



**Corporate  
Professionals**



# **WEBINAR ON**

## **SME IPO : FROM PRE-IPO PREPARATION TO LISTING**

# SME IPO MARKET IN INDIA

The SME IPO market in India is vibrant and evolving, presenting numerous opportunities for both businesses and investors. With continued regulatory support and increasing awareness, it is poised for further growth in the coming years.

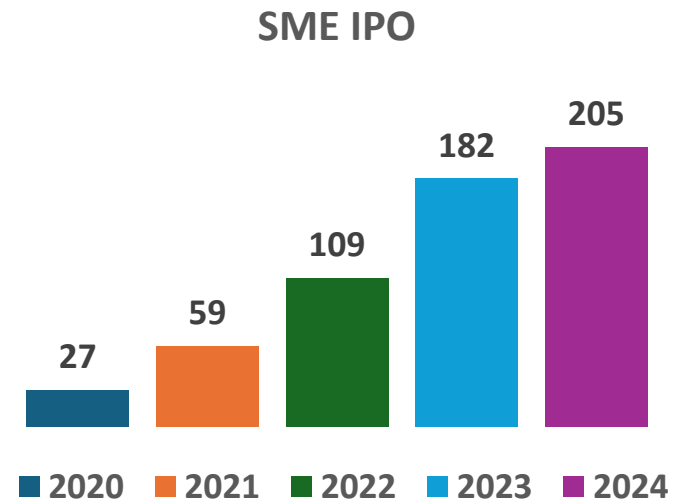
Here are some key points regarding the SME IPO landscape in India:

1. **Continued Growth:** The SME IPO market is poised for further expansion, supported by favorable government policies and increasing investor interest.
2. **Increasing Number of Listings:** The number of SME IPOs has surged, reflecting confidence among SMEs in the public markets.
3. **Access to Capital :** Going public provides SMEs with a platform to raise funds while enhancing their visibility and credibility in the market.
4. **Growing Retail Participation:** Retail investors are increasingly attracted to SME IPOs due to their high growth potential.

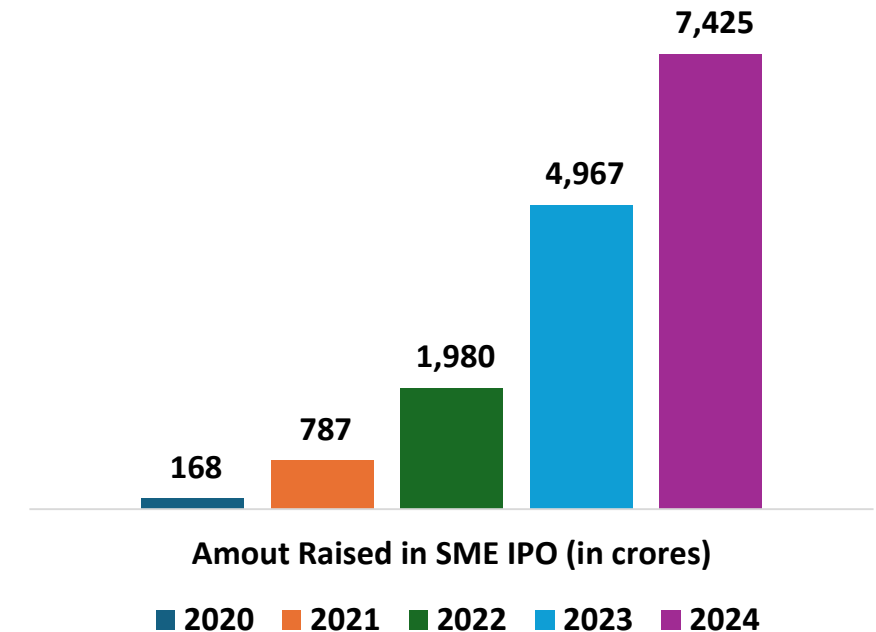


# IPO Trends

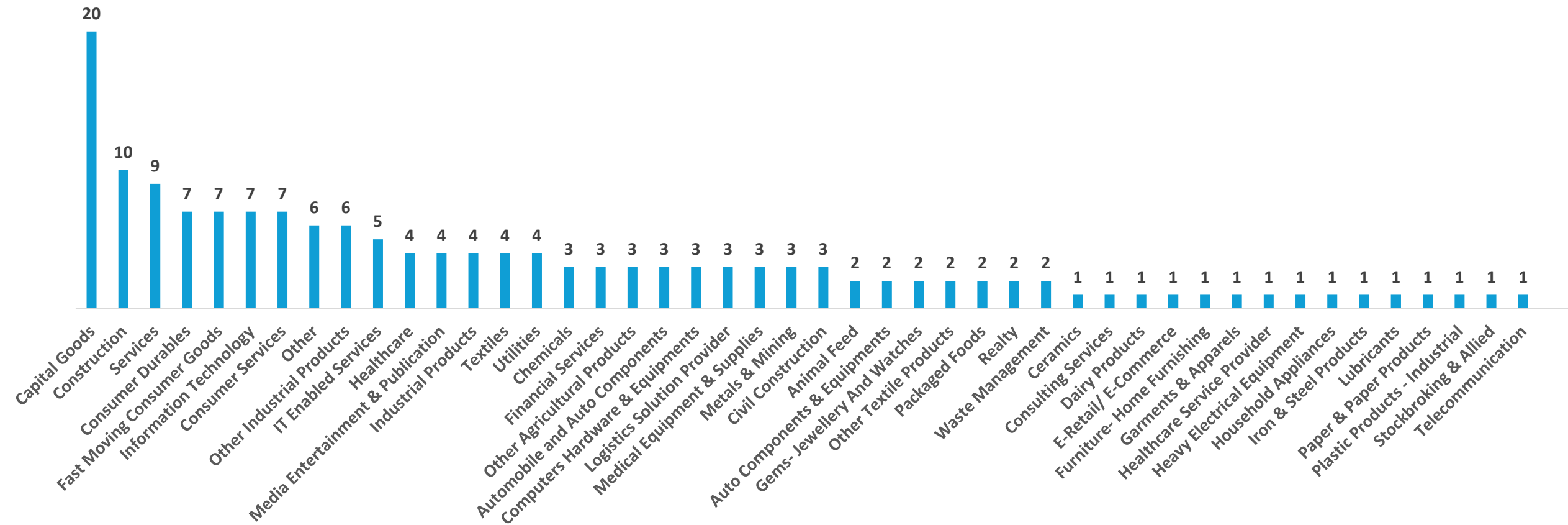
## No. of SME's IPO



## Fund Raised



# Industry-wise SME IPO of 2024 (till date)



# Brief Stats of SME IPOs

Particulars	BSE SME (As on date)	NSE Emerge (As on July, 2024)	Total
No. of Companies Listed on SME till date	526	476	1,002
Market Cap. of Companies Listed on SME till date (in Rs. Cr)	1,83,906	1,45,385	3,29,291
Total Amount of Money Raised till Date (in Rs. Cr)	7,243	10,702	17,945
No. of Companies Migrated to Main Board	188	140	328
No. of Companies Listed as of Date	338	329	667

# Top SME IPOs in terms of Fund Raised

Issuer Company	Issue Size (Rs Cr.)	Issue Price (Rs)	Exchange
KP Green Engineering Limited IPO	189.5	144	BSE SME
Sahasra Electronics Solutions Limited IPO	186.16	283	NSE SME
SAR Televenture Limited FPO	150	210	NSE SME
Mach Conferences and Events Limited IPO	125.28	225	BSE SME
Ganesh Green Bharat Limited IPO	125.23	190	NSE SME

# Top SME IPOs in terms of subscription

Name	Issue Size (cr.)	No. of Times Subscribed	Total Subscription Amount (cr)
HOAC Foods India Limited	6	2,014	10,265
Kay Cee Energy & Infra Limited	16	1,052	11,139
Medicamen Organics Limited	11	994	6,932
Maxposure Limited	20	987	13,256
Magenta Lifecare Limited	7	983	6,524

# Top Anchor Investor in SME IPOs

Anchor Investor	No of IPOs	Total funds invested (Rs. Cr)
Rajasthan Global Securities Pvt. Limited	75	193.94
Nav Capital VCC	55	142.58
Saint Capital Fund	53	130.8
Finavenue Growth Fund	43	67.48
Craft Emerging Market Fund PCC	37	64.96
Meru Investment Fund PCC	36	98.81
Persistent Growth Fund	36	98.08
VIKASA Capital Inc.	35	87.84
Moneywise Financial Services Pvt. Ltd.	29	45
LRSD Securities Private Limited	26	58.96

# Companies can go for **IPO**

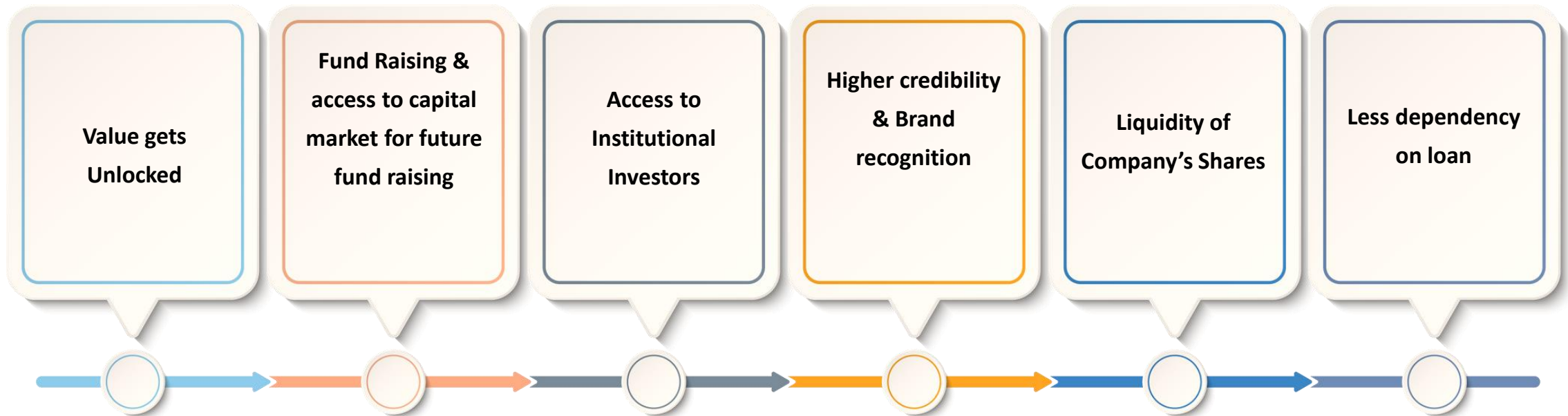
**Having a  
Healthy  
Business**

**Having a  
Growth  
Trajectory**

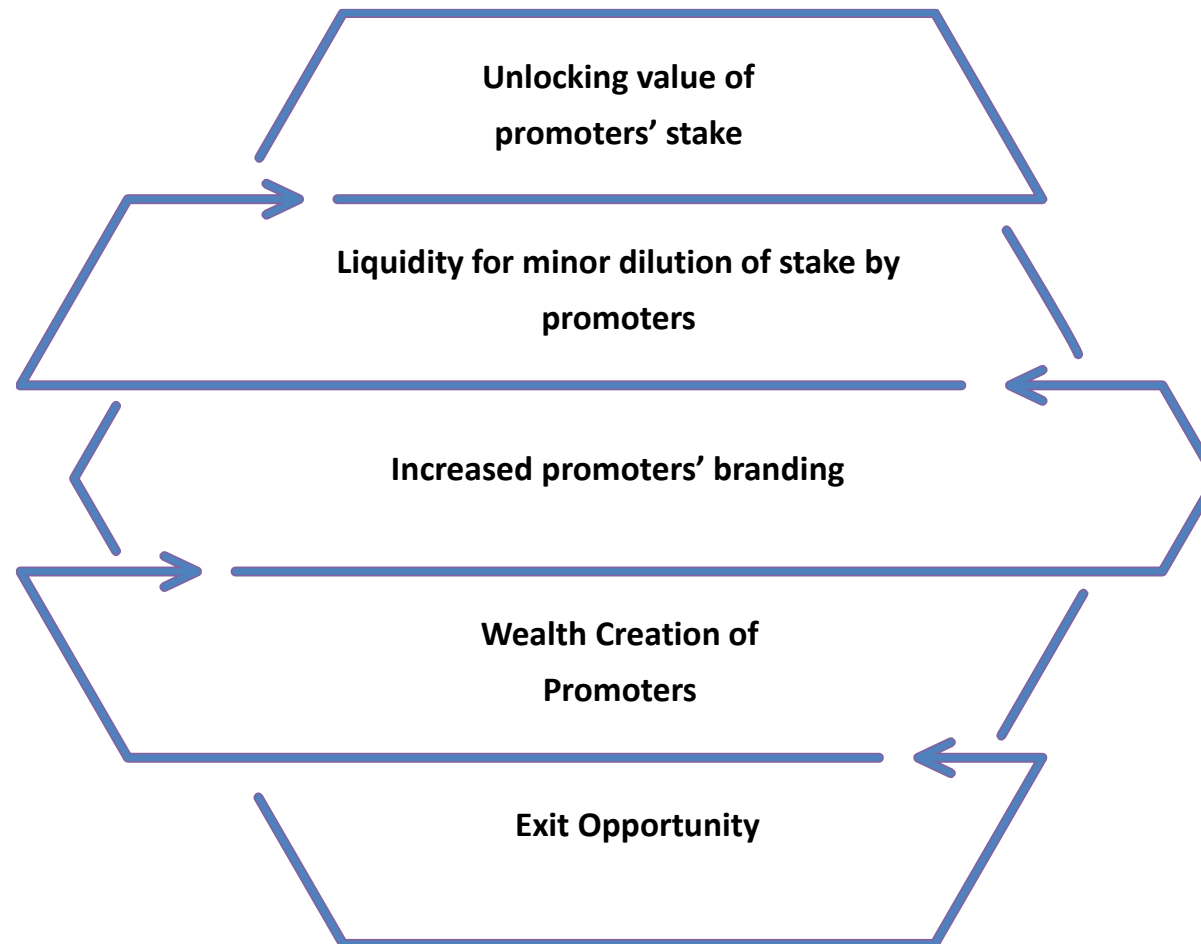
**Fulfilling the  
Eligibility  
Criteria**

**Gives  
Promising  
Returns to  
Investors**

# Benefits of IPO - Company

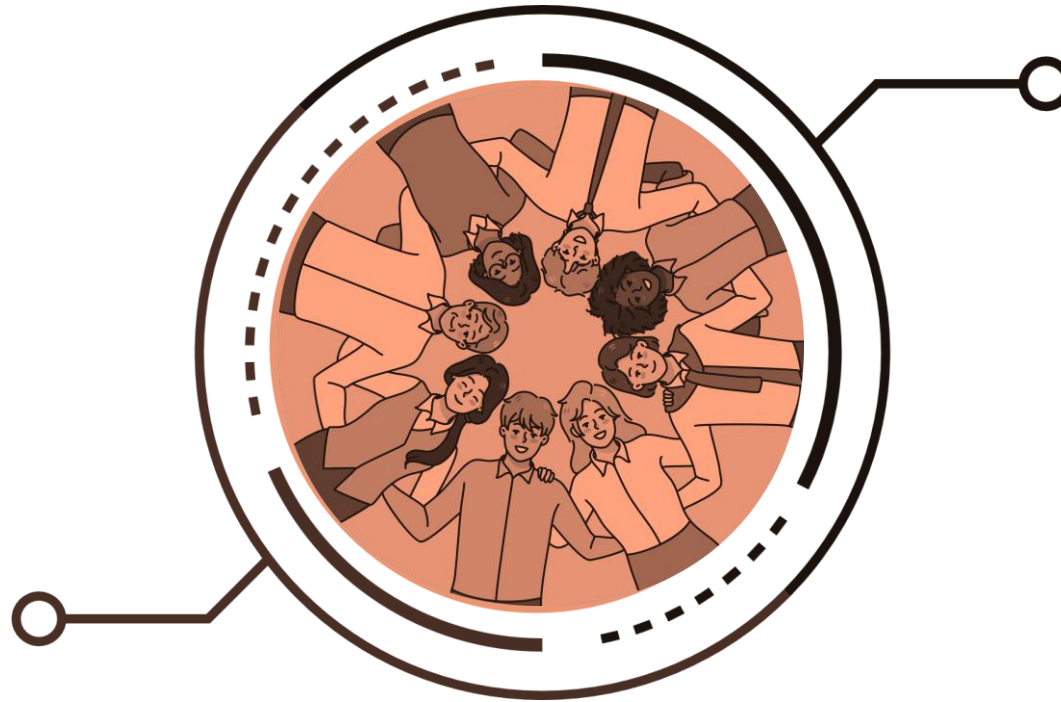


# Benefits of IPO - Promoter



# Benefits of IPO - Employees

Offering of IPO shares at discount to employees through differential pricing norms



Bond and incentivize key people with long term incentive plans through ESOPs

**CRITICAL POINTS TO  
BE KEPT IN MIND  
BEFORE GOING FOR  
IPO**



# Objects of IPO

**Investment in  
CAPEX**

**Repayment of  
Loan**

**Identified  
Acquisitions**

**Working Capital  
Requirements**

***And Many More.....***

# Objects Allocation

*Let's understand the Allocation through an example*

S. No.	Particular	Amount in Crores
1	Offer for Sale	25
2	Fresh Issue	75
Total offer size		100
Gross Proceeds (A) (From Fresh Issue)		75
Issue Expenses (B) (For Fresh Issue)		5
Net Proceeds (A-B)		70

*Note: Only fresh issue proceeds can be utilized by the Company and the proceeds of the Offer for sale will be received by the selling shareholders after deduction of necessary issue expense*

Utilization of Net Proceeds for Main Board and SME Board

S. No.	Particular	Capping (Individual)	Capping (Consolidated)
1	Identified Acquisition	NA	NA
2	Capital Expenditure	NA	NA
3	Working Capital	NA	NA
4	Unidentified Acquisition*	25% of the Net proceeds, i.e., 17.5 crores	35% of the Net proceeds, i.e., 24.5 crores.
5	General Corporate Purposes*	25% of the Net proceeds, i.e., 17.5 crores	

# Valuation Decision

## Internal Factor

1

Financial Performance

2

Business Model

3

USP / Strengths of the business

4

Future business expansion plan

5

Experienced Promoters and Management Team

## External Factor

1

Current Economic Scenario

2

Industry Outlook

3

Market Position

4

Market PE

5

Recent IPOs in our sector

# Promoter's Contribution

- 1 Promoter shall hold at least **20% of Post issue capital.**  
*(in case of shortfall AIF or FVCI or SCB or PFI or IC may contribute to meet the shortfall subject to **maximum 10%**)*
- 2 The promoter shall satisfy the requirement at least **one day prior** to the date of opening of the issue.

# Securities **Ineligible** For Promoter Contribution

1	<p>Specified securities acquired <b>during the preceding 3 years</b> if :-</p> <ul style="list-style-type: none"><li>• Consideration – other than cash and revaluation of assets or capitalization of intangible assets; or</li><li>• Bonus issue by utilization of revaluation reserves or unrealized profits or bonus issue against equity shares ineligible for minimum promoter contribution.</li></ul>
2	<p>Specified securities acquired during preceding 1 year at a price lower than the IPO price subject to certain exceptions provided such as payment of difference, shares acquired pursuant to scheme, etc</p>
3	<p>Specified securities during preceding one year at a price less than the issue price, In case of an issuer formed by conversion of one or more partnership firm or LLP and there is no change in management.</p>
4	<p>Specified securities pledged with any creditor.</p>

# Lock-in Requirements

- ◆ **Minimum Promoter Contribution** shall be locked in for a period of **3 Years** from the date of Commencement of commercial production or date of allotment in IPO whichever is later.
- ◆ **Excess promoter contribution** shall be locked in for a period of **1 Year** from the date of allotment in IPO
- ◆ Pre-issue capital held by persons **other than promoter** shall be locked in for a period of **1 Year** from the date of allotment
- ◆ **Exceptions**
  - Equity shares allotted to employee
  - Equity shares held by an Employee stock option trust
  - Equity shares held by VCF or AIF (C-I) or (C-II) or FVCI

*Note: Promoter Contribution shall include contribution by AIF or FVCI or SCB or PFI or IC or any non individual public shareholder holding at least 5% of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s)*

# Pre IPO Placements

*Pre-IPO placement refers to the private placement of shares to institutional investors or high-net-worth individuals before the company goes public*

## Capital Infusion

Raise funds for expansion, debt reduction, or other strategic initiatives

## Price Discovery

Establish a valuation benchmark ahead of the IPO

## Investor Base

Diversify shareholder base with institutional investors

# Risk Factors



**ICDR Regulations Issuer company is required to disclose all the material risk factors in the offer document that will help the Investors to make an informed decision**

**The Risk factors are broadly categorized under the following categories:**

- **Internal Risk Factors: - Promoter and promoter group, Operational, Financial etc.**
- **External Risk Factors -Political, Regulatory etc.**



**Consequences of Non-Disclosure of Risk factors by the issuer company in the Offer document**

- **Impact on Stock Price once the market becomes aware of undisclosed risks.**
- **Increased scrutiny and oversight from regulatory bodies in future filings and disclosures.**
- **Trust lose in the company, affecting its long-term reputation and investor relations**

# Outstanding Litigation

*Schedule VI mandates the disclosure of pending litigations involving the issuer/ its directors/ promoters/ subsidiaries*



01

All criminal proceedings

02

All actions by regulatory authorities and statutory authorities

03

Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action

04

Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount

05

Other pending litigations -As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document

# Right Team for Successful IPO

- 1. Merchant Banker:** Provides strategic guidance, manages the IPO process, and ensures regulatory compliance.
- 2. Legal Advisors:** Ensures all legal requirements are met and handles documentation, including the prospectus.
- 3. Financial Advisors:** Offers expertise in valuation, financial analysis, and helps craft the financial narrative for investors.
- 4. Accountants/Auditors:** Ensures financial statements are accurate, compliant, and provide a true picture of the company's health.
- 5. Investor Relations Specialists:** Develops communication strategies to engage with potential investors and maintain transparency throughout the process.

# IPO ELIGIBILITY

An issuer is not eligible for an initial public offer (IPO) under the following conditions:

1. If the issuer, promoters, promoter group, directors, or selling shareholders are **debarred from accessing the capital market.**
2. If any promoter or director is associated with another company that is **debarred from accessing the capital market.**
3. **Willful defaulter or Fraudulent borrower** – Issuer or any of its Promoters or Directors
4. **Fugitive Economic Offender** - Promoters or Director of the Issuer

An issuer making an IPO must meet the conditions specified in Chapter IX of SEBI (ICDR) Regulations, 2018 as well as other eligibility conditions of the SME Exchange **both on the date of filing the draft offer document with the SME exchange as well as with the ROC.**

# **SME'S IPO ELIGIBILITY CONDITIONS OF STOCK EXCHANGES**



# NSE EMERGE

Eligibility Criteria	Explanation
<b>Post Issue Paid-up Capital:</b> Post issue paid up capital of the company (face value) shall not be more than <b>INR 25 Crore</b>	-
<b>Track Record:</b> Track record of at least <b>three years</b>	-
<b>Operating Profit:</b> Operating profit (EBITDA) from operations for at least <b>any 2 out of 3 financial years</b> preceding the application	<b>EBITDA</b> = PBT + Depreciation + Finance Charges (-) Other Income
<b>Net Worth:</b> Net worth should be <b>positive</b>	<b>Net Worth</b> = Paid up Share Capital + Reserves and Surplus
<b>Free Cash Flow from Equity (FCFE):</b> Positive Cash Flow for at least 2 out of 3 financial year	<b>FCFE</b> = Cash flow from Operations – Purchase of Fixed Assets + Net Borrowings - Interest x (1-T)

# BSE SME

Eligibility Criteria	Explanation
<b>Post Issue Paid-up Capital:</b> Post issue paid up capital of the company (face value) shall not be more than <b>INR 25 Crore</b>	
<b>Track Record:</b> Track record of at least <b>three years</b>	
<b>Operating Profit:</b> Operating profit (EBITDA) from operations for at least <b>any 2 out of 3 financial years</b> preceding the application	<i>Same calculation as explained in previous slide</i>
<b>Net Worth:</b> Net worth of <b>atleast 1 crores for preceding 2 full financial years</b>	<i>Same calculation as explained in previous slide</i>
<b>Net Tangible Assets:</b> INR 3 Crore last preceding (full) financial year	<b>Net Tangible Assets</b> = Net Assets (–) Intangible assets (–) Deferred Tax Assets
<b>Leverage Ratio:</b> Not more than 3x	Leverage Ratio : Total borrowings / Net Worth
<b>Name Change:</b> At least 50% of the revenue calculated on a restated and consolidated basis for the preceding 1 full financial year has been earned by it from the activity indicated by its new name	

# General Conditions for SME IPOs

- ◆ In-principal Approval
- ◆ Agreement with the depository
- ◆ Specified securities held by promoter in dematerialized form prior to filing offer document
- ◆ Existing partly paid-up equity shares have either been fully paid-up or have been forfeited
- ◆ Firm arrangement of 75%

# Other Pre-Requste SME IPOs

- ❖ Authorization in Articles of Association of the Company.
- ❖ The applicant company, its promoters/ promoting company (ies), group companies, companies promoted by the promoters/promoting company (ies) has not been compulsorily delisted or suspended in the past.
- ❖ The applicant company is in compliance with the provisions of SEBI (LODR) Regulations, 2015, Securities Contract Regulations Act, 1956, Companies Act, 2013, Circulars, Guidelines.
- ❖ The applicant company/ the Promoting Companies have not been referred to BIFR/ IBC.
- ❖ No winding up petition against the company is admitted by a NCLT.

# TYPES OF **IPO**



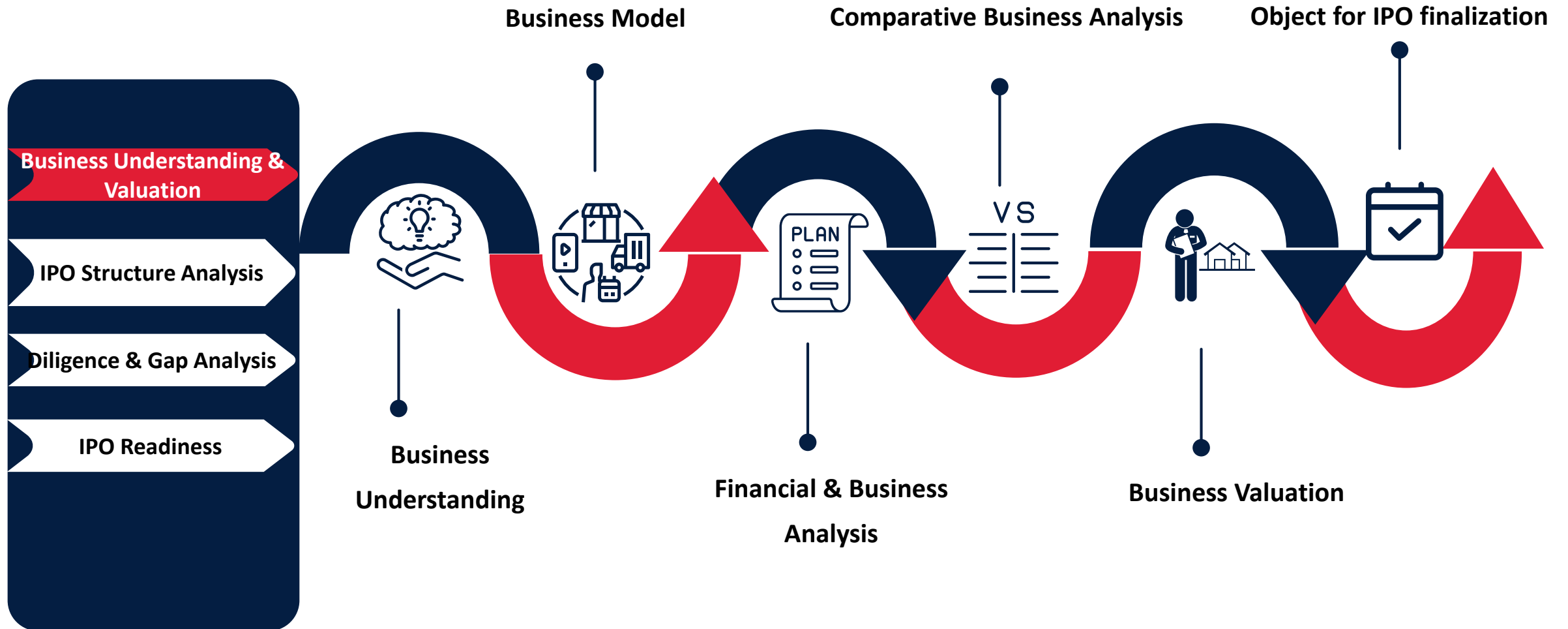
# Types of IPO

Fresh Issue	Offer for Sale	Combination of Fresh Issue & Offer for Sale
Issuance of new equity shares to the investors	Sale of shares by an existing promoter/ shareholder of the company	Some issuance of new shares and balance sale of shares by exiting promoter/ investor
Money raised by the fresh issue of shares is received by the Company	Money raised will be received by the existing promoter/shareholder	Some money raised by fresh issue of shares in the Company and some money will be received by the existing promoter/shareholder
Fresh shares are being issued in the Company	It does not lead to issuance of any fresh shares	There will be equity dilution for fresh issue portion

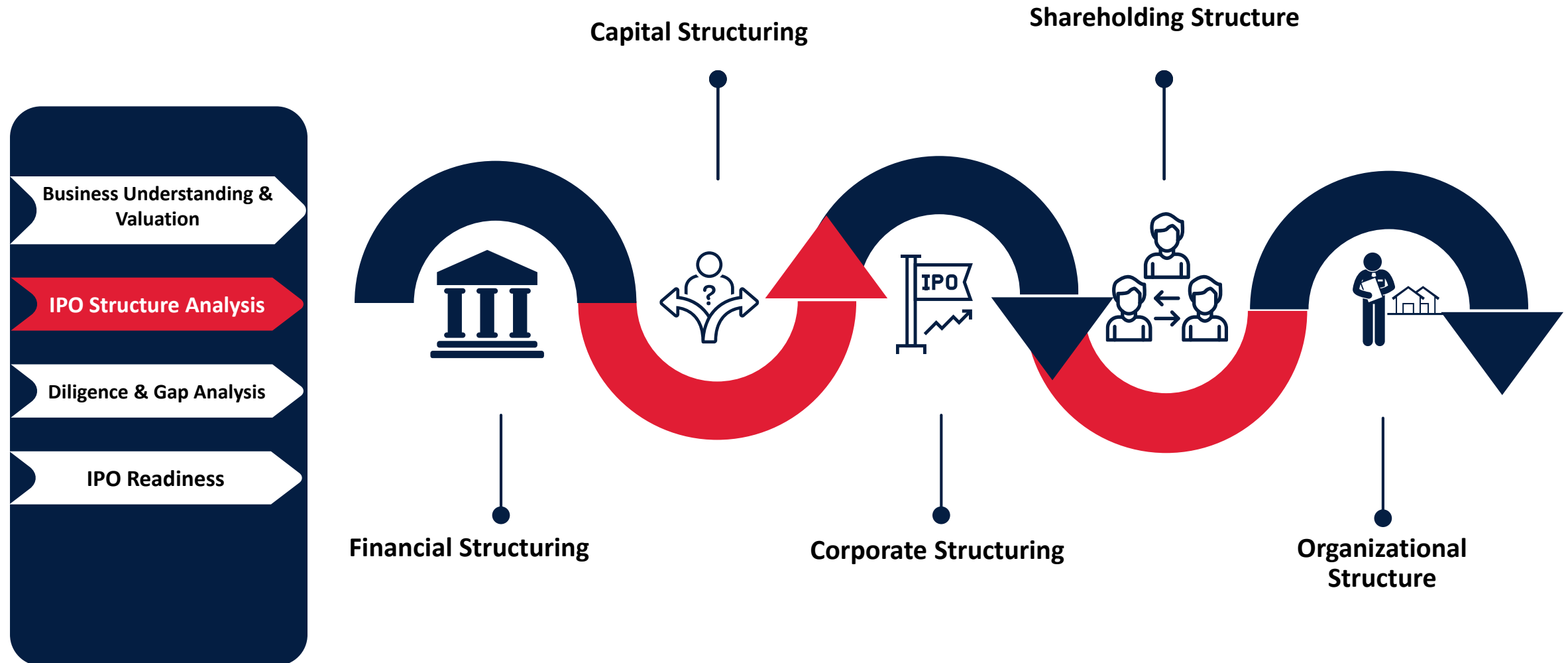
# **PRE-IPO** **READINESS**



# Roadmap to IPO



# Roadmap to IPO



# Roadmap to IPO



Legal Due Diligence

Secretarial Diligence

Financial Diligence

# Roadmap to IPO



Suggesting changes for  
Building IPO Infrastructure

Suggesting and supporting  
Appointment of Intermediaries  
for IPO

Discussion and supporting in  
finalization of detailed Corporate/  
Investor Presentation

# Building IPO Infrastructure

## System & Processes



- Building strong systems and procedure for managing all the Legal and Financial processes in the Company
- Implementing sample-based tracking for effective functioning of the process adopted

## Financial



- An experienced financial team who would be responsible for implementing the operating process for accounting and financial reporting

## Accounting & Auditing



- Selection of suitable firm of auditors for the preparation and finalization of financial statements and certifications for IPO
- Appointment of Internal Auditors

## Legal & Secretarial



- Robust Compliance management system to be installed for managing all end-to-end compliances
- A strong and sizeable legal and secretarial team for managing all the legal processes as well as compliances applicable on the Company as Listed Company
- A third-party agency for quarterly legal and secretarial audit

# Appointment of Intermediaries

**Book Runner Lead Managers  
(BRLMs)**

**Peer Reviewed Audit Firm**

**Legal Counsel for Company**

**Industry Report Preparation  
Agency**

**Registrar & Share Transfer  
Agents (RTAs)**

**Investor Relations & Public  
Relations Agency**

**Cash Escrow & Sponsor Bank  
Appointment**

**Bankers to the Issue**

**Tax Advisors  
[If required]**

**Legal Counsel for Foreign  
Institutional Investors  
[If required]**

**CRITICAL ASPECTS TO BE  
TAKEN CARE **OF BEFORE**  
**FILING IPO****



# IMPORTANT ASPECTS



**Minimum Net  
Offer to Public**



**Market Maker  
Reservation**

# Lot Size Requirement in SME

Price Band (in Rs.)	Lot Size (No. of shares)
Upto 14	10000
More than 14 upto 18	8000
More than 18 upto 25	6000
More than 25 upto 35	4000
More than 35 upto 50	3000
More than 50 upto 70	2000
More than 70 upto 90	1600
More than 90 upto 120	1200
More than 120 upto 150	1000
More than 150 upto 180	800

Price Band (in Rs.)	Lot Size (No. of shares)
More than 180 upto 250	600
More than 250 upto 350	400
More than 350 upto 500	300
More than 500 upto 600	240
More than 600 upto 750	200
More than 750 upto 1000	160
Above 1000	100

# Reservation on Competitive Basis

Reservation may be made to the following categories of persons

<b>Employees</b>	<ul style="list-style-type: none"><li>▪ Aggregate of reservations for employees shall not exceed 5% of the post-issue capital.</li><li>▪ The value of allotment to any employee shall not exceed 2 lakhs rupees.</li><li>▪ In case of under-subscription the unsubscribed portion may be allotted on a proportionate basis, for a value in excess of 2 lakhs rupees subject to the total allotment to an employee not exceeding 5 lakhs rupees</li><li>▪ Discount of not more than 10%</li></ul>
	<ul style="list-style-type: none"><li>▪ Reservation for shareholders shall not exceed 10% of the issue size</li><li>▪ Discount not more than 10%</li></ul>

**Shareholders of  
listed subsidiaries  
or listed promoter  
companies**

# IMPORTANT ASPECTS

**Statutory Dues  
that can impact  
Pre-IPO  
Structuring**

**Qualification of  
Auditors for  
financials**

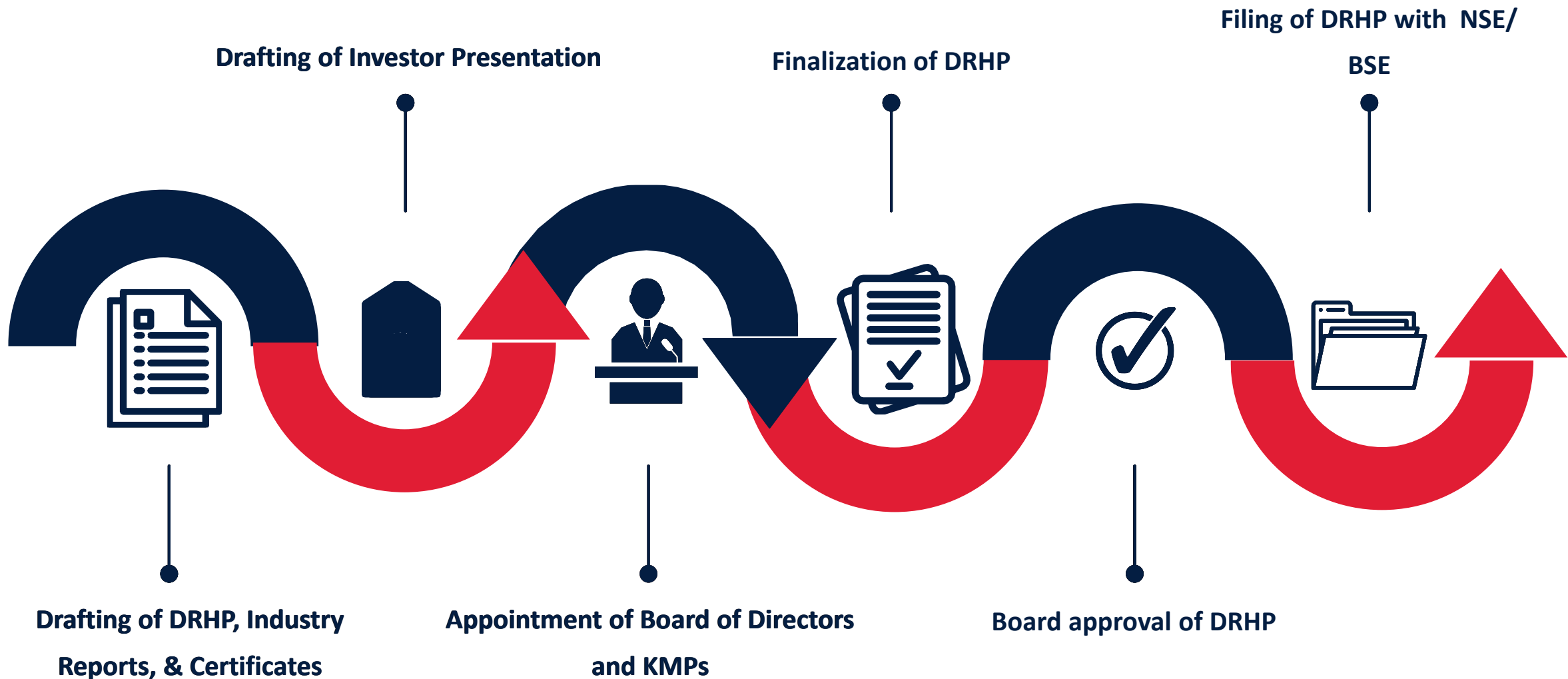
**No-Objection of  
Customers &  
Suppliers**

**Provision  
for Debtors**

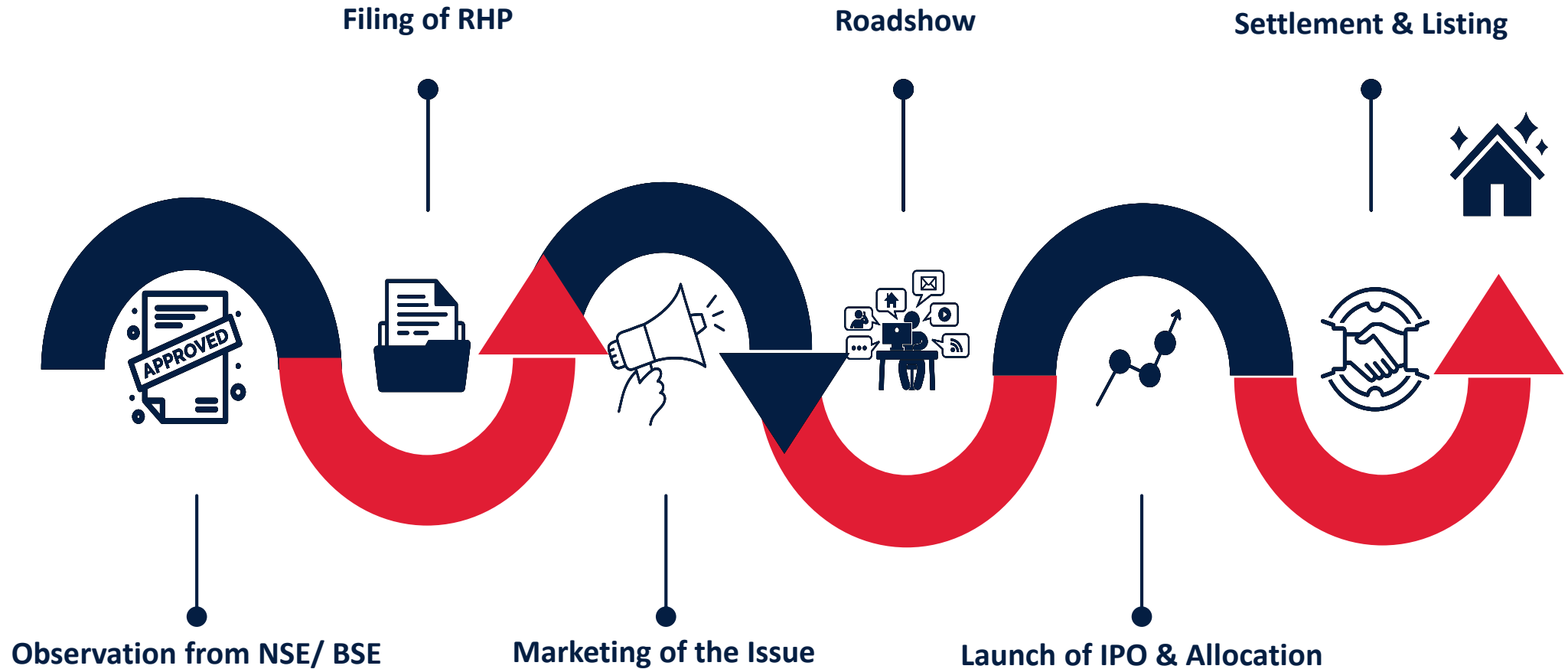
# IPO Process



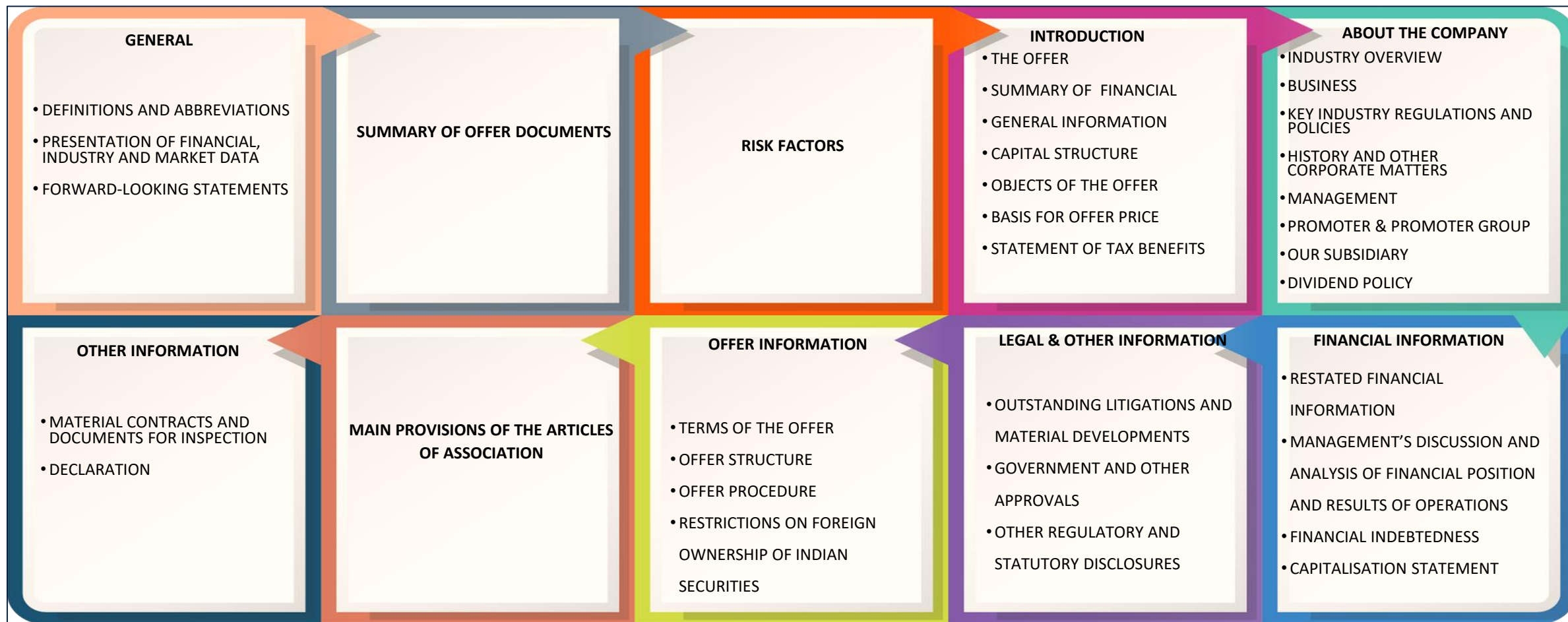
# Process of IPO - Issue Management



# Process of IPO - Issue Management



# Index of DHRP



# DISCLOSURE IN **PROSPECTUS**



# History and Corporate Structure



# Industry and Business Chapters



# Capital Structure

01

Details of authorized, subscribed and paid-up share capital

02

Promoter build up

03

Detail of securities issued under employee stock option scheme

04

Details of securities issued at a price lower than the issue price during the preceding one year

05

Shareholding pattern of the company

# Promoter and Promoter Group

01

List of promoter and promoter group

02

In case of Individual, basic details of the promoters, their educational qualifications and past experiences

03

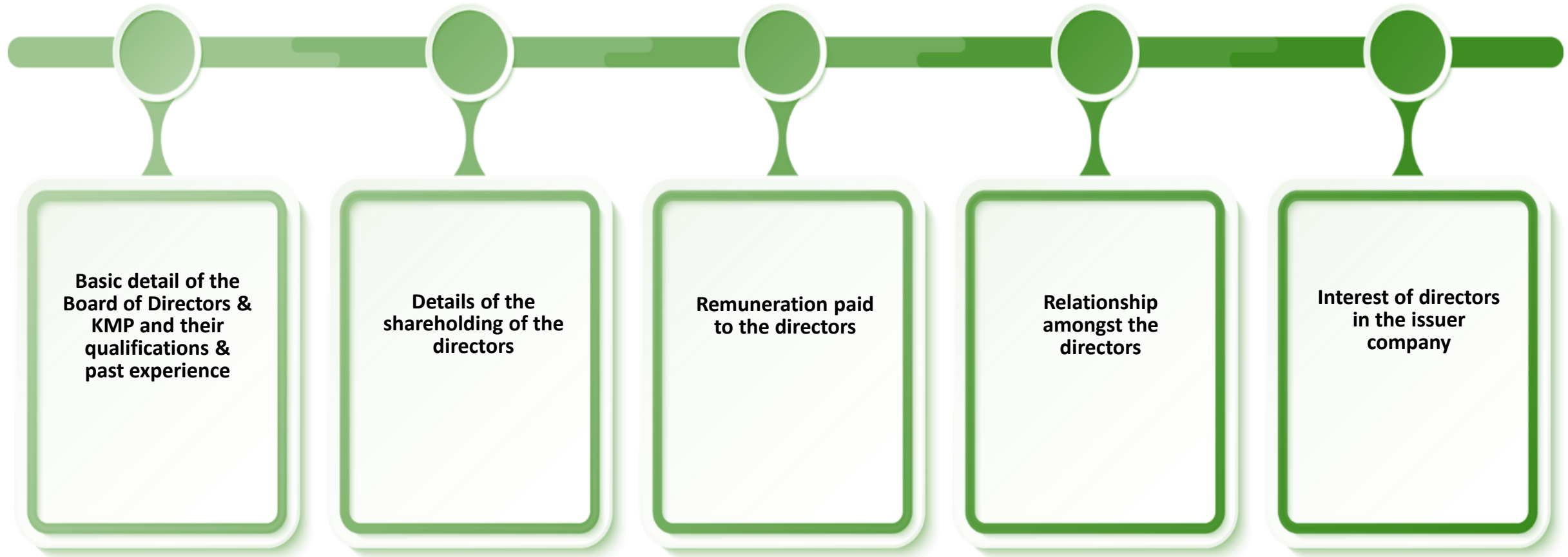
In case of body corporate, the brief history and the change in the management of the issuer

04

Disassociation by promoter in last 3 year



# Management



# Managing the Site Visit

Regional officers of Stock Exchange will visit the Offices of the Company.

Name and Address plate outside the office

Sitting capacity as per disclosure in the offer document

Warehouses are stocked in approximation of inventory as disclosed in the financials

Documentation for rightful usage of facility

Register of attendance

Asset register

# **MIGRATION TO MAINBOARD**



# Migration to Main Board (BSE)

Parameters	Criterion
<b>Paid up Capital</b>	Not less than INR 10 Crores
<b>Market Capitalization</b>	Not less than INR 25 crores
<b>Promoter Holding</b>	At least 20% of equity share capital of the company
<b>EBITDA and PAT</b>	1. Positive EBITDA from operations at least any 2 out of 3 financial years preceding the migration application
	2. The company/entity should have positive PAT in the immediate Financial Year of making the migration application to Exchange
<b>Networth</b>	Net worth of at least Rs. 15 crores for 2 preceding full financial years.
<b>Listing Period</b>	The applicant should have been listed on SME platform of the Exchange for at least 3 years
<b>Public Shareholders</b>	Minimum 250

# Migration to Main Board (NSE)

Parameters	Criterion
<b>Paid up Capital</b>	Not less than INR 10 Crores
<b>Market Capitalisation</b>	Not less than INR 25 crores
<b>EBITDA and PAT</b>	1. Positive EBITDA from operations for each of the 3 financial years preceding the migration application
	2. The company/entity should have positive PAT in the immediate Financial Year of making the migration application to Exchange
<b>Net Worth</b>	At least INR 75 crores as per latest audited Financials
<b>Listing Period</b>	The applicant should have been listed on SME platform of the Exchange for at least 3 years
<b>Public Shareholders</b>	Total number of public shareholders on the last day of preceding quarter from date of application should be at least 1000



**THANK YOU**