

# Half Day Seminar by the SIRC of the ICSI

**Topic: SME IPO**



# INTRODUCTION

An Initial Public Offering (IPO) is a pathway to raise funds by transforming a privately held entity to a publicly traded one.

This process involves offering shares to the general public for the first time, allowing the company to raise capital from investor in exchange for equity.

# INTRODUCTION

When a company decides to go public through an IPO, it must **prepare and file** a detailed **offer document** with the Securities and Exchange Board of India (**SEBI**), Stock exchanges in India, such as the BSE Limited (**BSESME**) and / or the National Stock Exchange of India Limited (**NSE EMERGE**), which plays a **pivotal role in the listing process**.

# ADVANTAGES OF IPO

- Raise interest-free capital
- Improved value creation
- Expansion and growth
- Lowers the debt burden
- Visibility and image building
- Better corporate governance



# ADVANTAGES OF IPO

- Employment opportunities for Company Secretaries and other Professionals
- Sophisticated Systems will be introduced in conduct of overall operations of the Company
- Advisory of Independent Directors for the better Corporate Governance and enhancement of efficiency of operations and profits of the Company
- Improves the confidence of stakeholders as the transparency of business conduct will enhance by virtue of listing the shares.

# LIST OF COMPANIES RECENTLY LISTED ON SME EXCHANGE FROM KARNATAKA

IPO Name	IPO Year	Listing Return	Issue Size (INR cr)
Cedaar Textile	Jul 2025	-19.25	74.46
Amwill Health Care	Feb 2025	-15.99	60.90
Pelatro	Sep 2024	44.38	59.98
Greenchef Appliances	Jul 2023	25.52	55.98
Transteel Seating	Nov 2023	33.29	53.62
Canarys Automations	October 2023	33.23	49.98

## **CHAPTER IX of ICDR - INITIAL PUBLIC OFFER BY SMALL AND MEDIUM ENTERPRISES**

- PART I: ELIGIBILITY REQUIREMENTS (228 to 230)
- PART II: ISSUE OF CONVERTIBLE DEBT INSTRUMENTS AND WARRANTS (231 to 235)
- PART III: PROMOTERS' CONTRIBUTION (236 & 237)
- PART IV: LOCK-IN AND RESTRICTIONS ON TRANSFERRABILITY (238 to 243)
- PART V: APPOINTMENT OF LEAD MANAGERS, OTHER INTERMEDIARIES AND COMPLIANCE OFFICER (244)

# **CHAPTER IX -INITIAL PUBLIC OFFER BY SMALL AND MEDIUM ENTERPRISES**

- PART VI: DISCLOSURES IN AND FILING OF OFFER DOCUMENTS (245 to 247)
- PART VII –PRICING (248 to 251)
- **PART VIII: ISSUANCE CONDITIONS AND PROCEDURE (252 to 277)**
- PART IX: MISCELLANEOUS (278 to 281)



# CONDITIONS PROHIBITING PUBLIC OFFER

- 1.If Issuer/promoters/directors/selling shareholders are **debarred** by SEBI from accessing capital markets
- 2.If any of such promoters or directors are involved in other SEBI **debarred** company
- 3.If the issuer or any of its promoters or directors is a **wilful defaulter** or a **fraudulent borrower** or a **fugitive economic offender**
- 4.Presence of any **outstanding convertible securities** or any other rights to receive equity shares of the issue.

## **ELIGIBILITY CRITERIA AND OTHER CONDITIONS AS PER CHAPTER IX OF SEBI (ICDR) REGULATIONS, 2018 (227 TO 281)**

- An issuer shall be eligible to make an initial public offer only if its **post-issue paid-up capital** is less than or equal to **ten crore rupees** (Reg.229(1) of ICDR).
- An issuer, whose post issue paid-up capital is more than ten crore rupees and upto **twenty-five crore rupees**, may also issue specified securities (Reg 229(2) of ICDR)
- An issuer may make an initial public offer, if it satisfies track record and/or other eligibility conditions of the SME Exchange(s) on which the specified securities are proposed to be listed.

# ELIGIBILITY CRITERIA AND OTHER CONDITIONS AS PER CHAPTER IX OF SEBI (ICDR) REGULATIONS, 2018 (227 TO 281)

- The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed fifteen per cent. of the amount being raised by the issuer or ₹ 10 crores, whichever is less.
- Minimum promoters' contribution shall be 20% of the post issue paid up capital
- The initial public offer shall be underwritten for **hundred per cent** of the offer and shall not be restricted upto the minimum subscription level. (Reg.260(1) of ICDR).
- The minimum application size shall be **two lots** per application and minimum application size shall be **Rs.2 lakhs or more** (Reg.267 of ICDR)

# ELIGIBILITY CRITERIA OF THE STOCK EXCHANGES

**BSE SME**

**NSE**

- **Networth**

Atleast Rs. 1 crore for 2 preceding full financial years.

- **Net Tangible Asset**

Rs 3 crores in last preceding (full) financial year.

- **Track Record**

The track record of applicant company seeking listing should be atleast 3 years.

- **Earnings before Interest, depreciation and Tax (EBDT)**

should have operating profit (earnings before interest, depreciation and tax) from operations for 2 out of 3 latest financial years preceding the application date.

- **Leverage Ratio**

Leverage ratio of not more than 3:1.

# ELIGIBILITY CRITERIA OF THE STOCK EXCHANGES

BSE

NSE EMERGE

- **Networth**

Should be positive.

- **Free Cash Flow to Equity**

The company/entity should have positive Free cash flow to Equity (FCFE) for at least 2 out of 3 financial years preceding the application.

- **Track Record**

The track record of applicant company or the promoters or promoting company seeking listing should be atleast 3 years.

- **Operating profits (EBDT)**

should have operating profit of Rs. 1 crore (earnings before interest, depreciation and tax) from operations for 2 out of 3 latest financial years



# INTERMEDIARIES INVOLVED IN THE IPO



# STAGES OF IPO



# Pre-IPO Preparation

- **Internal Assessment- need for IPO, Expected size of the IPO, finalising the objects of IPO**
- **Appointment of intermediaries**
- **Comprehensive Due diligence**
- **Corporate Re-organisation -Conversion into Public Limited Company, appointment of IDs and KMP, Constitution of Committees, Website updation and Drafting of Policies**

# **Preparation of offer document and filing**

- **Preparation of Draft Red Herring Prospectus (DRHP) or Prospectus.**
- **Filing of DRHP/Prospectus with the Stock Exchange (NSE Emerge/BSE SME).**
- **Stock Exchange review and in-principal approval.**
- **Appointment of Market Maker.**



# Key Disclosures in the Draft Red Herring Prospectus (DRHP)

1	Particulars and the objects of the issue	4	Restated financial statements, capital structure, Capital Build-up, Financial Indebtedness, Management discussion and analysis of the business operations.
2	In-depth Description of Business Operations	5	Outstanding litigations and Material developments
3	Details of the Promoters, Board of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP)	6	Government and Statutory approvals



# MARKETING AND ROADSHOWS

- Pre-issue marketing: Roadshows and investor meetings.
- Pricing of the issue (if fixed price, announce; if book building, determine price band).
- Filing of final Prospectus/Red Herring Prospectus (RHP) with ROC (Sec 32 of CA, 2013) & Stock Exchange.



# The Public Issue

01

Publishing newspaper advertisements

02

IPO opens for public subscription (typically 3–10 working days).

03

Collection of applications and funds via ASBA.

# POST ISSUE ACTIVITIES

- Finalization of Basis of Allotment.
- Allotment of shares to successful applicants.
- Processing of refunds for unsuccessful / partial allotments.
- Credit of shares to Demat accounts.
- Obtaining final listing and trading approvals from Stock Exchange.

1

## POST-LISTING ACTIVITIES

Listing of shares and commencement of trading.

2

Market Maker provides liquidity (minimum 3 years).

3

Ongoing compliance with SEBI (LODR) Regulations

# Role of CS in IPOs

- Planning and advising complete corporate restructuring
- Advising on readiness for the IPO.
- Due diligence and setting right of non-compliances.
- Capital Structuring and finalizing objectives of IPO proceeds.
- Board and Committee Compositions
- Assisting in drafting of various policies and coordinating with all intermediaries
- Advising on Listing Regulation Compliances.
- Assisting in drafting of DRHP
- Website Management

## POST-LISTING ACTIVITIES

Listing of shares and  
commencement of trading.

Market maker provides  
liquidity (minimum 3 years).





# THANK YOU

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