ICDR Regulations-SME

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Regulation

New Provision

Reg. 228(e) Entities not eligible to make an initial public offer An issuer is **not eligible** to make an IPO if there are any **outstanding convertible** securities, except for ESOPs and fully paid-up convertible securities, which must be converted before filing the RHP/prospectus.

Corporate Professionals

Additional eligibility conditions

Regulation

New Provision

- Companies converting from LLP or partnership or proprietorship shall exist for 1 full financial year before filing DRHP, with restated financials per Schedule III of the Companies Act.
- A 1-year cooling-off period is applicable, if there's a change in promoters or new promoters acquire 50% or more shareholding before filing.
- Operating profit of ₹1 Cr for atleast 2 out of the 3 financial years preceding the application is required.

Reg. 229(4), Reg. 229(5) & Reg. 229(6)

Eligibility requirements for an initial public offer



General Conditions

Regulation

New Provision

• Offer for sale by selling shareholders is restricted to **20%** of total issue size.

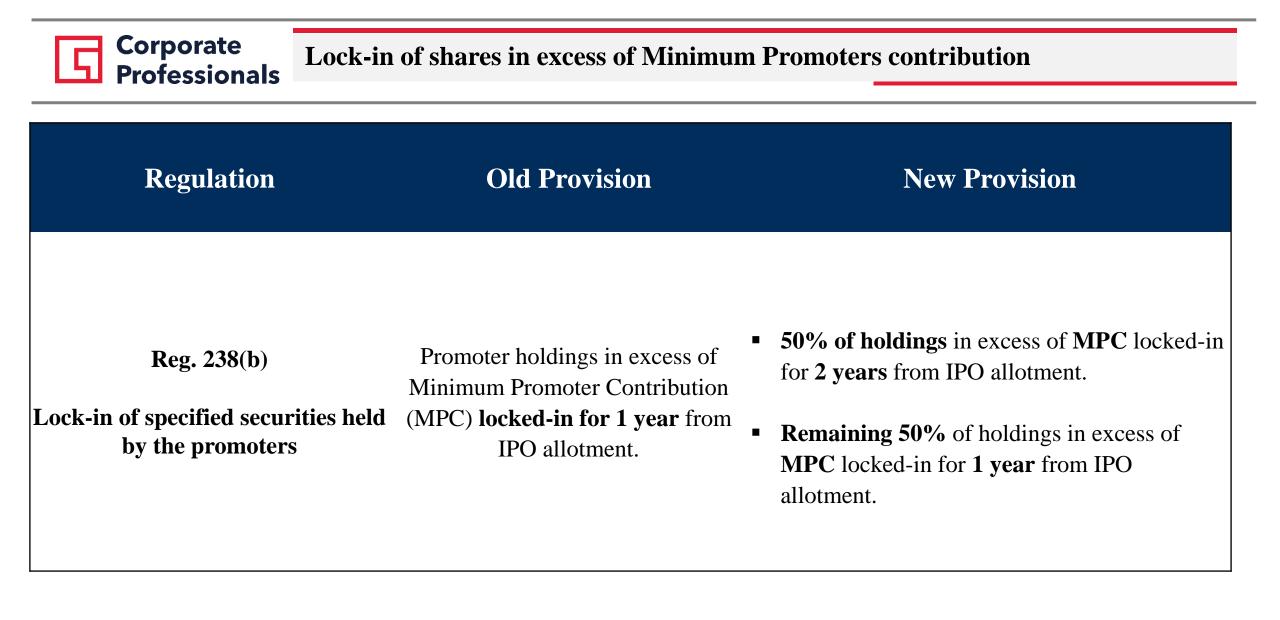
Reg. 230(1)(f), Reg. 230(1)(g) and Reg. 230(1)(h)

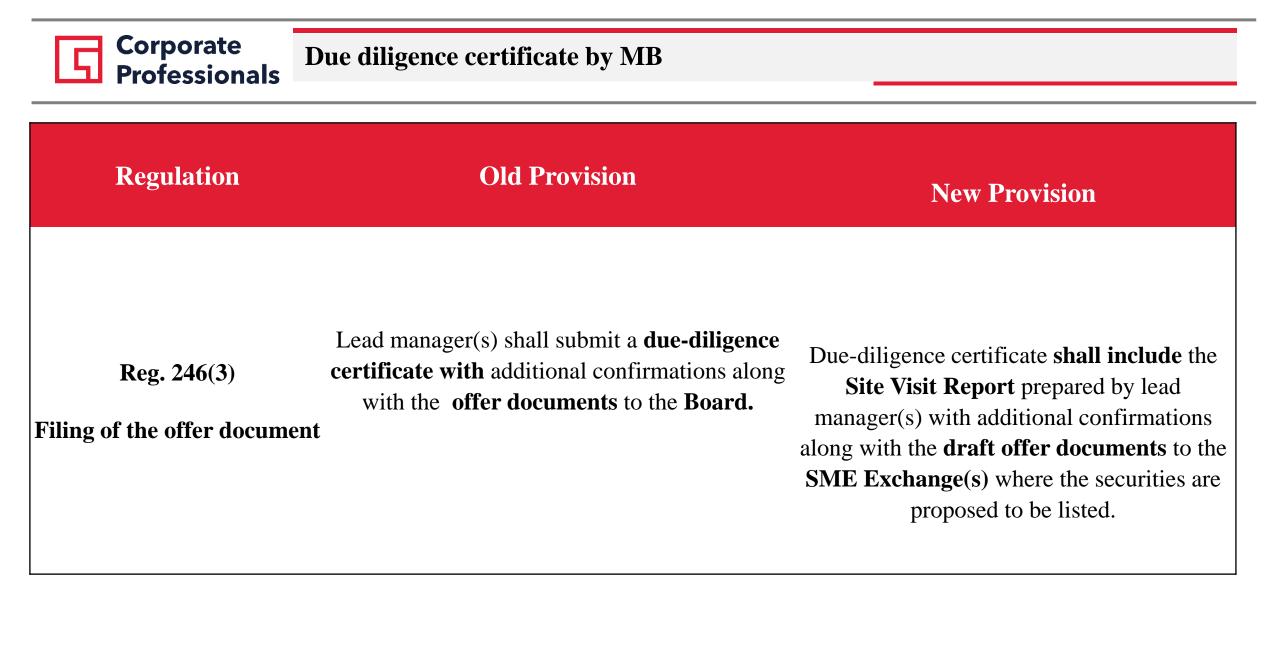
Selling shareholders cannot sell more than 50% of their pre-issue holdings (fully diluted basis).

General Conditions

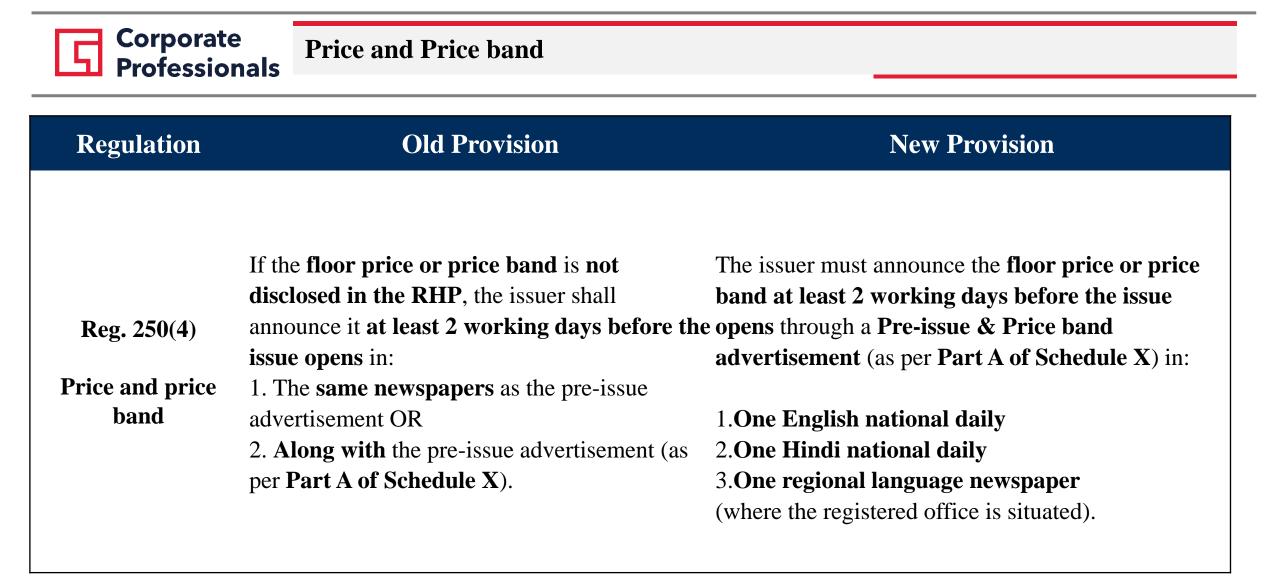
 Issue proceeds cannot be used to repayment of loans from promoters, promoter group, or related parties, from the issue proceeds directly or indirectly.

Corporate Professionals	General Conditions		
Regulation	Old Provision	New Provision	
Reg. 230(2) General Conditions	General Corporate Purposes allowed to be up to 25% of the issue size.	Amount for GCP is restricted to 15% of the issue size or ₹10 crores, whichever is less	





Corporate **DRHP** available for Public comments **Professionals** Regulation **New Provision Public Availability:** Draft offer document to be hosted on **issuer**, **SME exchange**, and lead manager's websites for public comments for 21 days from the date of filling **Reg. 247(1), Reg. 247(2)** Public Announcement: Issuer shall make a public announcement in English, & **Reg.** 247(3) **Hindi, and Regional newspapers**, inviting public comments within 2 working days from the date of filling **Draft Offer Document to be made** available to public Filing of Comments & Revisions: Upon expiry of 21 days, the lead manager(s) shall submit a report to the SME exchange about the public comments received by LM/ Issuer and necessary changes that needs to be done in the draft offer document





Regulation	New Provision
	Retail word has been removed from the existing provisions and now they would be categorized as individual investors who applies for minimum two application size
Reg. 253(1) and Reg. 253(2) Allocation in the net offer	Non-Institutional Investor category divided into two sub-categories:
	I: One-third of the allocation for NII applicants with more than two lots and application sizes up to ₹10,00,000.
	II: Two-thirds of the allocation for NII applicants with application sizes above $\gtrless 10,00,000$.



Regulation	Old Provision	New Provision
		Reduced threshold for mandatory fund monitoring by a Credit Rating Agency from INR 100 crore to INR 50 crore.
Reg. 262 (1) Monitoring Agency	Monitoring by a Credit Rating Agency required if issue size is more than INR 100 crores	If no monitoring agency is required, the issuer must submit a statutory auditor's certificate on fund utilization (excluding Offer for Sale) to the SME exchange(s) with quarterly financial results until full utilization.
		If working capital is an issue objective and exceeds ₹5 crore, the issuer must submit a statutory auditor's certificate to the SME exchange(s) with quarterly financial results, confirming fund utilization as per the offer document, until fully utilized.



Pre-Issue & Price Band Advertisement

Regulation	Old Provision	New Provision
		Pre-Issue & Price Band Advertisement
	Pre-Issue Advertisement	After filing the prospectus , the issuer shall publish a Pre-issue & Price band
Reg. 264(1) & Reg. 264(2)	After filing the prospectus , the issuer shall publish a pre-issue advertisement in: 1 English national daily	advertisement in the same newspapers where the Regulation 250(4) public announcement was published.
Issue-related advertisements	1 Hindi national daily 1 regional newspaper (Registered office location)	• The term pre-issue advertisement has been replaced with pre-issue and price-band advertisement in both sub-regulation of regulation 264 (1) and (2)



Regulation	Old Provision	New Provision
Reg. 267 Application and minimum application value	The minimum application size shall be one lakh rupees per application	The minimum application size increased to " two lots " per application provided that the minimum application size shall be above ₹2 lakhs



Regulation	Old Provision	New Provision
Reg. 268(1) Allotment procedure and basis of allotment	Minimum number of allottees in an SME public issue shall be 50	Minimum number of allottees in an SME public issue has been increased to 200



Regulation	New provision	
	 Allotment in Non-Institutional Investor (NII) Category 	
Reg. 268 (3A)	 Minimum Allotment: Each NII shall be allotted at least the minimum application size (subject to share availability). 	
Allotment procedure and basis		
of allotment	Proportionate Allotment:	
	Any remaining shares shall be allotted on a proportionate basis as per Schedule XIII.	



Regulation	Old Provision	New Provision
Reg. 274 (1) & (2)	274(1)- Promoter & Promoter Group Transactions:	New sub-regulation 274(2) inserted- Pre-IPO Placements:
Reporting of transactions of the promoters and promoter group and other pre-IPO Transactions	Must be reported to stock exchanges within 24 hours from the date of transaction, between the draft offer document filing and issue closure.	Any disclosed pre-IPO placements in the draft offer document must also be reported to stock exchanges within 24 hours of the transaction (partial or full).



Regulation	Old Provision	New Provision
Reg. 280 Alteration of rights of holders of specified	If the post-issue face value capital of an issuer is expected to exceed ₹25 crore due to any further issuance of capital, the issuer must migrate to the Main Board	 SMEs can issue capital beyond ₹25 crores without mandatory migration to Main Board. Subject to the issuer undertaking to comply with Main Board compliance, including corporate governance and quarterly disclosures under LODR.



Regulation	New provision
Reg. 281A Post-listing exit opportunity for dissenting shareholders	 Promoters or controlling shareholders must provide an exit offer to dissenting shareholders if there is a change in the object of the issue or a variation in contract terms stated in the offer document. This requirement does not apply if the issuer has no identifiable promoters or controlling shareholders, ensuring transparency and investor protection.

THANK YOU

