

Navigating the SME IPO

Role of Chartered Accountants in Capital Market Access

Pune Branch of ICAI

December 16th, 2025

India's Entrepreneurial Engine: SME Impact

SMEs: The Backbone of India's Economy

6.30 crs

Total MSMEs

30%

GDP Contribution

45%

Export Contribution

SME IPOs: A Story of Accelerated Growth

1

First 10 Years (2012-2022)

Number of IPOs: 610

Funds Raised: ₹ 6,995 Crores

2

Past 4 Years (2022-2025 till 12th Dec)

Number of IPOs: 786

Funds Raised: ₹ 26,236 Crores

3

Total (Past 14 Years)

Number of IPOs: 1,396

Total Funds Raised: ₹ 33,230 Crores

India's Booming SME Listing Ecosystem

SME IPO Market Snapshot

242

IPOs in FY 2024-25

9,962 Cr

Fund Raised

197.9 Cr

Max capital raised

41.16 Cr

Avg. capital raised

196

IPOs (Apr–Dec 12th 2025)

8,850 Cr

Raised (Apr–Dec 12th 2025)

165.63 Cr

Max capital raised

45.15 Cr

Avg. capital raised

Pune's Contribution in SME IPO

SME IPO Market Snapshot

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(Apr–Mar 2025)

481 Cr

Raised

115.64 Cr

Max capital raised

48 Cr

Avg. capital raised

6

(Apr–Dec 2025)

307 Cr

Raised

93.75 Cr

Max capital raised

51.00 Cr

Avg. capital raised

Why Go Public?

Value Unlocking for SMEs

Brand visibility and reputation

Valuation benchmarking

Unlimited access to Growth Capital

Enhanced Corporate Governance

Interest outflow stops/reduces

Opportunity to be a Market Leader

Talent acquisition, Rétention & Motivation

Minimum loss of control

Key attributes of Company

Vision of Promoters

**Competitive
advantage**

Potential to scale

Industry/Sector

Financial track record

**Corporate
Governance**

Entities Not Eligible for IPO

Regulatory Exclusions

Debarred from access to capital market

- ✓ Company, its promoters or directors or selling shareholders
- ✓ Promoter, director of Issuer's are promoter or director in **other company** which is debarred from accessing capital markets

Willful Defaulters/Fraudulent Borrowers

- ✓ Entities/ promoters/directors classified as willful defaulters or involved in fraudulent borrowing activities

Fugitive Economic Offenders

- ✓ Companies associated with promoters or directors declared as fugitive economic offenders under applicable laws

Outstanding Convertibles

- ✓ Entities with outstanding convertible instruments that may affect capital structure clarity

Eligibility Criteria

Understanding SEBI ICDR and Stock exchange Requirements

Eligibility criteria

From Issue of Capital and Disclosure Regulations (ICDR)

Company Structure

Should be a company incorporated under Companies Act 1956/2013. Company should be converted into Public Limited company.

Track Record - min. 3 years (In case of conversion)

At least 1 full financial year, if converted from partnership/LLP as company.

Operating profit

Positive EBITDA of minimum ₹1 Crore in 2 out of 3 years,

Class of capital and De-materialization

Only Fully paidup equity share capital.
Pre IPO shares must be in 100% demat form

Paid Up Capital (Face value)

Post issue <= 10Cr
Option - Post issue < 25 crores

Minimum application size

Minimum Rs. 200,000
Minimum 200 nos. of allottees should be there

Promoter continuity requirement

No change in promoter allowed within 1 year before IPO filing.

Additional criteria of stock exchanges

Eligibility criteria- Stock Exchanges

Criterion	BSE-SME Platform	NSE-Emerge Platform
Leverage Ratio	Must not exceed 3:1, ensuring manageable debt levels	No formal cap specified, though stable financials are expected
Net Worth	Positive in at least 2 out of 3 financial years	Must maintain positive net worth
Tangible Assets	Minimum of ₹3 crores in the preceding full financial year	Not specified
Cash Flow	Not specified	Positive free cash flow to equity shareholders in 2 out of 3 years
Name Change (In last 1 year)	If applicable, business under new name must exceed 50% of operations	No specific requirement

Eligibility criteria- Requirements of Stock Exchanges

Common Requirements of stock exchanges

- 100% underwriting mandatory for all issues
- Market making obligation for 3 years post-listing
- Repayment of loan from Promoter, Promoter Group or any related party not allowed as object of issue.
- No Default in repayment of loan/interest in past three years
- Offer for Sale (OFS)- up to 20% of issue size

Promoter Contribution & Lock-in

Regulatory Framework

01

Minimum Holding

20% post-issue promoter holding mandatory

02

Shortfall Management

Shortfall managed via AIF/Mutual Funds limited to 10%

03

Ineligible Contributions

- Acquisition during last 3 years for consideration other than cash by way of Revaluation of asset or capitalization in intangibles.
- Bonus by utilization of unrealized profit or revaluation reserves
- Shares acquired during last 1 year at price lower than IPO price
- Pledged Securities

04

Lock-in Structure

20% - for 3 years of IPO date

In excess of 20% - 50% of excess to be locked in for 2 year and balance for 1 Year

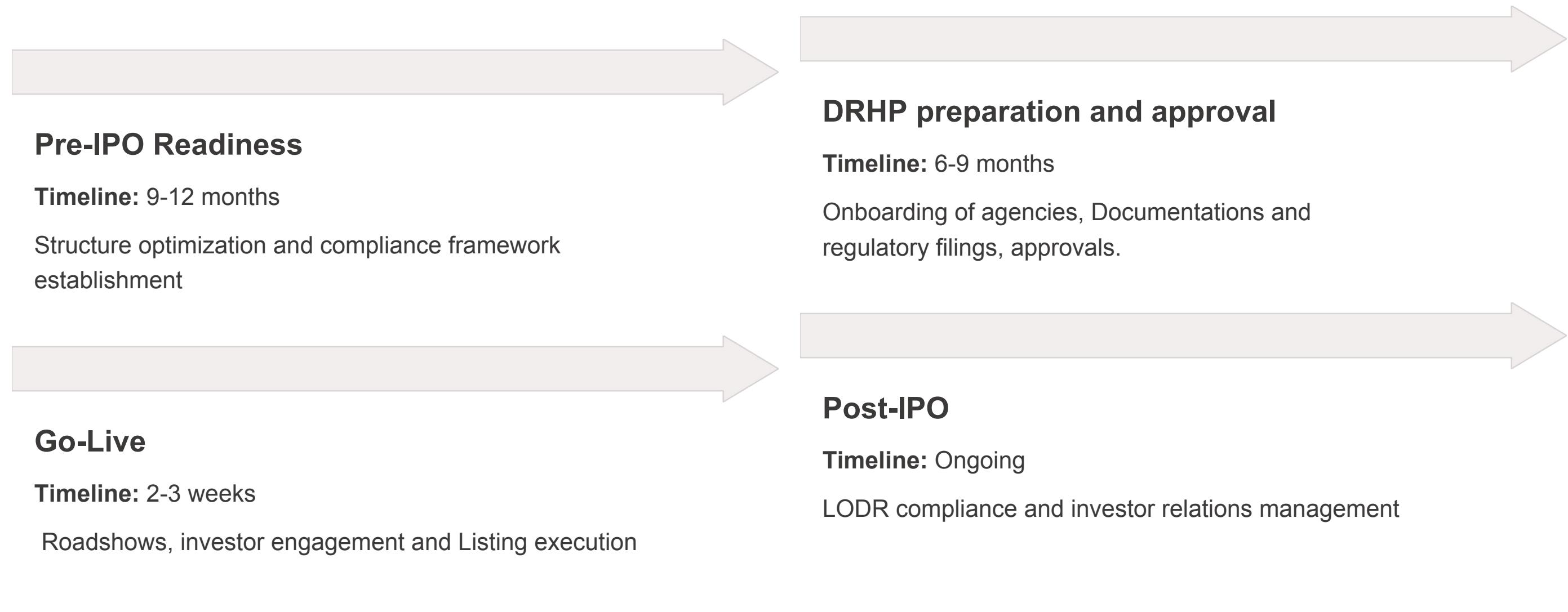
Promoter locked in securities can be Pledged.

IPO Readiness Process

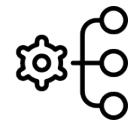
Roadmap to Successful Listing

IPO Readiness Phases

Complete Roadmap



Critical Points to Evaluate



Capital Restructuring



Group Restructuring



Board compositions



Key management team



Compliance officers (CS)



CFO



Various policies



KPI identification and data availability



Restated financial statements



Due diligence
(Technical, Financial, Legal, Secretarial)



Peer reviewed audit firm



Related party transactions

DRHP Contents at a Glance

The DRHP is a **comprehensive document** that provides **complete disclosure to potential investors**, enabling informed investment decisions.

Draft Red Herring Prospectus Components

About the Company

Company history, business model, competitive advantages, and strategic positioning

Industry Overview

Market size, growth trends, competitive landscape, and regulatory environment analysis

Object of the Offer

Clear articulation of fund utilization, including allocation breakdowns and deployment timelines

Risk Factors

Detailed disclosure of business, financial, and regulatory risks that could impact investment value

Promoters & Group

Background, experience, and shareholding details of promoters and the promoter group

Capital Structure

Pre and post-issue shareholding pattern, authorized and issued capital details

DRHP Contents at a Glance (cont..)

The DRHP is a **comprehensive document** that provides **complete disclosure to potential investors**, enabling informed investment decisions.

Draft Red Herring Prospectus Components

Statement of special tax benefits

Available tax benefits and implications for the company and investors

Financial Information

RFS incl. Stub period, key ratios, and management discussion on financial performance

Management & Corporate Governance

Board composition, key managerial personnel, governance policies, and organizational structure

Legal & Other Information

Litigation details, regulatory compliance, related party transactions, and other statutory disclosures

Material Contracts

Significant agreements and Documents available for investor inspection

Objects of the Issue

Use of Funds Framework

Capex

 Capital expenditure for expansion

Working Capital

 Operational liquidity enhancement

Acquisition

 Strategic acquisitions (Identified)
Un-identifiable target acquisition < 35%
including GCP.
25% without GCP

Debt Repayment

 Loan repayment

General Corporate Purpose

 Restricted to 15% of total issue
size or 10 crores, whichever is lower

Offer For Sale

 not to exceed 20% of total issue size

Listing expenses



Monitoring & Reporting

Post-Issue Fund Utilization Oversight

Mandatory Monitoring

Required when issue size exceeds ₹50 Crore (excluding Offer for Sale component)

Working capital raised above Rs. 5 Cr- Quarterly utilisation certificate from Statutory Auditor till full utilisation of funds.

Reporting Frequency

Quarterly monitoring by monitoring agency required until funds are utilized.

If no agency is needed- Utilisation certificate by Statutory Auditor

Agencies & Ecosystem Partners and Cost Components

Key Stakeholders in IPO Process

- ✓ Lead Manager- Merchant Banker
- ✓ Registrars
- ✓ Share transfer Agents
- ✓ Underwriters
- ✓ Bankers
- ✓ Legal Counsels
- ✓ Statutory Auditors (Peer reviewed firm)
- ✓ Independent Chartered Accountants
- ✓ PR agencies
- ✓ Printers
- ✓ Practicing Company secretary
- ✓ Monitoring agency
- ✓ Industry Study Report Provider

Each partner plays a critical role in ensuring regulatory compliance, investor protection, and successful execution of the IPO.

Cost of an IPO-

Role of Chartered Accountants

Most Trusted Partner in IPO Success

Role of Chartered Accountants

Comprehensive Engagement Across IPO Lifecycle

Before IPO

Data preparations and validations, restructuring (Group and Capital), Due Diligence

During IPO

Co ordination with Intermediaries, Audited RFS, Certificates and Comfort letters, Circle ups.

After IPO

Utilization certificates, LODR compliance reporting, Audit services, and ongoing financial and tax advisory services

Thank You !!

Questions??

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We extend our sincere gratitude to the Pune Branch of ICAI for this opportunity.
