Sebi May Revamp Rules for SME IPOs, Custodians

Proposals likely to be discussed on Dec 18; board may also consider expanding ambit of unpublished price-sensitive info

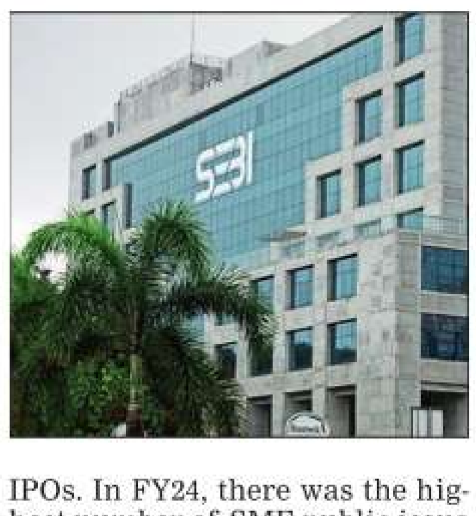
Our Bureau

Mumbai: The Securities and Exchange Board of India (Sebi) is likely to discuss a number of proposals including revamping rules for initial public offerings of small and medium enterprises, changes to the framework for custodians such as doubling their minimum net worth to ₹100 crore from the current requirement of ₹50 crore and expanding the ambit of unpublished price-sensitive information. The Sebi board is scheduled to meet on December 18.

The board will consider whether to raise the minimum application size for the public offerings of small and medium(SMEs) to ₹2 lakh or even higher at ₹4 lakh from the existing ₹1 lakh. The proposed tightening of rules comes in the wake of instances of diversion of issue proceeds to shell companies controlled by promoters and inflation of revenue by circular transactions through related parties.

The regulator has suggested that smaller firms would be eligible for an IPO only if the issue size is over ₹10 crore and have an operating profit of ₹3 crore from operations for at least any two out of three financial years preceding the application. Further, it recommended limiting offer for sale by promoters to 20% of the issue size and disclosure of merchant bankers fees in the prospectus.

In the current financial year till October 15, 159 SMEs have raised more than ₹5,700 crore through



IPOs. In FY24, there was the highest number of SME public issue with 196 firms tapping the market to mobilise over ₹6,000 crore.

The Sebi board will discuss revised rules for custodians as some of them such as networth requirement was fixed almost three decades ago.

The regulator thinks if the net worth is increased custodians would be better equipped to absorb losses and maintain operational stability.

Custodians offer services such as safekeeping of assets, maintenance of securities accounts to clients likes foreign portfolio investors, mutual funds and alternative investment funds.

At present, there are 17 custodians registered with Sebi. Assets under custody of custodians have increased to ₹278.50 lakh crore in September 2024 from ₹2.70 lakh crore in March 2002.

"Considering the increased scope of services and the exponential growth in the volume of business provided by custodians to its clients, custodians are prone to fraud and operational risks," it had said in a discussion paper last month.

The regulator's board would also consider changes to the definition of unpublished price sensitive information (UPSI)under insider trading norms. The move is aimed to bring uniformity in compliance by listed companies.

Any information relating to a company, that is not generally available but on becoming available affect the share price, is considered UPSI.

Sebi has proposed to include events such as revision in ratings, fund-raising activities, agreements impacting control of the company, frauds and resolution plan in the definition of UPSI.

Tech Picks

AJIT MISHRA, SVP - Research, **Religare Broking**

ASHOK LEYLAND

Set for a consolidation range breakout now. Accumulate.

LAST CLOSE ▸ ₹**234.84** STOP LOSS ▸ ₹**228**

BUY TARGET ₹**250**

DALMIA BHARAT

Trading on verge of breakout from consolidation stage. Buoyancy in cement pack is added positive.

LAST CLOSE ▸ ₹**1,945.95** STOP LOSS ▸ ₹**1,865**

BUY TARGET ₹**2,120**

ICICI BANK

ICICI Bank is outperforming within the banking space. Formed a fresh buying pivot around its record high.

LAST CLOSE ▸ ₹**1,346.10** STOP LOSS ▸ ₹**1,305**

BUY TARGET ₹**1,420**

VARUN BEVERAGES

Seeing time-wise correction for almost 8 months. Inching towards upper band now. Breakout likely.

LAST CLOSE ▸ ₹**645.40** STOP LOSS ▸ ₹**620**

BUY TARGET ₹**690**

EXCELLENCE ENABLERS REPORT

'Stricter Laws Needed to Push Directors to Attend More Board Meets'

Our Bureau

Mumbai: Corporate governance advocates are pushing for stricter legal requirements regarding directors' participation in board meetings. The current regulation, which mandates only one board meeting attendance annually, is deemed inadequate for effective oversight and decision-making, and requires urgent revision to establish higher attendance standards, highlighted a report from Excellence Enablers, founded by former Sebi chief M Damodaran.

Board meetings serve as platforms where directors deliberate on strategic matters, review performance, and make important decisions affecting the company's future. Regular attendance ensures directors stay informed about company affairs and contribute meaningfully to discussions.

The report noted that two directors recorded zero attendance during FY24

Despite data showing that about 75% of board members in Nifty 100 companies achieved full attendance in FY24, Excellence Enablers believes legislative changes are necessary. The report noted that two directors recorded zero attendance during FY24. The widespread adoption of virtual meetings has positively influenced attendance rates, allowing directors based anywhere in the world to participate remotely, unlike traditional in-person meetings with inherent limitations.

In FY21, about 87% of board members achieved full attendance, while 3 directors registered no attendance. The report emphasises that board meeting absences should only occur due to unforeseen circumstances, rather than predictable situations.

CYBER SECURITY CHECK

Cyber security incidents pose a significant challenge for companies. While market regulator Sebi rules mandate listed companies to disclose details of cyber security incidents or loss of data occurrences, Excellence Enablers noted that only one company provided details of such a breach in FY24. Although five companies reported cyber security incidents, 4 remained hesistant to disclose specific information publicly. Only one company gave details of the breach, the report said.

HIGH IMPACT RBI will need to infuse more funds into system amid moderation in credit, say banks

'Implementing New LCR Norms May Undo Benefits of Rate Cut'

Rozebud Gonsalves

Mumbai: The liquidity coverage ratio (LCR) norms, proposed to come into effect from April 2025, could negate the benefits of the cash reserve ratio (CRR) reduction that is infusing ₹1.16 lakh crore in the banking system, bank treasury executives said.

Individual lenders have approached the central bank to ease the proposed LCR guidelines that require them to mandatorily invest a sum equal to their 30-day outflows in high quality liquid assets (HQLAs), like government securities, to avoid a collapse like the Silicon Valley Bank.

"Overall demand for funds will be far higher than what will be infused after the CRR cut, especially if the guidelines are implemented in the proposed form. Hence, the new LCR guidelines will most likely negate the impact of CRR cut," said Anshul Chandak, head of treasury at RBL Bank.

Need for Support

RBI released draft circular on LCR in late July

Expected implementation date: April 2025

Macro situation when guidelines were proposed

❶ **$ inflows** into Indian debt and equity

❷ Inter-bank liquidity in surplus

CURRENT SITUATION

❶ Neutral inter-bank liquidity

❷ **$ outflows** from Indian debt and equity

❸ Foreign exchange reserves down by **$50 b** since late Sept

"If they (RBI) go ahead with the proposed guidelines, then they'll have to come up with more liquidity support in the form of further CRR cuts or OMO sales. As per our calculation, the overall demand for bonds will increase by approximately ₹5 lakh crore," he said.

Late July 2024, the RBI released a draft circular on the LCR which called upon banks to assign an additional 5% run-off factor for retail deposits enabled with internet and mobile banking (IMB) facilities. Accordingly, stable retail deposits enabled with IMB would have a 10% run-off factor, while less stable deposits enabled with IMB would have a 15% run-off factor. The RBI's draft circular mentions April 1, 2025 as the date of implementation.

"When the guidelines were proposed, our macro situation was very different. There was no sign of growth weakness and interbank liquidity was ample with dollar inflows, plus our credit growth was very strong. Now we are in a different set of conditions, there is moderation in credit and growth is definitely showing signs of weakness," said Gaura Sen Gupta, chief economist at IDFC First Bank.

Banks have previously expressed concern to the finance ministry about the impact the new norms could have on their ability to lend and drive credit in the economy.

"I think that the implementation date for these guidelines will be pushed forward. If core liquidity is so low, along with weak growth and dollar outflows, then bringing in something so strict can add a lot of pressure on the system, which may not be warranted. Plus, some formal communication is needed so banks have enough time to readjust their treasury and build their positions effectively," said an economist from a large private bank.

Commodity Calls

ABHIJEET BANERJEE, *Senior Manager*

COMMODITY	EXCHANGE	STRATEGY
Gold (Feb)	MCX	Buy in the range of ₹77,050-77,100; SL ₹76,340; Target ₹77,900

RATIONALE: Gold view appears positive as the market prices in a 96% probabilityof the US Fed to reduce the rates by 25 basis points.

COMMODITY	EXCHANGE	STRATEGY
Crude Oil (Dec)	MCX	Buy in the range of ₹5,780-5,800; SL ₹5,640; Target ₹6,125

RATIONALE: Crude oil outlook is moderately positive, as the persistent geo-political risks offset the impact of global demand concerns.

RBL Bank's R Subramaniakumar Reappointed as MD and CEO

MUMBAI: The board of RBL Bank has reappointed R Subramaniakumar, as managing director and MD and CEO for three years, effective June 23, 2025, the bank informed exchanges on Monday. He had joined the private bank as CEO in June 2022 for a term of three years.**—Our Bureau**

Solar panel maker expects margins to improve by about 300 bps, dismisses negative impact from tariffs following Trump win

Waaree Energies Bets on Cell Expansion Plans, Order Book

Ranjit Shinde

ET Intelligence Group: The stock of Waaree Energies, the country's largest solar panel maker, has lost nearly 14% from its peak on November 6. Since its listing on October 28, the stock has been on a roller coaster ride amid falling realisations and concerns over the impact of possible changes in the policies of the US president-elect Donald Trump administration related to renewable energy.

At present, the US forms 72% of the company's order book. Waaree has stated that its operations are tariff agnostic. In addition, its foray into cell manufacturing is expected to improve profitability by 200-300 basis points from current 15-17% level.

With a current market capitalisation of over ₹91,100 crore, Mumbai-headquartered Waaree is the country's largest solar photovoltaic (PV) modules manufacturer. Its customers include utilities, enterprises and the retail segment. The contribution of exports in revenue increased to 57.6% in FY24 from 23% in FY22.

The company's stock has reported weakness since November 6 after the Trump administration secured majority in the US, a major market for Waaree, over concerns that the new regime would tweak the tariff structure on renewable energy affecting the company's business.

Powering Up

Financials

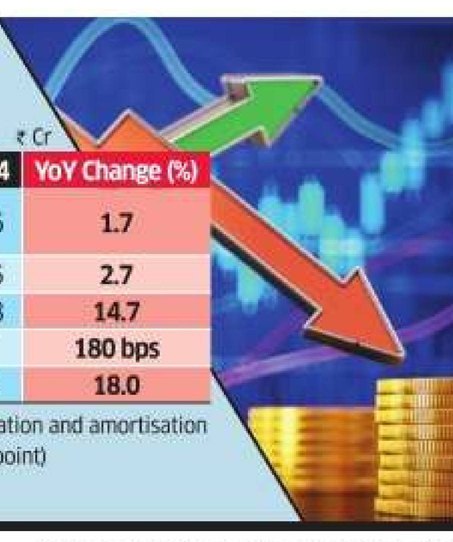
₹ Cr

	H1 FY25	H1 FY24	YoY Change (%)
Revenue from Operations	6,983.3	6,865.6	1.7
Total Income	7,159.9	6,973.5	2.7
EBITDA	1,253.9	1,092.8	14.7
EBITDA Margin (%)	17.5	15.7	180 bps
Net Profit	776.8	658.4	18.0

EBITDA: Earnings before interest, tax, depreciation and amortisation

BPS: Basis points (100 bps = One percentage point)

Source: **Company data**



During an analyst call after declaring the second quarter numbers on November 18, the company management clarified that its business plans stand on their own irrespective of tariff measures.

As of September 2024, the company had 13.3 giga watts (GW) of aggregate installed module capacity compared with 4 GW in FY22. It will add 5.4 GW of cell capacity by the end of March 2025. It expects to take the module capacity to 21 GW and cell capacity to 11 GW by the end of FY27. At the end of September, it had an order book of around 20 GW. The company also plans to foray into related businesses such as manufacturing of hydrogen electrolyser to manufacture low-emission hydrogen from water, renewable power generation, and battery storage systems. The company's board recently sanctioned ₹600 crore worth of investment to set up renewable power infrastructure

Revenue grew by 1% year-on-year to ₹3,574.4 crore in September 2024 quarter while net profit rose by 17.4% to ₹3,756.6 crore aided by lower cost of raw materials, and lower inventory adjustment. Ebitda margin improved by 170 basis points to 16.8%.

Falling realisations is another concern. The company reported reduction in realisations in US and in India. For US operations, realisations fell marginally to around $0.24 at the end of September from $0.30 a year ago. In India, it fell to $0.17 from $0.21 by similar comparison. The company expects realisations to pick up once it starts cell manufacturing.

Sebi Issues HDFC Bank a Warning Letter Again for Non-compliance

Our Bureau

Mumbai: Markets regulator Securities and Exchange Board of India (Sebi) has issued a regulatory warning to HDFC Bank over the delay in disclosing the resignation of Arvind Kapil, who quit the bank to join Poonawalla Fincorp as CEO. This is the second such caution for the lender in one week.

HDFC Bank disclosed to stock exchanges on Monday evening about the administrative warning from Sebi over non-compliance with listing regulations.

Kapil was heading the mortgage business at HDFC Bank and had quit in March 2024. The Sebi letter states that the company disclosed resignation of Kapil with a delay of three days, and that it also failed to provide appropriate reasons for the delayed disclosure. As per the Sebi norms, listed entities must inform the exchanges about a change within the company in 12 hours.

"The violation has been viewed seriously," the letter states. "You are warned to be careful in future and advised to exercise due caution in future and avoid recurrence of such instances, failing which appropriate enforcement action may be initiated in accordance with the provisions of Sebi Act, 1992." Sebi advised the lender to take steps and place its communication and the corrective steps before the board of directors.

BUT MEASURES HELP LIFT FINANCIAL HEALTH

Bad Loans High for Co-operative Banks in 'Backward' States

A Divide

States with highest NPAs in co-op banks		States with lowest NPAs in co-op banks	
Jammu & Kashmir	55.20	Punjab	0.91
Arunachal Pradesh	39.92	Gujarat	0.68
Andaman & Nicobar	25.82	New Delhi	0.65
Manipur	18.15	Andra Pradesh	0.53
Nagaland	14.17	Rajasthan	0.18
Puducherry	11.58	Telangana	0.08

Gross NPAs as a % of gross advances as of March 31, 2024; NPA: Non-performing assets

Source: Government of India

Gayatri Nayak

Mumbai: India's co-operative banks—regardless of their geographic remit—are relative stragglers on asset quality parameters vis-a-vis entities under stricter regulatory lens, but there's a catch. Not all of them display weaknesses that are endemic to the category. Rather, their underwriting reflects broadly the regional economies they operate in.

An analysis of recent data submitted to the Rajya Sabha last week indicates that most states that have gross non-performing assets (NPA) ratio of less than 1% are those that are also economically advanced. By contrast, NPAs are high for co-operative banks operating in economically backward states.

The finance ministry told the Upper House that seven state cooperative banks, 424 urban cooperative banks (UCBs) and 120 district central co-operative banks (DCCBs) have gross NPAs higher than 10%, the ministry having collated the data from their respective regulators—the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development(Nabard).

Seven state co-operative banks, 424 urban co-operative banks and 120 district central co-operative banks have gross NPAs higher than 10%

The RBI, which regulates urban cooperative banks, and Nabard, which does the same office for the rural lenders, have implemented several measures lately to improve the financial health of the cooperative sector. The measures appear to be bearing fruit: While as a category, these lenders have a higher proportion of NPAs than normal commercial lenders, the share of bad assets has been reducing steadily over the years.

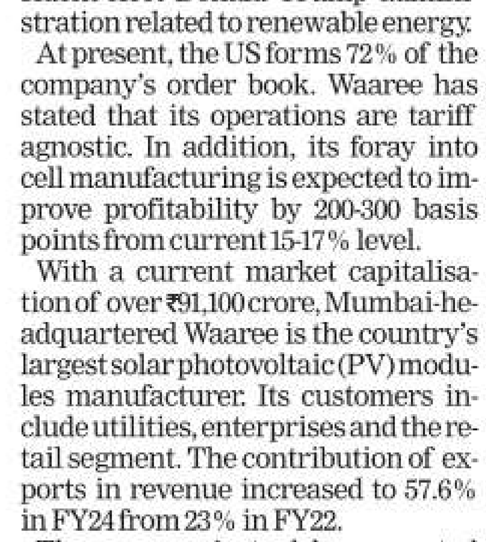
Funding Expansion Plans

▸▸ From Page 1

"India Inc's significant fundraising in 2024 can be attributed to a favourable macroeconomic environment, a robust equity market, and increased investor confidence driven by stable policies and growth," said Pinak Bhattacharya, head of corporate finance, IIFL Capital. "Fresh issues highlight the need for capital to fund expansion, deleverage balance sheets, and invest in growth opportunities, apart from monetisation of existing stakes."

This has the potential to stimulate private capex, particularly as companies aim to modernise infrastructure, scale operations and tap into emerging sectors, he added. The fundraising euphoria is highlighted by investment banker DAM Capital, led by dealmaker Dharmesh Mehta, launching its maiden public issue this week, analysts said.

About 90 companies have either raised or announced fundraising of Rs 1.62 lakh crore so far this year, 2.2 times more than last year's Rs 49,436 crore, according to data compiled by www.primedatabase.com. The previous record was Rs 1.18 lakh crore raised by 63 companies in 2021. The amount raised through fresh issues was nearly Rs 70,000 crore in 2024 compared with the previous record of Rs 43,300 crore in 2021.



POTENTIAL ACQUISITIONS

"Driven by a bullish outlook, corporates are strategically planning to align with their growth ambitions," said V Jayashankar, head of equity capital markets at Kotak Investment Banking. "They are actively seeking substantial capital inflows to fund capital expenditure and potential acquisitions."

So far in 2024, 88 companies have raised a sum of Rs 1.3 lakh crore through QIPs, while at least a dozen firms have announced their intentions to raise funds through this avenue. That already substantially exceeds the previous record of Rs 80,816 crore raised by 25 companies in 2020.

"With favourable valuations, robust secondary markets, ample liquidity, and an anticipated revival in private capital expenditure, the strong momentum in the primary market is expected to continue in 2025," said Ravi Sardana, an investment banker.

So far in 2024, 88 cos have raised ₹1.3 L cr via QIPs, while a dozen firms have announced intentions to raise funds through this avenue

The QIP is a capital-raising tool that a listed company can use to issue equity shares, fully and partly convertible debentures or any security other than warrants, which are convertible into equity shares to qualified institutional buyers.

About 20 companies have raised around Rs 18,000 crore through rights issues, compared with Rs 7,266 crore last year and Rs 3,884 crore in 2022.

Stonepeak Bid Fallback Option

▸▸ From Page 1

The New York-based private equity firm had made the cut in the initial round of screening. Stonepeak is not being considered a serious contender unless it improves its offer by at least matching the others, said the people cited above.

O2 Power's current portfolio of 3.77 GW includes 1.34 GW of operational capacity, 30% of which comprises wind assets. It sold 350 MW of solar assets from the Rewa Ultra Mega Solar project in Madhya Pradesh to the Edelweiss Alternatives-backed Sekura Energy for an enterprise value of Rs 2,000 crore, 1.6 times book value, this October.

Temasek, EQT, JSW Energy, Macquarie and Stonepeak declined to comment. O2 Power didn't respond to queries. **ET** was first to report on March 4 that EQT Capital and Temasek had decided to sell O2 Power and that Barclays had been appointed to initiate a formal sale process.

GREEN SHEET

Incorporated in 2019, O2 Power is a wholly owned subsidiary of O2 Power SG Pte, with investments from EQT and Temasek in a 51:49 ratio. The duo had backed a professional team led by Parag Sharma, former chief operating officer of Renew Power, and Peeyush Mohit, vice-president of strategy at the same company, to start O2's operations. Till date, the two sponsors have deployed around $450 million in equity, less than half of what they had originally envisaged. The platform currently has $800-900 million of debt, so the offers in hand value the platform at $1.35-1.5 billion, inclusive of debt. Upon reaching 4 GW, the debt number is expected to treble to a little over $2 billion.

"Nobody wants to ascribe a premium for build outs that are still in the pipeline," said an executive directly involved in talks. "Typically, sellers include that when they seek offers and often, that is where the bid-ask differences arise. In several M&A situations in the sector, that has been a challenge and a key reason why deals are taking longer than before to get stitched."

O2 has a project pipeline of 1.05 GW (Rs 3,505 crore order value), which is expected to be executed in the next two financial years. It is keen to hit 4GW capacity by FY26. The company has already signed power purchase agreements for 4.5 GW, 90% of which is contracted with central government utilities such as NTPC and Solar Energy Corporation of India. Only 10% of the portfolio is earmarked for state electricity boards.

"Going by past experience, raising capacity addition by 1 GW (to 2.5 GW, from 1.5 GW) per year for five years typically needs an additional equity support of $300-350 million, depending on the split between wind, solar and storage," O2 chief executive Sharma told ET in October.

JSW Neo has been on the lookout for similar assets in India, including the 760 MW operational units belonging to Italy's Enel Group and Ayana Renewable Power, owned by National Investment and Infrastructure Fund.

It recently acquired three wind energy projects of Hetero Wind Power with a capacity of 125 MW for an enterprise value of Rs 630 crore. However, the 2023 acquisition of 1.75 GW of renewable energy generation capacity from Mytrah Energy (India) for an enterprise valuation of approximately Rs 10,530 crore, remains its largest.

The company has an ambitious target of hitting 20 GW of renewable energy capacity by 2030, 50% of which will be operational by the end of this fiscal year. JSW Neo alone has 7.7 GW of green energy projects, including hybrid, under various stages of construction, while another 4.3 GW has already been installed.

EQT, with its roots in the Wallenberg family behind Swedish giants such as ABB, Ericsson, Saab and Electrolux, had launched O2 from its infrastructure fund IV. Earlier this year, it announced the launch of its infrastructure fund VI that aims to raise 21 billion euros, making it one of the largest capital pools for hard infrastructure assets worldwide.

Temasek, a long-time India backer, has been actively pursuing investments in technology, consumer and internet, healthcare and financial services. Across infrastructure and real estate, it is present via multiple platforms and wholly owned companies such as CapitaLand, Sembcorp Industries, Singapore Airlines and Keppel Corp.

With 7% of its total assets under management deployed in the country, India has emerged as Temasek's best-performing market over the past decade, a key factor in the Singapore state investor's total exposure to the country soaring to $37 billion.