

# Sebi plans to tighten rules for listing of small businesses

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MUMBAI

India's markets regulator and exchanges will tighten rules for public offers of small and medium enterprises (SMEs), according to two persons in the know, after complaints of misuse of a separate listing platform introduced in 2012 to enable small businesses access the capital markets.

The regulator Securities and Exchange Board of India (Sebi), is considering raising the minimum size of such public offers to ₹300 million-500 million (\$3.59 million-\$5.99 million),

said the two persons who are directly familiar with the discussions.

The new rules are slated to be issued later this year after the regulator and exchanges consult stakeholders, they said.

Currently there is no minimum issue size prescribed but companies listing on the platform are required to have a post issue capital base of ₹250 million.

"A minimum offer size will ensure that serious companies are accessing the capital markets and in turn safeguard the interest of investors," said one of the two persons.

The two people declined to



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be identified as they were not authorised to speak to media.

The markets regulator and exchanges, who implement the policies on behalf of the regula-

tor, did not reply to requests for comment.

Buoyed by India's surging equity markets, public issues by SMEs soared in the financial

year ending March 2024 to 205 companies raising ₹60 billion compared to the 125 firms that raised ₹22 billion in the previous year, according to PRIME Database, a capital markets data provider.

SMEs in India are defined as companies with an annual turnover of ₹50 million to ₹2.5 billion. Some of these issues were subscribed 500-1,000 times, raising concerns around misuse of the platform, the persons said.

Alongside introducing a minimum issue size, these companies will also be asked to make more disclosures, the persons said.

"The merchant bankers will be asked to make more upfront disclosures of objects of the issue, financials of the issuer and risk factors," said the first person.

This year, Sebi chairperson Madhabi Puri Buch said some issuers and bankers were misusing the framework provided for SME listing.

Sebi is collecting evidence following complaints of price manipulation in the segment, Buch said.

In the past week, Sebi barred three SME companies from capital markets on charges of misusing funds raised through public offers.