

SEBI SME IPO Review: What the 14 October 2026 Consultation Paper Proposes

Market capitalisation test, Rs 3 crore average profit, one-share trading lot

Proposals only. Comments are open until 4 November 2026.

SME IPO · SEBI ICDR Chapter IX · Founders

What Is This Paper?

SEBI's consultation paper dated 14 October 2026 seeks public comments on a review of the SME IPO provisions in Chapter IX of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

The proposals reflect the recommendations of a SEBI Working Group, the deliberations of the Primary Market Advisory Committee and SEBI's later internal deliberations.

Item	Position
Paper dated	14 October 2026
Comments due	4 November 2026
Status	Proposals: the current ICDR rules apply until SEBI amends them
Areas covered	Eligibility, use of funds, offer for sale, lock-in, application size, trading lot, underwriting, market making, migration

Four Eligibility Proposals



Market capitalisation replaces paid-up capital. Post-issue market capitalisation up to Rs 1,000 crore lists only on the SME platform; above Rs 1,000 crore and up to Rs 4,000 crore may choose it.



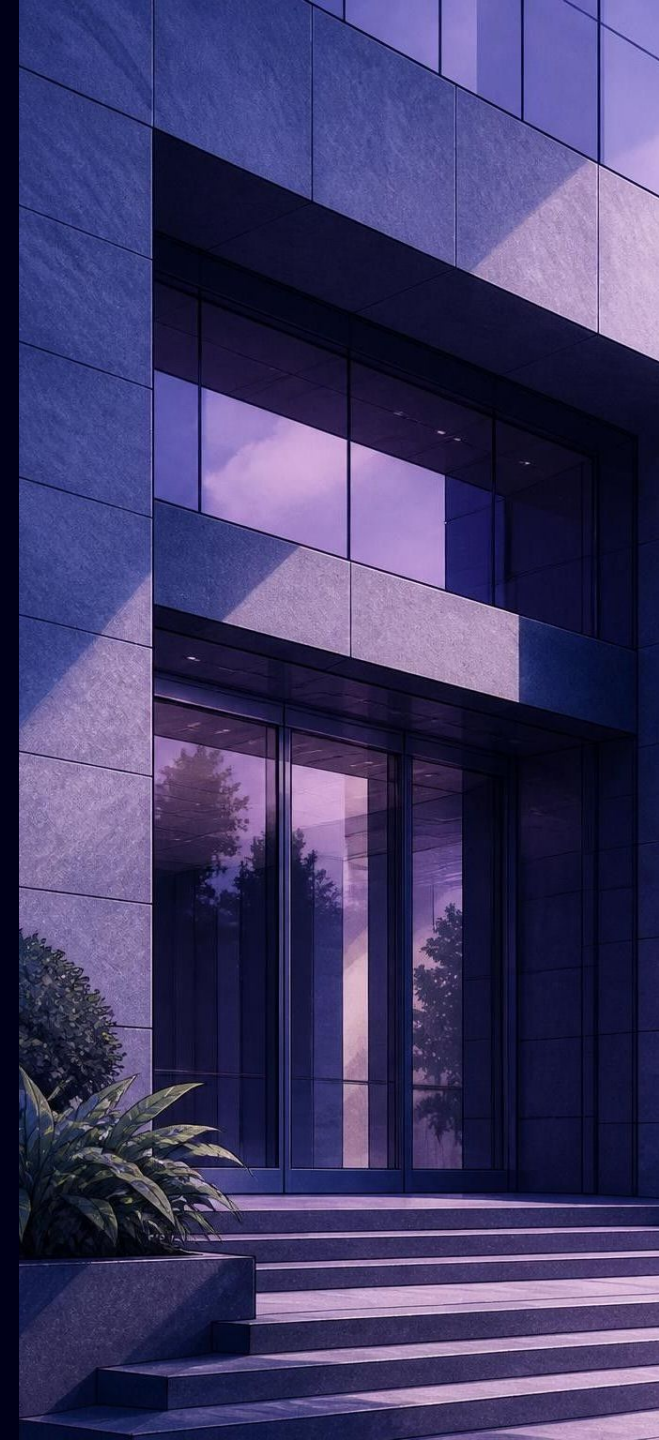
Rs 3 crore average operating profit. At least Rs 3 crore a year on average over the preceding three financial years, on restated consolidated financial statements.



A new Regulation 229(7) route. For issuers that miss the profit test: book building, at least 75% of the net offer to QIBs, and a full refund if that is not achieved.



Conversions. Four consecutive completed quarters after conversion from a proprietorship, partnership firm or LLP, in place of one full financial year.



Current Rule vs Proposal

Rs 1,000 crore

market capitalisation threshold

Rs 3 crore

average operating profit

500

minimum allottees

Item	Current ICDR rule	Proposed
Eligibility	Post-issue paid-up capital up to Rs 10 crore; above Rs 10 crore and up to Rs 25 crore may also use the SME route	Post-issue market capitalisation up to Rs 1,000 crore: SME only; above Rs 1,000 crore and up to Rs 4,000 crore: optional
Profit test	Operating profit (EBITDA) of Rs 1 crore in at least two of the three previous financial years	Average operating profit of at least Rs 3 crore a year over three years
General corporate purposes	15% of the amount raised or Rs 10 crore, whichever is less	15%, with the Rs 10 crore ceiling removed
Minimum application	Two lots, above Rs 2 lakh	Four lots of Rs 25,000: Rs 1 lakh
Minimum allottees	200	500
Trading lot	Price-based lots under SEBI Circular CIR/MRD/DSA/06/2012	One share

Who Would List Where

SME platform (as proposed)

- Post-issue market capitalisation up to Rs 1,000 crore: SME platform only
- Above Rs 1,000 crore and up to Rs 4,000 crore: at the issuer's option, with restated consolidated Ind AS financial statements for the last three financial years and any stub period
- Issuers that miss the profit test: the Regulation 229(7) route, with not more than 10% of the net offer to retail individual investors, not more than 15% to non-institutional investors and not less than 75% to QIBs

Main Board (as proposed)

- Post-issue market capitalisation above Rs 4,000 crore
- The test is applied again when the Red Herring Prospectus or Prospectus is filed: an SME applicant above Rs 4,000 crore re-files under the Main Board framework, and a Main Board applicant at Rs 1,000 crore or below re-files under the SME framework



Who This Affects



CA Professionals and Advisers

Restated consolidated financial statements become the base for the average profit test. Issuers in the optional band need Ind AS restatement. Track-record work extends to business reorganisations where the issuer earns more than 50% of its revenue from the business taken over.



Founders and Startups

Promoter holding above the minimum contribution: one-year lock-in in place of 50% for two years and 50% for one year. Pre-issue capital held by non-promoters: six months in place of one year. Promoter group: one year.



MSMEs and Business Owners

No 100% underwriting and no compulsory market making; the Main Board underwriting framework applies instead. Migration to the Main Board: optional between Rs 1,000 crore and Rs 4,000 crore with board approval, mandatory above Rs 4,000 crore.

Four Points to Keep in Mind

1. Proposals only. An IPO filed today follows the current ICDR Regulations, including the Rs 1 crore EBITDA test and the paid-up capital limits.

2. Offer for sale. Proposed Regulation 230A: only fully paid-up equity shares held for at least one year before the draft offer document is filed could be offered for sale. The 20% and 50% caps would not apply to QIB sellers, except in a Regulation 229(7) issue.

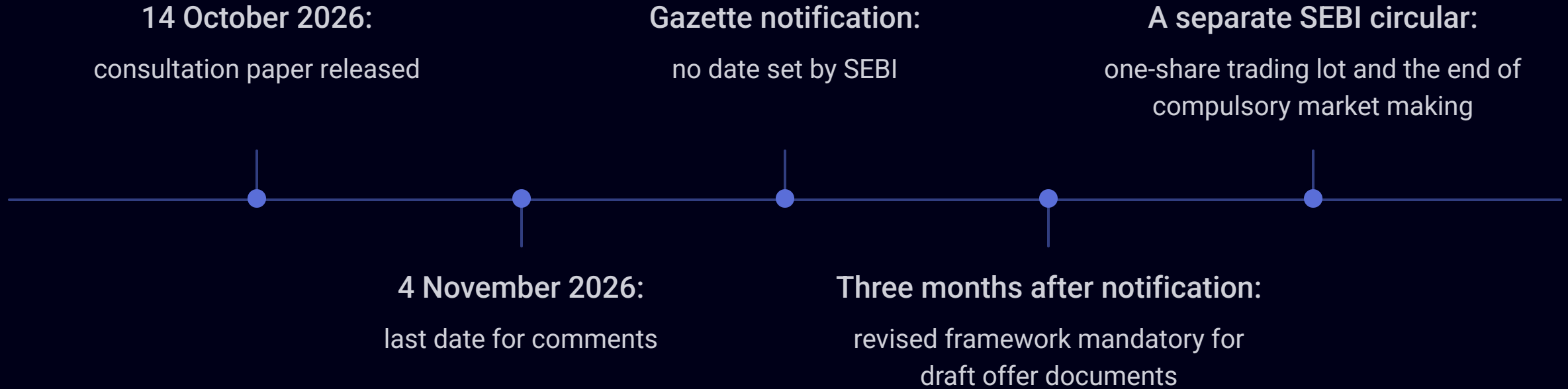
3. Transition. The revised framework would apply mandatorily to draft offer documents filed three months or more after Gazette notification, with a choice of framework within those three months. SEBI has not set a notification date.

4. Already listed. Existing lock-ins run until they expire, and migration stays on the existing paid-up capital rules for issuers listed on the SME platform on the notification date.

Action Plan

- › **Plan on today's rules:** Rs 1 crore EBITDA in two of three years and the post-issue paid-up capital limits.
- › **Test both frameworks:** post-issue paid-up capital and estimated post-issue market capitalisation; the three-year profit record under both tests.
- › **Review pre-IPO share transfers** against a one-year holding period for offer-for-sale shares, counted back from the draft offer document.
- › **Check Ind AS readiness** if your expected market capitalisation is above Rs 1,000 crore and you want the SME route.
- › **Comment by 4 November 2026** on SEBI's public comments page.

Key Dates



Until SEBI amends the ICDR Regulations, the current SME IPO rules apply.

Planning an SME IPO? A S Banka Advisors Private Limited. Book a quick call.

BOOK A CALL

Source: Securities and Exchange Board of India, Consultation Paper on review of the SEBI (ICDR) Regulations, 2018 related to IPOs by SMEs, 14 October 2026

Source: SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018