

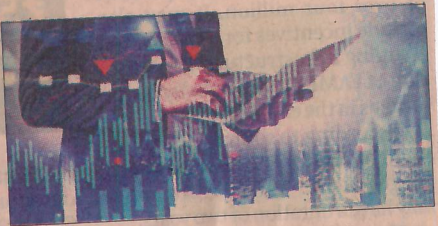
# Mainboard migration of SME stocks falls 80%

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Mumbai, July 16

**THE MIGRATION OF** small-and-medium enterprises (SME) stocks to the mainboard has plunged by over 80% so far this calendar year. Just six SME stocks have migrated to the mainboard so far as compared to 32 in the same period of 2023 and 37 in 2022, according to data from PRIME database.

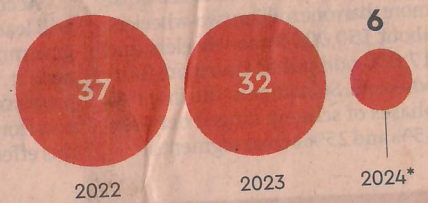
Overall, 38 stocks migrated to the mainframe in 2023 and 60 in 2022. The significant fall comes in the backdrop of new guidelines introduced by exchanges that, experts say, have made things a little more difficult. The companies listed on SME platforms -- NSE Emerge and BSE SME -- can migrate to the mainboard if they meet certain criteria. The criteria in the new guidelines include a paid-up capital of over ₹10 crore post issue, minimum market capitalisation of ₹25 crore, net worth of at least ₹15 crore in the previous two financial years and a minimum period of three years since listing on the SME platform.

The guidelines came into effect from January 1. Earlier, companies were only required to complete three years on SME platforms to be eligible for migrating to the mainboard if they



## IMPACT OF NEW NORMS

Migration to mainboard



\*till July 16

Source: PRIME Database

wished so, according to experts. However, like in the past, shifting to the mainboard is a voluntary decision of a company.

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# Mainboard migration of SME stocks falls

**"THIS (CHANGE IN GUIDELINES)** is the single biggest factor behind the drop in migration. But corporate governance has been a challenge when it comes to SMEs coming to the mainboard because there have been complaints of lack of governance in some firms," said Tarun Singh, managing director of Highbrow Securities.

Experts said while the tougher migration norms are necessary, exchanges also need to ensure stricter norms for companies getting listed on the SME platforms. "It is better to have stricter norms for stocks entering the SME market rather than stocks migrating from SME to main-

board," said Deepak Jasani, the head of retail research at HDFC Securities.

Exchanges launched dedicated platforms for small-and-medium enterprises in 2012. Though the initiative did not pick up in the first few years, the number of issues crossed 100 for the first time in 2017. The total fundraise through SME platforms also surpassed ₹1,500 crore for the first time that year. However, things went south in 2019, when the number of issues fell sharply. Even in 2020 and 2021 -- the initial years of Covid -- the number of SME issues remained feeble.

Nevertheless, low interest rates

again fuelled the fund flow into the SME platforms in 2022. Last year became record-setting with 182 public issues raising ₹4,686 crore.

Over 1,000 companies have listed on the SME platforms so far since 2012, and around 320 of these have migrated to the mainboard, according to data from NSE and BSE.

Of the 182 firms that got listed in 2023, Highbrow Securities' Singh expects only 10% to make it to the mainboard. "A few of these have also done rights issues or FPOs post their initial share sale. Such firms will definitely try to comply with the criteria to migrate to the mainboard," he said.

New Delhi

