



PR No.18/2024

Advisory regarding investment in securities of the Companies listed on the SME Segment of Stock Exchanges

The Small and Medium Enterprises (SME) platform of the Stock Exchanges was operationalised in the year 2012 to serve as an alternative source of raising funds for emerging businesses. Ever since, there has been an increase in the number of SME issues as also the investor participation in such offerings. During the last decade, more than ₹ 14,000 Crores has been raised through this platform, of which around ₹ 6,000 Crores was raised during FY '24.

However, it has come to the notice of SEBI that, post listing, some of the SME companies and / or their promoters have been resorting to certain means that project an unrealistic picture of their operations. Such companies / promoters have been seen to make public announcements that create a positive picture of their operations. These announcements are typically followed up with various corporate actions such as bonus issues, stock splits, preferential allotments, etc.

The above actions create a positive sentiment amongst investors, which induces them into purchasing such securities. Simultaneously, this also presents an easy opportunity to the promoters to off-load their holdings in such companies at elevated prices.

SEBI, in the recent past, has passed Orders against such entities, which are available on the SEBI website. It can be seen that the *modus-operandi* of these entities follows a pattern that is by and large similar to what has been mentioned above.

SEBI urges investors to be careful and watchful of the aforesaid patterns and exercise caution while investing in such securities. Further, investors are advised to not rely on unverified social media posts and not to invest based on tips / rumours.

This advisory is being issued in the interest of investors.

Mumbai
August 28, 2024