Sebi eyes a fresh wave of reforms for SMEs

Aims to cut capital-raising costs, expand reach

KHUSHBOO TIWARI
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The Securities and Exchange Board of India (Sebi) is mulling a second wave of reforms for small and medium enterprises (SMEs), including measures to reduce the cost of raising capital, a framework for delisting, and wider outreach to SMEs across the country.

According to sources, the market regulator is looking at measures to make it easier for SMEs to approach the exchanges and benefit from the listing ecosystem.

Sebi had constituted an external experts advisory committee in December 2025 to review regulatory frameworks — based on its recommendations, the regulator has approved the assessment of framework for SME capital raising in the securities market.

The regulator is also reviewing the costs involved for SMEs such as merchant banking fees and market-making costs, among others, according to people familiar with the developments.

While Sebi has strengthened its surveillance to curb manipulation — on which several orders have been passed in the last two years — it may also consider a framework for simpler delisting of SMEs to remove inactive firms which may be prone to manipulation.

Following instances of fraud and manipulation in several such SMEs, the regulator had tightened the listing framework with more focus on financials. It had also strengthened the migration norms for SMEs to shift to mainboard.

While some experts may argue that lowering merchant banking fees alone may not help, the regulator is also considering measures to encourage SMEs from wider geographies in India to use the listing framework.

State-wise SME issuances

	No. of listings	Amount raised (₹ cr)
Maharashtra	204	6,256
Gujarat	182	4,846
NCT of Delhi	102	3,745
West Bengal	42	1,386
Tamil Nadu	23	1,102
Others	178	5,639
Total	731	22,974

Data only for NSE Emerge Platform
Source: NSE Market Pulse
Data as of May 2026

"Reducing or limiting the merchant banking cost may not yield much benefit. In fact, it can be counterintuitive as merchant bankers may avoid such public issues given the low benefits compared to the work needed to mobilise resources and manage the issue," said Mohit Baser, a chartered accountant specialising in IPOs and SME IPO advisory.

"Further, disclosure requirements should also be kept similar to those for the mainboard, as investors who are more familiar with mainboard companies may find it discouraging to see less transparency or updates from SMEs at the time of investing. However, there is a merit to consider revising the trading lot for SMEs," Baser added.

To be eligible for listing, the SME's post-issue paid-up capital should not exceed ₹25 crore and the company should have a track record of at least three years.

The issue sizes for the SME IPOs typically range between ₹10 crore and ₹25 crore. For issue sizes above ₹50 crore, Sebi mandates the appointment of a monitoring agency to track the fund use.

The cost of raising this capital, including the merchant banking fee can be as high as 10-15 per cent of the issue size.

"To build trust that there are good companies coming under the SME framework, the monitoring of how the issue proceeds are being utilised needs to be strengthened. In case of any lapse, someone must be held responsible as we have seen multiple cases of manipulation in the sector which deters the trust of investors," said Mrugank Paranjape, managing partner, MCQube.

On BSE's SME platform, a total of 744 companies have been listed, 202 of which have migrated to the mainboard. The total funds raised stands at ₹16,553 crore while the market capitalisation of SME companies, including those which migrated, is ₹2.24 trillion.

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Since inception, NSE Emerge — the separate platform for listing of SMEs by the National Stock Exchange — has seen a total listing of 731 firms raising over ₹22,973 crore, as of May 2026. The market capitalisation of these firms stands at around ₹2.29 trillion. Of this, Maharashtra and Gujarat top the list of states in terms of SME listings with 204 and 182 listings respectively, raising ₹6,256 crore and ₹4,846 crore in the same order.

Emailed queries to Sebi on the matter remained unanswered till the time of going to press.