Any promoter shareholding above the MPC will be released in two phases — 50% after one year and the remaining 50% after two years from the date of allotment.

Use of IPO Proceeds

- IPO proceeds cannot be used, directly or indirectly, to repay loans from promoters, promoter groups, or any related parties.
- The amount allocated for General Corporate Purposes (GCP) is capped at 15% of the total issue size or Rs. 10 crore, whichever is lower.
- The combined allocation for GCP and unidentified acquisitions shall not exceed 25% of the total amount raised.

Enhanced Disclosure and Transparency

- The DRHP must be available for public comments for 21 days, with mandatory newspaper notices published within 2 days of filing and QR codes for seamless investor access.
- More detailed disclosures are required regarding the utilisation of funds raised.
- Offer Document Summary (ODS) to replace the Abridged Prospectus, hosted on SEBI, exchange and issuer websites with QR code and link on application forms.

Other Notable Changes

- For book-built SME IPOs, allotment to Non-Institutional Investors (NIIs) will now be done via a lottery system (draw of lots), sub-categorised into:

* Applications of Rs. 2 lakh to Rs. 10 lakh and
* Applications of above Rs. 10 lakh

- Merchant Bankers must underwrite at least 15% of the issue size from their own account.
- Monitoring Agency is mandatory where the issue size exceeds Rs. 50 crore.
- The minimum allottees at the time of allotment rose from 50 to 200.
- Dissenting shareholders must be provided a post-listing exit opportunity in case of a change in the objects of the SME issue.
- Mandatory migration trigger removed — SMEs may remain on the SME platform beyond Rs. 25 crore paid-up capital.
- Statutory Auditor Certificate for fund utilisation mandatory with every set of financial results post-listing.

Summary Table: SME IPO Rule Changes (March–November 2025)

Aspect	Old Norms (Pre-March 2025)	New Norms (w.e.f. March 8, 2025)	Further Changes (November 2025)
Minimum Application Size	Rs. 1 lakh (1 lot)	Rs. 2 lakh (minimum 2 lots)	No change
Profitability Requirement	No specific EBITDA criteria	Rs. 1 crore EBITDA in any 2 of last 3 years	No change
OFS Limit	No cap — 100% OFS permitted	Max 20% of issue size; max 50% per selling shareholder	No change
Promoter Lock-in — MPC (20%)	3 years from allotment	Rs. 1 crore EBITDA in any 2 of last 3 years	No change
Promoter Lock-in — Excess over MPC	1 year from allotment	Phased — 50% after 1 year, remaining 50% after 2 years	No change
Use of IPO Proceeds	No GCP cap; loan repayment to promoters permitted	GCP capped at 15% or Rs. 10 crore (lower); combined GCP + unidentified acquisitions ≤ 25%; no loan repayment to promoters	No change
DRHP Public Review	Not mandatory	21-day mandatory review + newspaper notice within 2 days + QR code	No change
Merchant Banker Underwriting	No mandatory percentage	Minimum 15% of issue size from own account	No change
NII Allotment Method	Proportionate basis	Lottery/Draw of lots (sub-categorised: up to Rs. 10 lakh & above Rs. 10 lakh)	No change
Monitoring Agency	Mandatory above Rs. 100 crore issue size	Mandatory above Rs. 50 crore issue size	No change
Minimum Allottees	50 allottees	200 allottees	No change

Conversion from LLP/Firm	No mandatory waiting period	Minimum 1 full financial year of company existence before IPO filing	No change
Change in Promoters (>51%)	No restriction on filing timeline	1-year waiting period before DRHP filing	No change
Mandatory Migration Trigger	Compulsory on exceeding Rs. 25 crore paid-up capital	Removed — SMEs may remain on SME platform beyond Rs. 25 crore	No change
Post-Issue Paid-Up Capital Cap	Must not exceed Rs. 25 crores	Must not exceed Rs. 25 crores (unchanged)	No change
Fund Utilisation Certificate	Not mandatory with every filing	Not changed in March 2025	Statutory Auditor Certificate mandatory with every set of financial results
Financial Reporting Frequency	Half-yearly for all SME companies	Not changed in March 2025	Quarterly if paid-up capital > Rs. 25 crore; half-yearly otherwise
Offer Document Summary (ODS)	Abridged Prospectus attached to application form	Not changed in March 2025	ODS replaces Abridged Prospectus; hosted online with QR code on application form
Demat Mandate	Limited categories	Not changed in March 2025	Extended to additional categories of securities holders

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