

Sebi plans tighter rules for listing of small biz

Reuters

feedback@livemint.com

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

The regulator, the Securities and Exchange Board of India (Sebi), is considering raising the minimum size of such public offers to ₹30 crore-₹50 crore (\$3.59 million-\$5.99 million), said the two sources 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 ₹25 crore.

"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 sources.

The sources declined to be identified as they were not



The new rules are slated to be issued later this year after consulting stakeholders. MINT

authorised to speak to media.

The markets regulator and exchanges, who implement the policies on behalf of the regulator, 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 ₹6,000 crore compared to the 125 firms that raised ₹2,200 crore 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 ₹5 crore to ₹250 crore.

Some of these issues were subscribed 500-1000 times,

raising concerns around misuse of the platform, the sources said.

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

Earlier 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 via public offers. These companies used funds for purposes other than those specified, misstated facts in offer documents and alleged manipulated financial statements, the regulator said.

Sebi said in one of its orders that retail investors need to exercise a certain level of due diligence while investing in SME companies and not be swayed by "seemingly attractive returns that may quickly come their way."