



The journey from being a Small and Medium Enterprise (SME) to becoming a main board listed company is a significant milestone in the lifecycle of any business. It represents a company's growth, maturity, and ability to meet stricter regulatory, financial, and corporate governance standards.

This migration is not a simple procedural shift; it requires meticulous planning, strategic adjustments, and a fundamental transformation of the company's operational and governance framework. In this article we will explore the motivations, benefits, challenges, and step-by-step process involved in migrating from an SME board to the Mainboard of a stock exchange.

### **Benefits of migration from SME to mainboard**

- **Enhanced Visibility and Credibility** : Mainboard listing elevates the company's profile, attracting institutional investors, analysts, and media attention. This heightened visibility translates to increased credibility with customers, suppliers, and partners.
- **Reflects company's growth**: It signals to investors, customers, and competitors that the company has reached a level of maturity and is ready to compete on a larger stage.
- **Access to Larger Capital Pools**: The Mainboard offers access to a broader and deeper pool of capital, enabling the company to fund expansion plans, acquisitions, and research and development initiatives.
- **Improved Liquidity**: Shares listed on the Mainboard are generally more liquid, facilitating easier trading and providing existing shareholders with a readily available exit option.
- **Attracting and Retaining Talent**: Listing on the Mainboard enhances the company's reputation, making it more attractive to top talent.
- **Increased Shareholder Value**: Successful migration can lead to an increase in the company's share price, benefiting existing shareholders.
- **Increased investor confidence**: Adhering to mainboard listing requirements forces companies to adopt robust governance practices, which can improve operational efficiency and investor confidence.
- **Valuation Benefits**: Companies listed on the Mainboard often enjoy better valuation multiples due to their perceived stability and compliance with higher regulatory standards.
- **Wider investor base**: Listing on mainboard platforms attracts a wider investor base, including institutional and non-institutional or retail investors, providing greater access to capital for expansion.
- **No Market Makers**: Companies moved to the mainboard witness high trading volume and thus liquidity increases and does not require any market making arrangements.



### Criteria for migration from SME to mainboard

The transition from an SME platform to the Mainboard is subject to stringent eligibility criteria set by the stock exchange and regulatory authorities. Each stock exchange has specific eligibility criteria for migration, but common requirements include:

- **Financial Performance:** Companies must meet minimum revenue, profitability, and net worth thresholds.
- **Minimum Operating History:** A proven track record of profitable operations over a specified period.
- **Minimum Paid-Up Capital:** A substantial base of equity capital.
- **Shareholding Requirements:** Sufficient public shareholding and free float as per Mainboard regulations.
- **Compliance with Corporate Governance Standards:** Adherence to robust governance practices, including independent directors, audit committees, and transparent disclosure policies.
- **Compliance with Listing Rules:** Adherence to the specific listing rules of the Mainboard, which are typically more stringent than those for SME platforms.

### BSE SME migration to mainboard - Eligibility Criteria

Criteria	Requirement
Paid-up Capital	More than ₹10 Crores
Market Capitalization (Average) *	Minimum ₹100 Crores
Promoter Holding	Minimum 20% of equity share capital
Profitability	<ul style="list-style-type: none"><li>• Average of ₹15 crores (on a restated consolidated basis) over the last 3 years (each of 12 months)</li><li>• Minimum ₹10 crores EBITDA in each of the 3 years.</li></ul> <p>If the company has changed its name within the last 1 year; at least 50% of revenue (on restated consolidated basis) in the previous full year must come from the business activity reflected in the new name.</p>
Net Worth	Minimum ₹1 Crore in each of the preceding 3 years (restated & consolidated)
Listing Track Record	Listed on SME Exchange for at least 3 years
Regulatory Actions	<ul style="list-style-type: none"><li>• No trading suspension in the last 12 months (other than procedural)</li><li>• No SEBI debarment for company, promoters, or subsidiaries</li><li>• No director disqualification by regulatory authorities</li></ul>



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Criteria	Requirement
	<ul style="list-style-type: none"> <li>• No admitted winding-up petition by National Company Law Tribunal (NCLT)</li> <li>• Not a wilful defaulter or fraudulent borrower</li> <li>• Promoters/directors not fugitive economic offenders</li> </ul>
Public Shareholders	Minimum 1,000 public shareholders (latest shareholding pattern)
Insolvency and Bankruptcy Code (IBC) & Defaults	<ul style="list-style-type: none"> <li>• No pending IBC cases</li> <li>• No default in interest/principal payments ( debentures , bonds , fixed deposit s)</li> </ul>
Utilization of Funds	Certification by a SEBI-registered credit rating agency for IPO or further fund utilization
Investor Complaints (SCORES ID)	No pending investor complaints
Cooling-off Period	<ul style="list-style-type: none"> <li>• 2 months if recently removed from trade-to-trade category or other surveillance actions</li> <li>• Not under surveillance measures (ESM, ASM, GSM, T2T)</li> </ul>
Lock-in of Promoter/Group Shares	6 months from listing on BSE (Not applicable for SME migration to Main Board)
Promoter Shareholding	100% in demat form
Market Liquidity Requirements (New)	<p><b>Share Trading Activity</b></p> <ul style="list-style-type: none"> <li>• At least 5% of the company's listed shares must be traded during the last 6 months.</li> </ul> <p><b>Active Trading Days</b></p> <ul style="list-style-type: none"> <li>• The company's shares should have been traded on at least 80% of trading days in the last 6 months.</li> </ul> <p><b>Turnover (Value of Shares Traded)</b></p> <ul style="list-style-type: none"> <li>• **Average daily turnover (last 6 months): Minimum ₹10 lakhs.</li> <li>• Minimum turnover on any day: At least ₹5 lakhs.</li> </ul> <p><b>Number of Trades</b></p> <ul style="list-style-type: none"> <li>• **Average daily trades (last 6 months): At least 50 trades per day.</li> <li>• Minimum trades on any day: At least 25 trades.</li> </ul>
Net Tangible Assets	<ul style="list-style-type: none"> <li>• Minimum ₹3 Crores in each of the last 3 years (restated &amp; consolidated)</li> <li>• Not more than 50% held in monetary assets</li> </ul>



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	<ul style="list-style-type: none"><li>If &gt;50% in monetary assets → must be utilised/committed in business/project</li></ul>
Business Consistency	Same line of business for 3 years

\* Calculation of average market capitalization = Aggregate of daily market capitalization on all trading days in the last 6 months /Total number of trading days during the same period.

\*\* To calculate average, take the total turnover (or total trades) on all the days the stock was traded in the last 6 months, and divide it by the total number of trading days in that period.

### NSE SME migration to mainboard - Eligibility Criteria

Criteria	Requirement
Paid-up Capital	Minimum ₹10 Crores
Market Capitalization*	Minimum ₹100 Crores
Profitability	<ul style="list-style-type: none"><li>Positive EBITDA for at least 2 out of last 3 financial years.</li><li>Positive PAT in the most recent financial year.</li></ul>
Listing Track Record	Listed on SME Exchange for at least 3 years
Net worth	At least ₹75 crores (as per SEBI guidelines).
Other Listing Conditions	<ul style="list-style-type: none"><li>Company should not be under Board for Industrial and Financial Reconstruction (BIFR) or Insolvency &amp; Bankruptcy Code proceedings.</li><li>No winding-up petition admitted by NCLT.</li><li>No SEBI debarment for company, promoters, or subsidiaries.</li><li>No material regulatory action in the past 3 years.</li><li>No pending investor complaint in SEBI SCORES.</li></ul>
Public Shareholders	Minimum 500 public shareholders on the date of application.
Additional Requirements	<ul style="list-style-type: none"><li>Must disclose all litigations/regulatory actions.</li><li>A 2-month cooling period if recently removed from surveillance actions.</li><li>Must have a proper investor grievance redressal mechanism.</li><li>PAN &amp; DIN of Directors must be provided.</li><li>Disclose change in control or fund utilization.</li></ul>
NSE's Right to Reject Applications	NSE can reject applications if: <ul style="list-style-type: none"><li>Criteria are not met.</li><li>Application is incomplete.</li></ul>



Criteria	Requirement
	<ul style="list-style-type: none"><li>• False or misleading information is provided.</li><li>• Any other reason as deemed fit by NSE.</li></ul>
Revenue from operations	Greater than ₹100 crores in the last financial year
Promoter and Promoter Group Holding	<ul style="list-style-type: none"><li>• Minimum 20% of equity share capital</li><li>• On the date of application, must hold at least 50% of the shares owned at the time the company was first listed</li></ul>

\* Market capitalization to be calculated based on the average price over the last 3 months.

### Challenges for SMEs Migrating to Mainboard

Though migration brings in numerous benefits to SMEs it also comes with regulatory challenges with stricter SEBI oversight and governance.

- **Increased regulatory compliance:** Mainboard companies have comparatively stricter regulatory requirement than SMEs. SEBI and the mainline stock exchange have stringent regulatory norms such as filing quarterly reports, audited annual reports, and corporate events i.e., buyback, rights issues, etc.
- **High financial costs:** SMEs preparing for migration have to pay the initial listing fee, legal fees, accounting fees, and annual listing fee. So the compliance cost will be high for SMEs migrated to the mainboard exchange.
- **Operational pressure:** Companies listed on the mainboard exchange are subject to increased scrutiny by investors, analysts, and media, which can put pressure on the company to deliver consistent financial results. Any non-compliance or violation practices can halt a business's reputation.
- **Governance and control:** The governance standards may require companies to change in board composition or structure such as creating independent boards, audit committees, etc. Also, institutional investors with majority stakes can impact business decision-making.
- **Market conditions:** Market volatility or negative investors' sentiments at the time of migration can impact listing success. So, analyze the market to choose the right time for successful migration

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