

# INDIA SME IPO MARKET: 2026 OUTLOOK



Market Snapshot, Activity, Platform & Sector Data

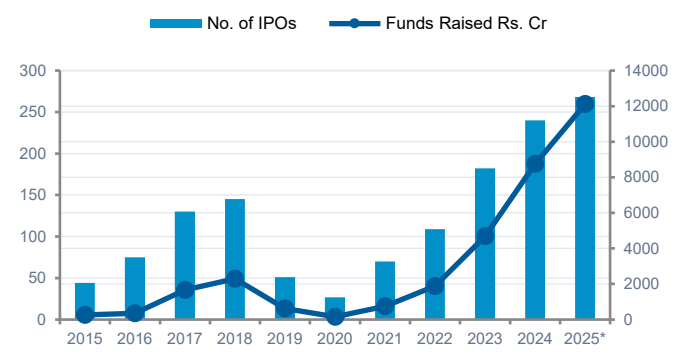
India's SME IPO market enters 2026 at an inflection point. After a record 2025 (268 issues raising Rs. 12,112 crore), the segment faces a fundamental test: can the governance reforms introduced in 2024-25 sustain issuance momentum while improving post-listing outcomes? The MSME base contributes ~30% of GDP and over 45% of exports; equity access through BSE SME and NSE Emerge remains structurally relevant.

*While issuance remains strong, the market is transitioning from a listing-gain driven phase to a more governance-led, quality-focused capital formation market.*

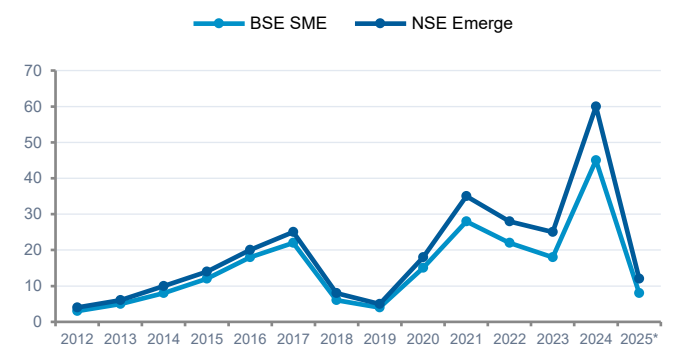
<p style="font-size: 24px; font-weight: bold;">c.10%</p> <p>Avg Listing Gain 2025*</p> <p><small>Down from ~60% in 2024</small></p>	<p style="font-size: 24px; font-weight: bold;">57% / 65%</p> <p>Below Issue Price</p> <p><small>2025* / 2024 (NISM)</small></p>	<p style="font-size: 24px; font-weight: bold;">268</p> <p>SME IPOs in 2025*</p> <p><small>Record issuance count</small></p>	<p style="font-size: 24px; font-weight: bold;">340+</p> <p>Mainboard Migrants</p> <p><small>Over 13 years</small></p>
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Subscription moderated from 234x (BSE) / 177x (NSE) in 2024 to ~59x on both in 2025; average issue size rose from Rs. 6 Cr (2015) to Rs. 45 Cr (2025), lifting the quality bar.

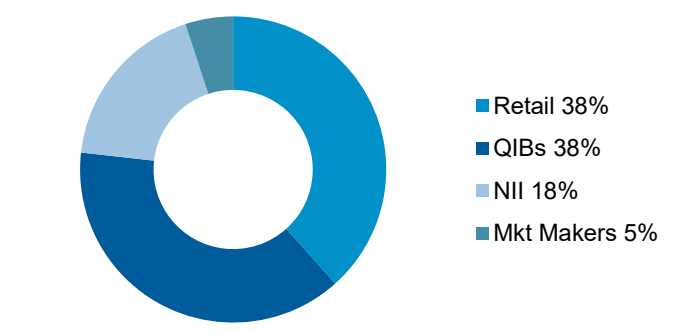
## ANNUAL SME IPO ACTIVITY (2015–2025\*)



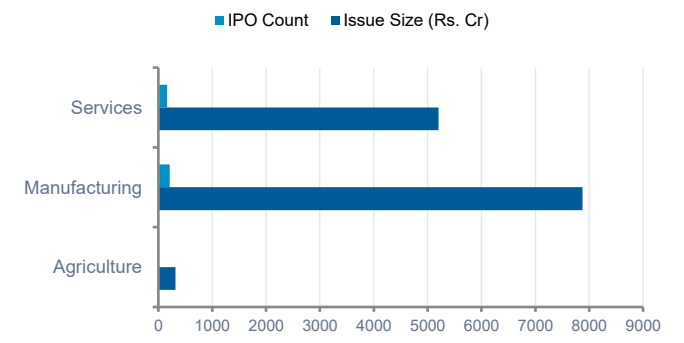
## AVG LISTING GAIN (%): BSE SME & NSE EMERGE



## NSE EMERGE 2025: ALLOTMENT



## SECTOR MIX: FY24–FY25 (RBI DATA)



## PLATFORM SNAPSHOT: NSE EMERGE vs BSE SME

Metric	NSE Emerge	BSE SME
Cumulative listings	704	700+
Market cap	Rs. 2.2 Lakh Cr	n/a
Total funds raised	Rs. 21,252 Cr+	Rs. 15,000 Cr+
IPOs in 2024	174	66
Funds in 2024	Rs. 6,837 Cr	Rs. 1,924 Cr
IPOs in 2025*	55	50
Funds in 2025*	Rs. 2,633 Cr	Rs. 1,804 Cr
<b>Avg gain 2025*</b>	<b>11.91%</b>	<b>8.28%</b>

Sources: NISM, RBI, NSE, BSE, SEBI, Fortune India, Indorint | \*2025 figures provisional

SEBI's 2024-25 reforms are the single biggest variable shaping 2026; they directly address documented fraud and structurally change both the issuer profile and investor calculus.

## SEBI KEY REFORMS: EFFECTIVE 2025 INTO 2026

### INVESTOR THRESHOLD

Minimum application raised to 2 lots (more than Rs. 2 lakh). Narrows retail flipping; improves investor quality.

### SHAREHOLDER BASE

Minimum allottees raised from 50 to 200. Improves post-listing liquidity depth; reduces concentration risk.

### PROMOTER EXIT LIMITS

OFS capped at 20% of total issue size; additional restrictions on individual selling shareholders.

### FUND USE MONITORING

Monitoring agency threshold cut from Rs. 100 Cr to Rs. 20 Cr; mandatory for subsidiaries, JVs, acquisitions.

### GOVERNANCE NORMS

MPC lock-in extended to 5 years with phased release. General corporate purpose capped at 10% or Rs. 10 Cr.

### ELIGIBILITY STANDARDS

Proposed minimum issue size above Rs. 10 Cr; operating profit of Rs. 3 Cr in 2 of last 3 years.

### LISTING PRICE CONTROLS

NSE Emerge: listing gains capped at +90%; floor set at -20% during special pre-open discovery (July 2025).

### OFS AND LOAN LIMITS

NSE Emerge bans loan repayments to promoters from proceeds; new bidding rules curb artificial oversubscription.

## WHY REGULATION TIGHTENED: THE GOVERNANCE FAILURES

Between 2022 and 2024, SEBI investigations exposed systematic abuse across multiple SME IPOs: fictitious revenues, IPO proceeds diverted to promoter-linked entities on listing day, merchant bankers charging up to 71% of proceeds, and subscription inflation via fake demat accounts. SEBI's January 2025 review identified these as structural, not isolated.

- Varanium Cloud: Fictitious sales; promoter net gain Rs. 122.76 Cr at retail investors' expense.
- Varyaa Creations: 71% of IPO proceeds diverted on listing day via lead manager entities.
- Trafiksol ITS: IPO cancelled by SEBI (first ever); vendor credentials found to be fabricated.
- Add-Shop E-Retail: Over 46% of reported sales across three years found to be fictitious.

## STRUCTURAL RISKS PERSISTING INTO 2026

### LIQUIDITY CONSTRAINED

Market making is compulsory (75% of the day; 3 years on NSE) but depth is not guaranteed. Sizeable institutional entry or exit remains difficult.

### MICROSTRUCTURE VOLATILITY

Listing gains ranged to 400% at peak; sharp 2025 normalisation followed. Price swings remain sentiment-driven rather than fundamentals-led.

### GOVERNANCE RISK PERSISTS

SEBI reforms address documented symptoms. Vigilance on fictitious sales, fund diversion on listing day and inflated proceeds remains warranted.

### SIZE VS RETURN RISK

Issues raising Rs. 35 Cr or less are markedly more volatile and have historically destroyed investor value more often (Indorient; 1,345 listings).

**FY26 MOMENTUM** : 246 SME IPOs raised Rs. 10,644 Cr through February 2026. Momentum remains healthy, though tighter quality filters are likely to reshape the pipeline composition.

## THREE FORCES SHAPING 2026

### 1 QUALITY

#### Eligibility Filters Reshape the Pipeline

Proposed minimum issue size above Rs. 10 Cr and Rs. 3 Cr operating profit will exclude the weakest cohort. Average issue size expected to move toward Rs. 55-60 Cr in 2026 from Rs. 45 Cr in 2025.

### 2 CAPITAL

#### Institutional Participation Deepens

Domestic specialist anchors are increasingly active; QIBs received 38% of NSE Emerge allotments in 2025. Foreign portfolio interest remains a 2027 story; 2026 is for domestic book-building to deepen.

### 3 EXIT PATH

#### Mainboard Migration Is the Primary Exit

Over 340 firms have already migrated. With listing-pop returns compressed, the platform is increasingly a structured corridor to the mainboard. The thesis shifts from 90-day flip to 3-5 year migration.

## POSITIONS THAT BENEFIT FROM THE NEW STRUCTURE

### 1 Manufacturing SMEs with operating profit & capex-linked proceeds

RBI FY24-FY25: 209 IPOs raising Rs. 7,875 Cr; largest sector by issue size. Tangible assets and capex-linked proceeds align with monitoring norms; strongest migration probability.

### 2 Co-investing alongside domestic anchors with repeat SME mandates

A small set of institutions acted as repeat anchors across 30+ SME IPOs in 2024. QIBs took 38% of NSE Emerge allotments in 2025, a de facto quality screen.

### 3 Industrial clusters with state support: Maharashtra, Gujarat, Tamil Nadu

RBI ties geographic dominance to infrastructure and supportive policy. Incentive schemes in Tamil Nadu and Gujarat encourage IPO fundraising and stronger governance.

### 4 Issuers with an explicit 3-5 year mainboard migration roadmap

Over 340 SME firms have already migrated. SEBI's proposed compliance triggers formalise the corridor; liquidity uplift at re-listing is a built-in return catalyst.

## WHERE TO AVOID

### 1 Sub-Rs. 10 Cr issuers without an operating profit track record

SEBI's proposed norms (min issue above Rs. 10 Cr; Rs. 3 Cr profit in 2 of 3 years) exclude this cohort. Indorient's 1,345-listing data: smaller IPOs (Rs. 35 Cr or less) more often destroy value.

### 2 The subscription-to-listing-pop trade: no positive expected value

Listing gains compressed from ~60% (2024) to ~10% (H1 CY25). Min application now exceeds Rs. 2 lakh; NSE caps gains +90% with -20% floor. The retail flip is structurally broken.

### 3 Issuers with vague use-of-proceeds or related-party routing

SEBI's January 2025 review documented diversion to related entities and circular sales transactions. General corporate purpose capped at 10% or Rs. 10 Cr; vague disclosures are a red flag.

### 4 Companies under active governance-failure investigations

Varanium Cloud, Add-Shop E-Retail, Trafiksol ITS, Varyaa Creations, Synoptics: SEBI describes a broader misuse pattern. Promoters gained Rs. 19-122 Cr while retail bore losses.

## ARANCA VIEW

**First:** Issuance count is likely to compress while average issue quality rises; SEBI's proposed eligibility floor, combined with a Rs. 20 crore monitoring threshold and a 20% OFS cap, structurally filters out shell-like or sub-scale issuers; the 2025 average issue size of Rs. 45 crore is the new floor, not the ceiling.

**Second:** Post-listing returns dispersion will widen; with listing-day caps at +90% and a -20% floor, the distribution of outcomes shifts away from day-one allocation toward 12-18 month earnings delivery.

**Third:** Mainboard migration becomes the primary exit; over 340 firms have already migrated; investors should re-anchor the SME thesis around 3-5 year migration trajectories rather than 90-day flip windows.

## Connect with our Team

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### Dharmishtha Tripathi

Junior Analyst,  
Investment Research

+91 223937 9999  
dharmishtha.tripathi@aranca.com



### Ruchika Mungekar

Assistant Manager,  
Investment Research

+91 223937 9999  
ruchika.mungekar@aranca.com

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A photograph of a person climbing a steep, rocky mountain face. The climber is wearing a red jacket and a backpack, and is secured by ropes. The background shows a clear sky and the rugged texture of the rock.

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