

SME IPO Readiness Checklist

From eligibility to listing: what SEBI, the exchange and your merchant banker check, in the order they check it

Listing on the SME platform gives your company access to public capital years before a main-board IPO. The process is quick once it starts, and that is exactly why gaps hurt: every missing resolution, unapproved related-party payment or lapsed filing turns up in the merchant banker's diligence or the exchange's review, when there is no time left to fix it cheaply. This checklist walks the same ground, in the same order, so you can find and close your gaps first.

Part 1: The eligibility gate. Can you use the SME route at all?

Tick what is true for your company today. Your merchant banker chooses the exchange, and NSE Emerge and BSE SME set slightly different tests.

- ☐ **Post-issue paid-up capital of up to Rs 25 crore.** Up to Rs 10 crore, the SME route applies. Between Rs 10 crore and Rs 25 crore, you may choose it. Above Rs 25 crore, only the main board is open.
- ☐ **Operating profit (EBITDA) of at least Rs 1 crore** from operations in at least two of the last three financial years.
- ☐ **A three-year track record:** the company itself, promoters with three years in the same line of business, or a firm converted into the company.
- ☐ **For NSE Emerge:** positive net worth, and positive free cash flow to equity in at least two of the last three financial years.
- ☐ **For BSE SME:** net worth of at least Rs 1 crore in each of the last two full years, net tangible assets of at least Rs 3 crore in the last full year, and debt no more than three times equity.
- ☐ **No change of control in the last year.** After a complete change of promoters, or an acquisition of more than half the company, you wait one year before filing.
- ☐ **No outstanding convertible instruments** at filing, other than ESOPs and instruments that convert before the red herring prospectus.

Part 2: Quick self-check. Where are your gaps?

Tick every statement that is true of your company today.

- ☐ Some past allotments or transfers of shares have no board resolution, valuation report or filing behind them.
- ☐ Some shareholders, directors or employees still hold physical share certificates.
- ☐ Promoter loans, rent or personal expenses run through the company without a related-party approval trail.

- ☐ Part of the plan is to repay loans that promoters or related parties have given the company.
- ☐ A promoter plans to sell more than half of their shares in the IPO.
- ☐ An overseas subsidiary or investment is behind on its FEMA filings.
- ☐ Your last three years' accounts would need material restatement before they can go into an offer document.

Ticked any of these? Each one is a question your merchant banker or the exchange will raise. Work through Parts 3 to 7 and close them before you appoint the merchant banker.

Part 3: Clean up your share history and cap table

- ☐ **Reconcile three records:** your register of members, your filings with the Registrar and your depository records. They must show the same shareholders and the same numbers.
- ☐ **Paper every past share event.** Each allotment, transfer, split, bonus and buy-back needs its resolution, its valuation where one was required, and its filing.
- ☐ **Move every share into demat before filing:** promoters, directors, key managerial personnel, employees and investors. This is a filing condition, not a post-listing task.
- ☐ **Convert or clear every convertible instrument** other than ESOPs, so the cap table is final when you file.

Part 4: Promoter contribution, lock-in and selling

- ☐ **Promoters hold at least 20% of the post-issue capital.** A shortfall of up to 10% can be met by an AIF, a bank, an insurer, a non-individual shareholder holding 5% or more, or promoter-group entities.
- ☐ **That 20% is locked in for three years.** Promoter holding above 20% is released in two halves: one half after one year and the other after two years.
- ☐ **Other pre-issue shareholders are locked in for one year,** with limited carve-outs, including shares from ESOPs.
- ☐ **Selling in the IPO is capped.** The offer for sale can be at most 20% of the issue, and each selling shareholder can sell at most half of their pre-issue holding.
- ☐ **Identify the promoter group correctly.** Who counts as a promoter decides who is locked in and what is disclosed.

Part 5: Related parties and group structure

- ☐ **Map every related-party transaction for the last three years** with its approval and the basis for its price. These are disclosed in the offer document.

- ☐ **Stop informal routing now.** Promoter rent, loans, salaries and personal expenses need a formal agreement and an approval trail, or they need to end.
- ☐ **Plan for SEBI's related-party rules after listing.** Once listed, an SME company with paid-up capital above Rs 10 crore or net worth above Rs 25 crore must follow them, with six months to comply.
- ☐ **Simplify the group.** Close or merge dormant and overlapping entities, and document inter-company balances and guarantees.
- ☐ **Bring overseas entities up to date on FEMA:** the filing for each overseas investment and the annual performance report for every year since.

Part 6: Financials, tax and statutory filings

- ☐ **Restated consolidated financial statements** for three years and the latest stub period go into the offer document, audited or certified by a peer-reviewed chartered accountant. Identify restatement adjustments early.
- ☐ **Income-tax, GST, TDS, PF and ESI filings are current,** and every open demand is quantified.
- ☐ **Company-law filings with the Registrar are current,** and statutory registers and minutes are up to date.
- ☐ **Licences, registrations and sector approvals are valid,** and litigation and contingent liabilities are mapped with amounts.

Part 7: Board, use of proceeds and the offer

- ☐ **Board composition follows the Companies Act,** and your compliance officer is qualified to be a company secretary.
- ☐ **State specific objects for the money.** General corporate purposes are capped at 15% of the amount raised or Rs 10 crore, whichever is lower. General corporate purposes and unidentified acquisitions together are capped at 35%, and unidentified acquisitions alone at 25%.
- ☐ **The proceeds cannot repay loans** taken from promoters, the promoter group or any related party, directly or indirectly.
- ☐ **A monitoring agency is needed** if the fresh issue is above Rs 50 crore.
- ☐ **Plan for the public comment period:** the draft offer document stays open for comments for at least 21 days, with a newspaper notice after filing.
- ☐ **Size the issue for the allotment rules:** the minimum application is two lots and above Rs 2 lakh, and the issue needs at least 200 allottees.

Readiness is a twelve-month job, not a filing-week job

Much of this list takes months, not days: demat conversion for every shareholder, a clean related-party trail, restated accounts and FEMA filings for overseas entities. Starting early is what keeps the timeline, and the valuation, yours.

A S Banka Advisors Private Limited prepares companies for the SME route alongside your merchant banker: the cap table and share history, promoter holdings, related-party clean-up, group structure and the FEMA position of overseas entities. Every readiness plan is **reviewed by our experts**.

Planning an SME IPO in the next 12 to 24 months?

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CA Adityavikram Banka, Founder, A S Banka Advisors Private Limited. asbanka.com

This checklist is general guidance, not advice for any specific company. It reflects the SEBI ICDR Regulations as amended up to March 2026, the SEBI LODR Regulations as amended up to July 2026, and the NSE Emerge and BSE SME eligibility criteria as published in September 2026. SEBI has announced a review of the SME capital-raising framework (June 2026), so thresholds may change; we confirm the current position for your company as part of the engagement.