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The Prospects of Renewable Energy in India: An Optimistic Future

Given the climate change across the world evidenced by shifts in temperature and weather patterns, there is an urgent need to transition away from using fossil fuels as the primary source of energy. The global temperature is 1.1 °C warmer than what it used to be during the pre-industrialization era. Consequently, the world is experiencing intense drought, water scarcity, severe fire, rising sea levels, floods, melting of polar ice and declining biodiversity. In December 2015, leaders from across the world reached a consensus to combat climate change, commonly known as the Paris Agreement. The Paris Agreement targeted to cap the rise in global temperature at well below 2.0 °C above pre-industrialization era, with additional efforts to limit the increase to 1.5 °C¹. To achieve the ambitious 1.5 °C target, a 43% reduction in emissions is needed by 2030 compared to 2019 level, and has to reach a net zero² scenario by 2050. India, among other nations, submitted its plans (NDC³), outlining its commitments. Initially, India pledged to reduce its emission intensity⁴ per unit of GDP by 33-35% from 2005 levels and to achieve 40% installed power capacity from non-fossil sources.

In the first update to its NDC submitted in August 2022 to UNFCCC, India elevated its goal. The new target aims for a 45% reduction in emission intensity of GDP by 2023, based on the 2005 level and is set to achieve about

50% installed power capacity to be derived from non-fossil fuel sources by 2030.

Power Supply & Demand Dynamics

As of September 2023, India's total installed power capacity reached 4,25,406.47 MW. This comprises 56.25% thermal, 11.01% hydro (excluding small hydro), 1.76% nuclear and the remaining 30.98% renewal sources (RES). Despite thermal power plants operating at an average PLF (Plant Load Factor⁵) of 66%⁶, a peak deficit has been observed in the last year. Over the years, per capita power consumption in India has significantly increased from 567 kWh in FY 2003 to 1,255 kWh in FY 2022. Notably, per capita power consumption in developed countries is 5-10 times higher than in India. In the financial year 2023, total power generation in the country amounted to 1,624.15 billion units. Additionally, in the first four months of financial year 2024, a total of 585.47 billion units of power have been generated in the country.



¹ United Nations Climate Change (UNFCCC)

² Net zero means to cut greenhouse gas emissions to as close to zero as possible; www.un.org

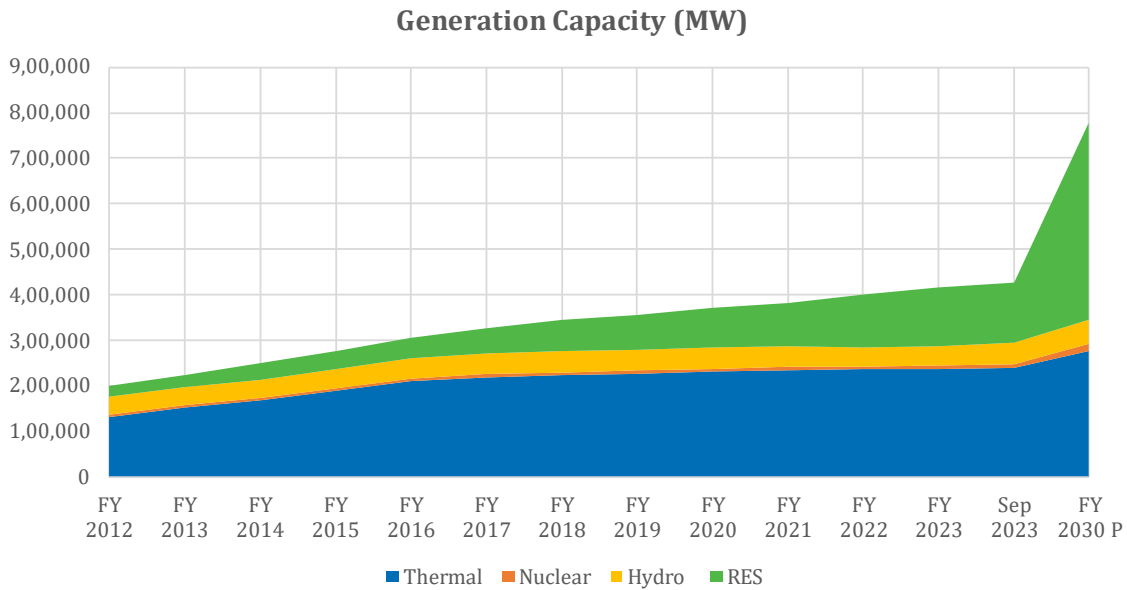
³ Nationally Determined Contribution (NDC) – the contribution that needs to be made by different countries to achieve climate change goal taken in Paris Agreement.

⁴ Emission Intensity to GDP, or Carbon Intensity, indicates the amount of greenhouse gas emission produced to generate one unit GDP (economic output).

⁵ PLF is the ratio of average power generated by the plant to the maximum power that could have been generated in a given time.

⁶ Average PLF of FY 2023 and upto Sep 2023 of FY 2024.

India's Power Generation Capacity⁷



Source: CEA, Ministry of Power

Share of Different Sources

Period	Thermal	Nuclear	Hydro	RES (MNRE) ⁸	Total RE	Grand Total
FY 2030 P	35.58%	1.99%	6.93%	55.50%	62.43%	100.00%
Sep 2023	56.25%	1.76%	11.01%	30.98%	41.99%	100.00%
FY 2023	56.97%	1.63%	10.13%	31.27%	41.40%	100.00%
FY 2022	59.05%	1.70%	10.52%	28.73%	39.25%	100.00%
FY 2021	61.42%	1.77%	12.09%	24.71%	36.80%	100.00%
FY 2020	62.31%	1.83%	12.35%	23.51%	35.86%	100.00%
FY 2019	63.54%	1.90%	12.75%	21.80%	34.55%	100.00%
FY 2018	64.80%	1.97%	13.17%	20.06%	33.23%	100.00%
FY 2017	66.80%	2.07%	13.61%	17.51%	31.12%	100.00%
FY 2016	69.04%	1.89%	14.02%	15.05%	29.07%	100.00%
FY 2015	68.71%	2.10%	15.01%	14.17%	29.18%	100.00%
FY 2014	67.69%	1.92%	16.31%	14.08%	30.38%	100.00%
FY 2013	67.85%	2.14%	17.68%	12.33%	30.01%	100.00%
FY 2012	65.84%	2.39%	19.51%	12.26%	31.77%	100.00%

Source: CEA, Ministry of Power

⁷ RES - Renewable Energy Sources,

RES includes -

SHP: Small Hydro Project (≤ 25 MW), BP: Biomass Power, U&I: Urban & Industrial Waste Power, Solar, Wind Energy

⁸ RES comes under the Ministry of New and Renewable Energy

Over the past 12 years, India has achieved significant progress on the RES front, experiencing a 5.3x increase in the installed capacity of renewable energy sources – growing from 24,503 MW in FY 2012 to 1,29,906 MW at the end of FY 2023. The share of RES in the total installed power capacity has risen from 12.26% in FY 2012 to over 31% in FY 2023. In contrast, new thermal power capacities increased by only 18,349 MW between FY 2017 and FY 2023, reaching a total of 2,36,679 MW by the end of FY 2023. This growing proportion of RES in the overall energy mix aligns with India's commitment to reduce greenhouse gas emissions, as agreed in the Paris Agreement.

A CEA report envisaged country's total power generation capacity will touch 7,77,144 MW by the end of FY 2030 from 4,15,469 MW as of FY 2023, representing a growth of 87%. Out of which, approximately 83% or 3,01,391 MW out of incremental 3,61,675 MW will come from renewal energy sources.

Renewal Energy Potential in India

Based on the Energy Statistics Report 2023 published by the Ministry of Statistics and Programme Implementation, GOI, the country has the potential to achieve an installed renewable power capacity of 14,90,727 MW. Of this capacity, approximately 97% is expected to be derived from solar and wind sources. India, due to its strategic location, holds enormous potential for generating solar energy, estimated at over 5000 kWh. The solar irradiance in India, a measure of the rate at which solar energy falls onto the surface, is one of the highest in the world. India's solar irradiance at approximately 2100 watts per meter square is close to Mexico, Australia, the USA and the MENA region.

India's Renewable Energy Potential

Source	Potential (MW)	Share
Solar Power	7,48,990	50.24%
Wind Power	6,95,509	46.66%
Small-Hydro Power	21,134	1.42%
Biomass Power	17,538	1.18%
Bagasse-based Cogeneration in Sugar Mills	5,000	0.34%
Waste to Energy	2,556	0.17%
Total	14,90,727	100.00%

Source: Ministry of Statistics and Programme Implementation, GOI



In addition to solar energy, the wind power sector exhibits significant growth potential. The latest Wind Resource Assessment Program, conducted by the National Institute of Wind Energy (NIWE), indicates that India's wind potential is estimated at 302.20 GW at a height of 100 meters above the ground level and 695.50 GW at 120 meters above the ground level. However, at the current tariff, a commercially viable average capacity utilization factor (CUF) of 30% or higher is deemed achievable. Taking this into account, the estimated wind potential is around 200 GW, of which 42.6 GW had been installed by the end of FY 2023. The location for wind power units is region-specific, concentrated primarily in eight states: Andhra Pradesh, Gujarat, Rajasthan, Karnataka, Madhya Pradesh, Maharashtra, Telangana, and Tamil Nadu.

India ranks 3rd in the Renewable Energy Country Attractiveness Index (RECAI), trailing only the United States and China. This biannual composite ranking, published by Ernst & Young, assesses countries based on their investment in renewable energy.

Renewable Purchase Obligations (RPO) and Renewable Energy Certificate (REC)

RPO, or Renewable Purchase Obligation, is a mechanism that mandates obligated entities, primarily distribution licensees such as DISCOMs, open access consumers, and traders, to procure a specified percentage of electricity from renewable sources. In terms of the availability of renewable resources in a state and the requirement of an obligated entity to meet the RPO, there has been a mismatch. To address the mismatch, the Renewable Energy Certificate (REC), a market-based instrument, was introduced.

RPO is categorized into wind RPO, Hydel RPO and other RPO, with solar falling under the 'other RPO' category. The RPO target for FY 2023 was set at 24.30%, meaning that obligated entities were required to source 24.30% of their energy consumption from renewable energy sources. The target is gradually increasing and by FY 2030, it is projected to reach 43.33%.

Renewable Purchase Obligations (RPO) – as Percent of Total Energy Consumed

Year	Wind	Hydel	Other	Total
FY 2023	0.81	0.35	23.44	24.60
FY 2024 P	1.60	0.66	24.81	27.07
FY 2025 P	2.46	1.08	23.37	26.91
FY 2026 P	3.36	1.48	28.17	33.01
FY 2027 P	4.29	1.80	29.86	35.95
FY 2028 P	5.23	2.15	31.43	38.81
FY 2029 P	6.16	2.51	32.69	41.36
FY 2030 P	6.94	2.82	33.57	43.33

Source: Ministry of Power

Energy Storage

As the world shifts from fossil fuel-based energy to renewable energy, storage of energy has become a critical component for ensuring seamless availability of power. Generally, power from RES must be utilized during the time of generation; or it will be lost forever. The quantum of power generated from RE sources varies due to factors such as time, climate, season, and geographical location, resulting in grid imbalance. To ensure RES power is dispatchable and accessible on a 24x7 basis, energy storage is essential.

Recently, the Ministry of Power unveiled the National Framework for Promoting Energy Storage Systems, this framework emphasized the use of Pumped Storage Projects (PSPs) and Battery Energy Storage Systems (BESS) as the most feasible options for storing energy. The Central Electricity Authority (CEA) has also calculated the required energy storage system capacity and associated costs, detailed below:

- By 2026-27 energy storage capacity requirements – 16.13 GW (7.45 GW PSP & 8.68 GW BESS);
- By 2029-30 energy storage capacity requirements – 60.63 GW (18.98 GW PSP & 41.65 GW BESS);
- By 2031-32 energy storage capacity requirements – 73.93 GW (26.69 GW PSP & 47.24 GW BESS);
- To develop storage capacity during 2022-27, the estimated fund requirement for PSP and BESS would be INR 54,203 Crore and INR 56,547 Crore;
- For the period 2027-2032, the estimated fund requirement for PSP and BESS would be INR 75,240 Crore and INR 2,92,637 Crore respectively.

Legal status of Energy Storage

According to the Electricity (Amendment) Rules, 2022, the energy storage system is a part of the power system, and the storage can be done independently or in conjunction with generation, transmission, and distribution infrastructure. The owners of energy storage systems can lease the storage space to generation companies or load dispatch centers or they can buy energy and store it for future sale.

Pumped Storage Projects

It primarily involves the storage of hydroelectric energy through two water reservoirs situated at different elevations. During the period of excess power generation and low demand, energy is utilized to pump water from the lower reservoir to the upper reservoir. Conversely, in high-demand scenarios, the water from the upper reservoir is released to generate energy. This mechanism proves to be effective for storing energy generated from solar or wind sources. The cost of setting up a PSP is typically INR 1.5 Crore/MW for small projects (less than 200 MW) and INR 1.00 Crore/MW for large storage projects (above 200 MW).

Battery Energy Storage Systems (BESS)

BESS (Battery Energy Storage Systems) are devices that enable energy generated from renewable sources to be stored and released as needed. Despite ongoing research in the BESS field, lithium-ion battery-backed BESS currently dominates energy storage systems worldwide.

For Setting Up New Unit, Cost and Time Matter Most

Fossil fuel-based power units, primarily dominated by coal-based plants, are both expensive and time consuming, requiring INR 8.34 Crore to construct one MW unit with a construction time of at least 4 years. In contrast, setting up a solar unit is relatively less expensive and less time-consuming.

However, it is crucial to integrate energy storage unit with solar or wind power system is essential for smooth grid transmission. Additionally, solar and wind-based plants generally operate with lower efficiency compared to thermal plant.

Cost Structure⁹:

Resource	Capex (in INR Crore/MW)	O&M Fixed Cost /MW	Construction Time (Years)	Life Time (Years)
Coal	8.34	19.54 Lakh	4	25
Hydro	6 to 20	2.5% of Capex	5 to 8	40
Solar ¹⁰	4.5 to 4.1	1 % of Capex	0.5	25
Wind(Onshore)	6	1% of Capex	1.5	25
Wind(Offshore)	13.7	1% of Capex	1.5	25
Biomass	9	2% of Capex	3	20
Pumped Storage ¹¹	3 to 8	5 % of Capex	7	40
Battery Energy Storage (2-Hour)	3.13 to 5.13	1 % of Capex	0.5	14
Battery Energy Storage (5-Hour)	5.51 to 9.77	1 % of Capex	0.5	14

Source: CEA



⁹Based on FY 2021-22 cost structure,

¹⁰ Cost has been declining gradually, expected to go down further in coming days

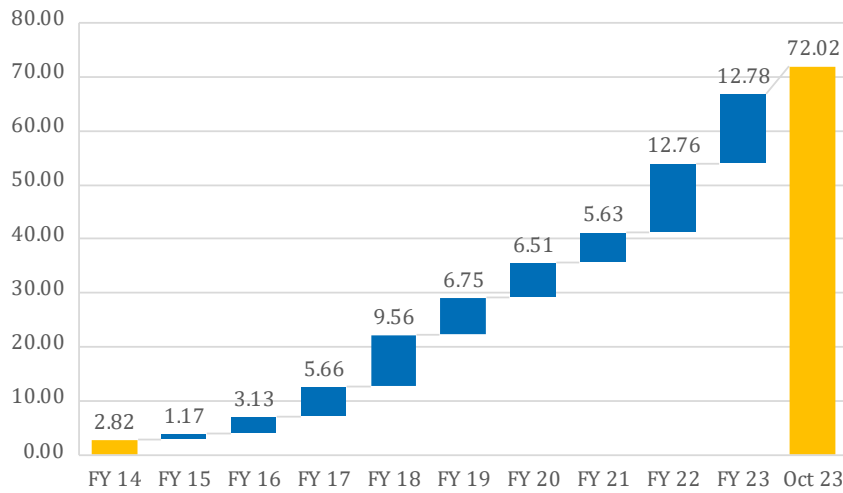
¹¹ The Cost of PSP varies widely, from INR 1 Crore/MW to INR 8 Crore/MW

Solar

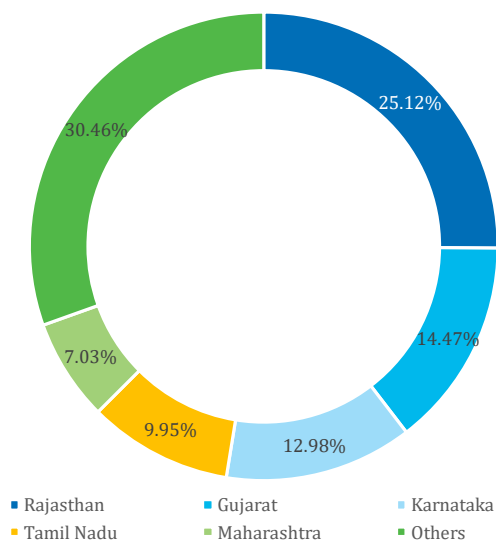
India has achieved significant progress in the field of solar power, with installed capacity surging from a modest 2,821 MW in FY 2014 to an impressive 72,018 MW by the end of October 2023, making a substantial 25.52-fold increase. With this total capacity, 55,710 MW are attributed to ground-mounted solar plants, 11,080 MW to grid connected solar rooftop, 2,548 MW to solar component of hybrid plants, and 2,680 MW to off-grid solar plants.

According to the CEA's estimation, India's solar power capacity is projected to touch 2,92,566 MW by end of FY 2029-30. As on date, Rajasthan, Gujarat, and Karnataka collectively account for 53% of the total installed capacity. Additionally, the combined renewable potential of Rajasthan, Gujarat, Maharashtra and Karnataka contributes 51% of the country's renewable potential.

Installed solar power capacity in India (GW)



Share of State in Installed Solar Capacity (%)



Source: www.mnre.gov.in

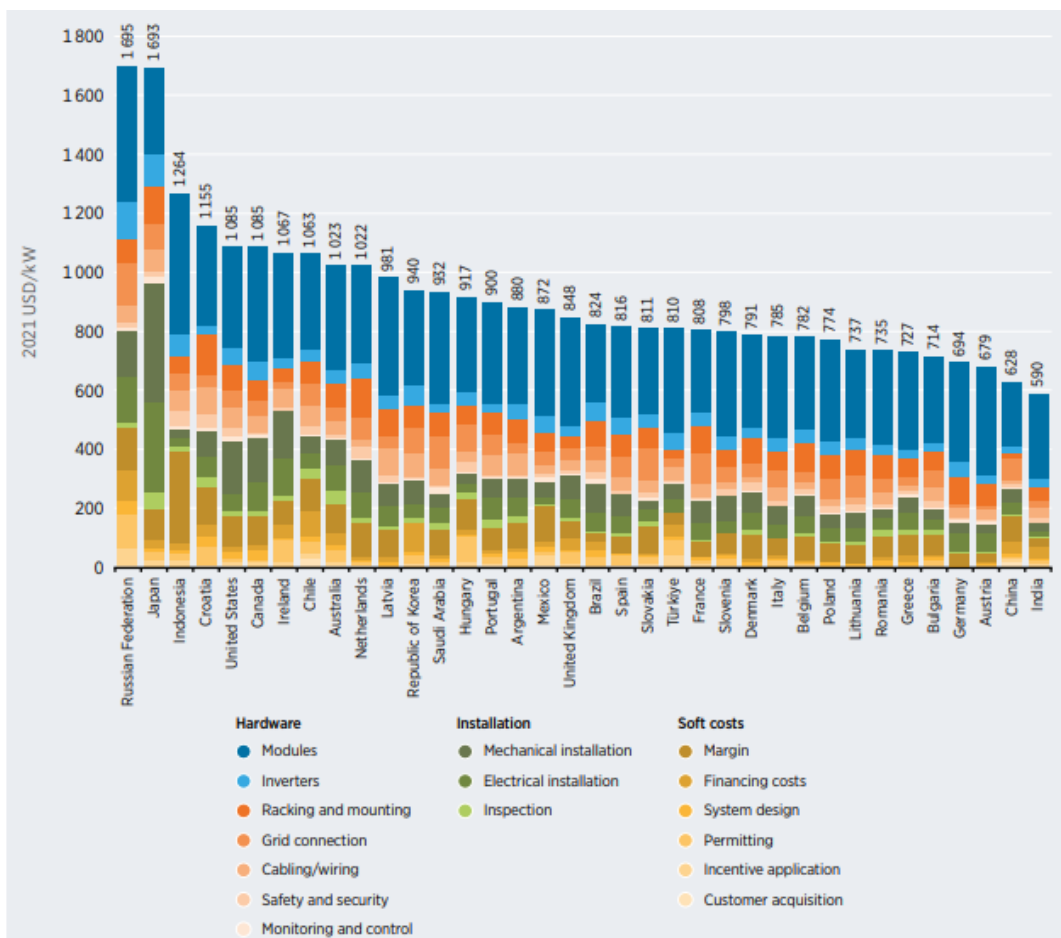
India emerging as lowest cost Solar PV Installer

At USD 590 per kW, as of 2021, India emerged as the lowest-cost solar PV installer, even lower than China. However, solar module costs, which is among the highest cost component of the Solar PV ecosystem is still high in India as compared to China. In India, the Solar PV installation cost has been one-tenth as of 2021 than what it used to be ten years ago. In recent times, solar module prices have fallen very rapidly, backed by a sharp fall of solar-grade polysilicon prices. Solar-grade polysilicon is the key component for making solar photovoltaic panels.

In the Chinese market, solar polysilicon prices have fallen from RNB 2,07,666/Ton in March 2023 to RNB 68,333/Ton at the end of November 24, 2023.

Solar bid tariffs for new units have been in the range of INR 2.20 to 2.75/kWh. Recently, the Central Electricity Regulatory Commission (CERC) has approved a tariff of INR 2.54/kWh for the upcoming 334 MW solar power project of Solar Energy Corporation of India Ltd. NHPC has also awarded its 3000 MW solar projects to eight different bidders at a cost of INR 2.53/kWh.

Solar PV Installation Cost Across the World



Picture Source: Renewable Power Generation Costs in 2021 by International Renewable Energy Agency (IRENA)

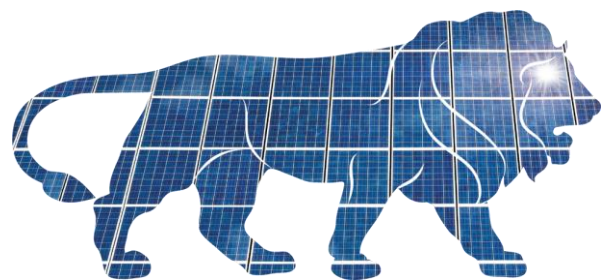
India's solar value chain¹²

The solar value chain typically involves the manufacturing of polysilicon from silicate (sand) and ingot-wafer production from polysilicon. Subsequently, solar cells and solar modules are manufactured from wafers. Within the value chain, the maximum value is generated during the conversion of silica to ingots, representing the biggest price and main source of value. To date, India is largely dependent on imports for all these materials, although with a declining trend. The lack of cost competitiveness of local players poses a significant hurdle, restricting the expansion of their production base. As of March 2023, India's cumulative solar PV module manufacturing capacity stands at 36-37 GW, with plans to add another 80-90 GW in the next couple of years based on announced projects. In contrast, PV cell manufacturing capacity in the country is considerably lower, approximately at 6.5 GW at the end of March 2023. However, there is a substantial plan to boost cell manufacturing capacity to 65-70 GW, which is expected to be commissioned in the next couple of years. It's worth noting that India is entirely dependent on imports of polysilicon, with only a few ingot-wafer manufacturers operating domestically. In the realm of manufacturers, approximately 70 entities are engaged in manufacturing modules, with another 8-9 are engaged in manufacturing cells. Adani solar stands as the sole company in the country involved in manufacturing ingot/wafer. However, it is noteworthy that there isn't currently any player engaged in the manufacturing of polysilicon within the country.

Support from the Government

In an effort to reduce import dependency, the government has implemented a series of measures including the imposition of basic customs duty, bringing the sector under a product-linked incentive scheme (PLI), and the notification of an Approved list of Models and Manufacturers (ALMM) comprising only domestic manufacturers. To date, the government has allocated INR 19,500 Crore towards the solar PV module PLI scheme, which primarily encompasses three streams in the value chain viz. polysilicon to module, ingot-wafer to module, and cell to module.

Based on the awarded PLI schemes, an estimated investment of INR 1,23,000 Crore is anticipated, with a significant share directed towards the polysilicon to module, i.e. integrated one, (around INR 55,000 Crore). The implementation of ALMM ensures the visibility of domestic demand and a reduction of unregulated imports. However, it's important to note that ALMM is currently in abeyance until March 2024.



¹² Based on data compiled from various media reports;

Wind

With 44 GW capacity as of October 31, 2023, India is the fourth largest country in the world in terms of installed wind power capacity. The country’s foray into wind energy dates back to 1952 when a power engineer named Mr Maneklal Sankalchand Thacker undertook a wind energy development project in association with the Council of Scientific and Industrial Research (CSIR). The trajectory of large-scale wind power development began in the Country and gained momentum in 1965 with the establishment of a 40kW joint venture project by Gujarat Energy Development Agency (GEDA) and JK Synthetics Ltd.

Unlike solar PV exhibits a more widespread potential, wind power is very much geography-specific. Seven states - Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, and Tamil Nadu – currently contribute to 99% of the installed capacity, showing the concentrated nature of wind power potential in those regions.

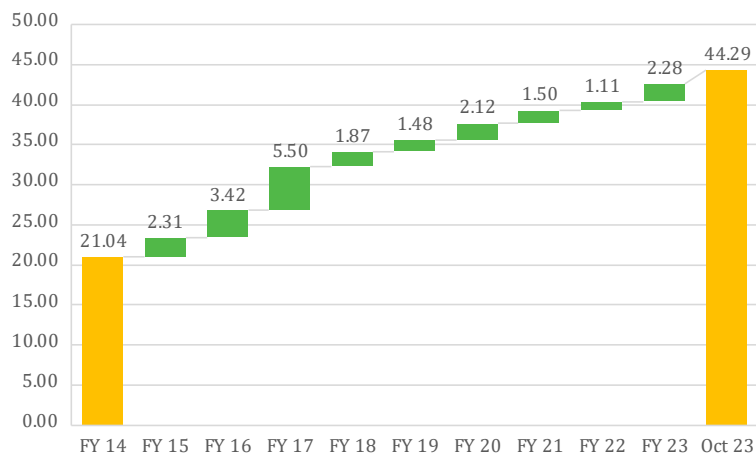
Until 2022, the capacity addition in the sector remained sluggish due to the scarcity of favourable sites and policy-related setbacks.

However, things are improving gradually. According to the CEA estimates¹³, the expected installed capacity is poised to reach approximately 100 GW by 2030, while the Country’s total wind energy potential is approximately 695 GW.

In contrast to solar energy, wind energy relies on a robust domestic manufacturing base, currently at approximately 10,000 MW per annum. Previously, there were numerous technology transfer and licensing agreements between Indian manufacturers and global technology providers. However, the landscape has evolved, with roughly 70-80% of wind turbine and generator components now being manufactured domestically.

India, endowed with a 7600 km coastline, holds significant potential for wind power generation. In 2015, the government announced the National Offshore Wind Energy Policy and recently published a strategy paper on the implementation of the same. Nevertheless, based on the MNRE strategy paper, substantial offshore wind power capacity additions are expected only after 2030.

Installed Wind Power Capacity in India (GW)



¹³ Report on optimum generation mix 2030, version 2.0; by Central Electricity Authority, Minist

Source: www.mnre.gov.in

Policy Initiatives

As previously mentioned, the wind capacity addition remained slow between 2018 and 2022, with policy bottlenecks being one of the contributing factors. Earlier, the prevalence of reverse auction was not a perfect fit for the wind sector due to its complexity. The recent elimination of reverse bidding and the introduction of a single-stage bidding process has simplified things, attracting more attention from potential bidders. Additionally, the government's plan to auction 10 GW wind capacity each year till FY 2028 provides near-term visibility for the industry. Moreover, the bid for a 40 GW solar-wind hybrid by 2028 has further enhanced the industry's attractiveness. The state-wide quota of 2GW per annum aims to address the issue of site acquisition. On the transmission front, the cost of wind power generated across the states will be pooled together and offered to the DISCOMs which are buying them, so will maintain uniformity.

Wind-Solar Hybrid Projects

While power generation through solar PV offers an economical option, it alone cannot fulfil India's renewal power aspiration. Solar PV generation peaks during the mid-day but gradually declines, ceasing entirely in the evening. In contrast, power demand remains lower in the morning, increases gradually, and reaches its peak in the evening. Wind energy systems, on the other hand, provide a more consistent power generation profile except for a slight increase in the evening. To maintain grid stability, combining solar and wind through a hybrid system becomes a better option.

Recognizing this, the National Solar-Wind Hybrid Policy was introduced in 2018. To date, progress under wind-solar hybrid project has been satisfactory, with an awarded capacity of 11.04 GW, of which 2.54 GW has already been commissioned.

Concluding Thought

The 28th meeting of the Conference of Parties (COP 28) concluded on December 12, 2023, in Dubai, where delegates from across the world pledged to reduce the carbon footprint and increase the use of renewable energies. Domestically, India has also made significant strides in reducing its carbon footprint, with the share of RES in the country's total energy mix gradually increasing. By the end of FY 2030, it is anticipated that approximately 56% of the country's total energy capacity will be derived from renewable sources. Solar PV is expected to be the game changer for India, with a projected fourfold increase in capacities by 2030 compared to October 31, 2023. India is now the lowest-cost installer of solar PV in the world although, the cost of solar cells and modules are still high here as compared to China. India is on track to achieve self-sufficiency in manufacturing the entire solar value chain. The wind energy sector also holds tremendous potential for growth. Significant efforts are underway in the field of energy storage, and the Government is actively promoting domestic manufacturing of these components, many of which are currently imported. In light of these developments, a bright future awaits India, where the country's vision and commitment to adopting green energy are poised to become a reality.



Social Media- A boon in shaping the society or a Bane in blemishing the way we see the world?

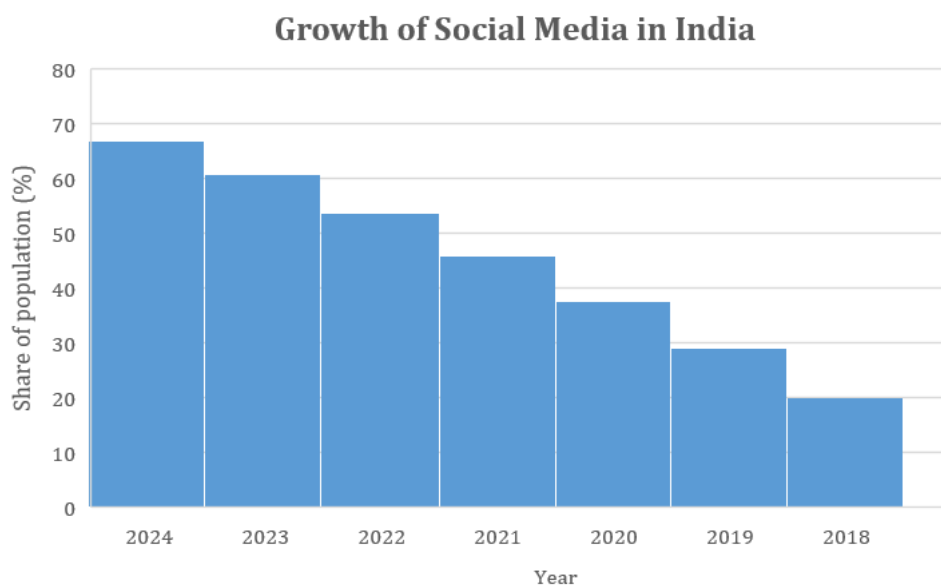
The accessibility of cheap internet has given rise to the use of the internet and social media where users from different parts of the world, society, echelon and dogma have connected through various social media platforms. Social media has become an integral part of the Internet affecting people from all parts of the world. India- being the most populous country, has the second largest number of internet users globally. India's social media landscape experienced a significant shift with the Government's decision to ban a major Chinese app- TikTok, due to cross-border disputes with China. Social media in India has grown through leaps and bounds with new users joining the platform each day.

A study by Bain & Company predicts that social commerce in India will witness a compound annual growth rate of 55-60%

between F.Y. 2020- 2025, expanding the current market size from \$1.5 – 2 billion to \$16-20 billion. Throughout 2022, on average there are about 470.1 million active social media users in India on a monthly basis with an annual growth rate of 4.2% in 2021-2022.

With the Constitution of India guaranteeing the freedom of speech and expression, Social media has enabled people to share their thoughts, views, knowledge, cultures and experiences. Several topics and conversations have become viral on social media such as Bollywood gossip, Indian Politics, Stock market and cricket updates- just to name a few!

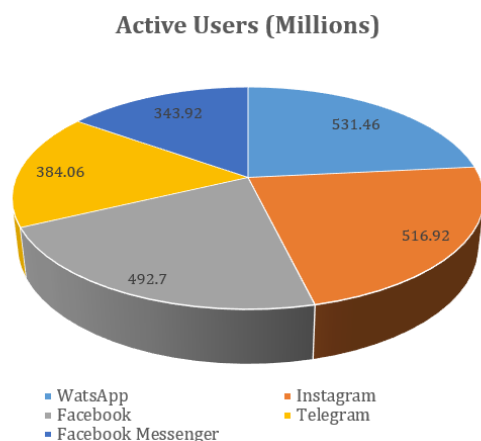
India's Response to Social Media¹⁴



¹⁴ Source: <https://www.statista.com/statistics/240960/share-of-indian-population-using-social-networks/>

Falling smartphone prices and easy availability of speedy internet are two main factors that have led to a rise in the adoption of social media. The number of Mobile Internet Users has reached 627 million in 2023. The most useful use of social media has been to impart education, training and in a way it has helped users from all facets of life in earning a living, through subscribers, followers and likes.

As per the “Global Statistics”- The 5 most popular social media platforms (including messaging apps) in India (2023) are WhatsApp followed by Instagram, Facebook, Telegram and Facebook Messenger.¹⁵



Influencers: They are people with sizeable social media following who have the capacity to influence the thoughts, likes, and beliefs of their followers. They can be anyone, not necessarily the rich, and the glamorous ones. They can be market analysts, financial bloggers, food bloggers, fashion bloggers, and travel bloggers.

However, they are different from Celebrities. Influencers come in different sizes based upon their followers – nano, micro, medium, macro and mega depending upon how many followers they have:

- Nano Influencers- fewer than 10,000 followers
- Micro-Influencers – have from 10,000 to 50,000
- Medium Influencers – have from 50,000 to 1,00,000
- Macro Influencers have more than 5,00,000
- Mega Influencers have over one million followers.



¹⁵ Source: <https://www.theglobalstatistics.com/india-social-media-statistics>

Impact of Social Media on the Stock Market

Social Media platforms such as Twitter, Instagram, Facebook, YouTube and Reddit are some of the mammoth platforms with enormous amounts of registered users where a lot of information is exchanged and influenced. Information on these platforms can become viral within seconds thereby influencing millions of people. One such information is stock market tips and tricks where the influencers share their knowledge on stocks, which potentially influences the stock prices. This effect is known as “Social Media Momentum”.

“Financial Influencers” or “FinFluencers” as commonly known as individuals who share their experiences on financial topics such as stock market trading, mutual funds, and cryptocurrencies on social media platforms. Usually, these people have a lot of followers on their social media handle accounts. There is a lot of information which is being shared on social media accounts which have huge commercial and academic value. These also have the power to influence the trading community and retail investors.

In a research study conducted on such data shared on social media platforms, a prediction model based on machine learning was put forward and it was found that the prediction model could estimate the stock price about 20 minutes later. A lot of retail investors are lured by the information and knowledge being shared by the Finfluencers, thereby resulting in a frenzy buying of stocks. There is a common term for such frenzy buying known as FOMO (Fear of Missing out).

SEBI’s Take on Stock Recommendations by Finfluencers

With the growth of the Indian stock market and each day, new demat accounts opening and the increased participation of individual investors in the capital market, the ***watchdog of the Capital Market- the Securities and Exchange Board of India*** has been monitoring information at large, stock tips and tricks are given by YouTubers, finfluencers, individuals advising on financial matters especially investment, stock market, mutual funds etc.

SEBI is very keen on increasing investor awareness and safeguarding the interest of Retail Investors. It organizes Investor awareness programmes to educate and create awareness. SEBI has been constantly advising investors not to be lured by the unsolicited advice of individuals who claim a guaranteed profit in stock trading through the stock tips provided on their social media accounts.



Recently National Stock Exchange of India Limited (NSE) in its Circular on Advertisement for stock Brokers dated February 03, 2023, notified the “Code of Advertisement”. Some of the broad guidelines/highlights are¹⁶:

- Prior approval for all advertisements should be obtained from Exchange before issuance of Advertisement
- Any Advertisement issued by Authorized Persons/Business Partner/Channel Partner of the members or Influencer/Blogger being paid by members shall require prior Exchange approval. Any advertisement issued by an Authorized Person on their own shall not be entertained by the Exchange
- Celebrities shall not form part of the advertisements including but not limited to, in the form of cartoons/memes, etc. The word ‘celebrity’ means and includes any person:
 - a. who feature in the top 50 rankings in any celebrity index published by a national publication of repute which is publicly available. The celebrity index should be the latest available or at the most one year old.
 - b. who has played lead role or one of the lead roles in any mainstream /prominent/popular movies/TV serials/TV shows/web-series on any of the OTT platforms.
 - c. who is an Influencer with more than 10 Lacs followers/subscribers (per social media handle) on any social media platform that includes but is not limited to YouTube, Instagram, Facebook, Twitter, etc.
 - d. who being a Sports person has been part of the National team of the country to which he belongs or has represented his country in international tournaments/events such as the Olympic Games, Asian Games, Commonwealth Games, popular sports events telecasted on television such as Kabaddi, Cricket IPL, etc. and competitive games at international level for that given sport, etc.
 - e. who has been a host or one of the hosts or anchors or one of the anchors for any TV programs such as quizzes, cooking shows, news channels, comedy shows, dance shows, song shows, award functions and other entertainment programs at least for one season or for a minimum of 10 episodes, as the case may be.
 - f. who has been a winner or runner-up in any prominent/popular competitive program aired on a TV/OTT platform or any prominent personality who has gone through a series of qualifying rounds (for the elimination of competitors) which may be known as qualifying round, quarter-finals, semifinals and finals or by any other name.
 - g. who is a virtual character (fictional computer ‘people’ or avatars who have the realistic characteristics, features and personalities of humans) that bears influence on their audience/followers.
 - h. who in the view of Exchange is capable of influencing the opinion of viewers of the advertisement.

¹⁶ Source: <https://www.nseindia.com/resources/exchange-communication-circulars>

SEBI's Investigation on the Stock Recommendations

SEBI has been conducting investigations and examinations into the stock recommendations which are being circulated on Social Media Platforms by some finfluencers/individuals. In one of the Interim Orders passed by the Securities and Exchange Board of India, it was found that certain persons who do not have any registration with SEBI to function in the Securities markets as an Intermediary are using social media platforms like Telegram and Twitter to artificially influence the stock prices so as to make illegal profits.

SEBI in the Interim Order dated March 02, 2023 - Matter of Stock Recommendations using YouTube in the scrip of Sadhna Broadcast Limited described in the said Interim Order that certain entities actively operating through such social media channels first take a position (purchasing shares) in small-cap companies in bulk quantities; then send baseless and fraudulent messages indicating strong possibilities of immediate price hike in such scrips through such social media channels thereby instigating others to take bullish position in those scrips; and ultimately after the prices go up, they take contrary positions (selling their previously acquired shares) thereby making profits out of such trades executed under such fraudulent scheme and device.

SEBI in the matter of Mansun Consultancy Private Limited - flagship company of Finfluencer PR Sundar and Ms. Mangayarkarasi Sundar - was providing investment advisory services without obtaining the requisite registration from SEBI.

It was also providing recommendations related to purchasing/selling/dealing in securities which were communicated to the client through the Telegram channel. SEBI issued a Settlement Order dated May 25, 2023, wherein the three entities agreed to pay Rs. 46.80 lakhs and disgorge Rs. 6.07 cr which includes profits earned from advisory services amounting to Rs. 4.6 cr along with interest @12 % and refrained the entities from buying, selling or otherwise dealing in securities in India for a period of 1 (one) year.

Conclusion

In order to regulate the unregistered Financial influencers, SEBI is preparing draft discussion papers for regulating and monitoring the Finfluencers and to enforce rules and guidelines to regulate the mushrooming number of unregistered Finfluencers or investment advisors. This step came immediately when the Income Tax department reportedly started sending notices to the top 35 social media influencers for not paying taxes worth crores of rupees.

Even the Finance Minister addressed the concerns related to finfluencers and dangers caused by some unregulated, unregistered people luring small investors into guaranteed profit.

The Influence of social media is so heavy that Individuals are being guided by "Subah Se Raat Tak". Is it turning the world into a Global Village or a Global Jungletime is the best judge.

Sebi Increases Disclosure Requirements to Improve Corporate Governance

SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) encourage transparency and fair disclosure from listed entities. To abide by the same, Securities and Exchange Board of India (“SEBI”) had issued consultation papers on 12th November, 2023 and 21st February, 2023. Later on 14th June, 2023 issued Listing Amendment Regulations 2023 which made significant modification to regulations 30 and inserted regulation 30A in the Listing Regulations. The changes are intended to improve corporate governance at listed companies by enhancing compliance, empowering shareholders, and streamlining the disclosure obligations for significant events or information.

The amendments are largely effective from 14th July, 2023 and major alteration in the provision of the Listing Regulations are –

- i) Timeline for filling vacancy of Directors, Key Managerial Personnel and Compliance Officer, and Permanency of Directors on the Board;
- ii) Quantitate criteria for determining the materiality of event or information and timeline for disclosures of such event or information under regulation 30;
- iii) Disclosure and approval requirements for special rights granted to shareholders;
- iv) Approval requirements for business transfer agreements undertaken outside the scheme of arrangement route;

The criteria for determining a transaction as material have now been defined by SEBI, and detailed guidance has been provided on establishing the occurrence of an event or information for disclosures under regulation 30 of the Listing Regulations.

Vacancy in the office of Compliance Officer and certain KMPs [Regulation 6(1A) & 26A]

A new regulation 6(1A) by SEBI states that any vacancy in the position of Compliance Officer must be filled by the listed entity as soon as possible and, in any case, no later than three months from the date of the vacancy.

Further, SEBI has also inserted a new regulation 26A which states that any vacancy in the office of the Chief Executive Officer, Chief Financial Officer, Managing Director, Whole Time Director or Manager must be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy.

Further, the listed entity shall not fill such vacancy by appointing a person in an interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

Permanency on the Board of Directors

According to a recently added regulation 17(1D), effective April 1, 2024, the continuation of directors serving on the board of directors of a listed entity must receive shareholder approval in a general meeting at least once every five years from the date of their appointment or reappointment, as applicable.

Additionally, the directors who have served on a listed entity's board of directors as of March 31, 2024, without the consent of the shareholders for the previous five years or more, must receive the consent of the shareholders at the first general meeting that will be convened after March 31, 2024.

However, this condition does not apply to

- (i) whole-time director, managing director, manager or independent director,
- (ii) director retiring by rotation,
- (iii) director appointed pursuant to the order of a court / tribunal,
- (iv) nominee director of the Government of a listed entity, other than a public sector company,
- (v) nominee director of a financial sector regulator,
- (vi) director nominated by a RBI regulated / registered financial institution under a lending arrangement (normal course) or nominated by a SEBI registered debenture trustee under a subscription agreement.

Quantitative criteria for determining the materiality of event or information

Every listed entity is required by Regulation 30(1) of the LODR to disclose any events or information that the board of directors of the listed entity deems to be material.

Additionally, Regulation 30(4) outlines the criteria for establishing the significance of events and information. Prior to this time, there were no threshold-based criteria for determining the materiality of the events or information. The Board's decision as to whether or not to consider a certain occurrence or piece of information as material is entirely up to them.

The threshold criteria for judging an event's or information's materiality have now been introduced by the SEBI. As a result, when establishing the materiality, a listed entity must take into account the following thresholds.

The omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following thresholds.

- 2% of turnover, as per the last audited consolidated financial statements of the listed entity.
- 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative.
- 5% of the average of the 'absolute value of profit or loss after tax' ¹, as per the last three audited consolidated financial statements of the listed entity.

Explanation: The average of absolute value of profit or loss is required to be considered by disregarding the 'sign' (positive or negative) that denotes such value as the said value / figure is required only for determining the threshold for 'materiality' of the event and not for any commercial consideration.

Timeline for disclosures of such event or information under Regulation 30

According to Regulation 30(6), a listed entity must notify stock exchanges of all material events/information as soon as practicable and no later than 24 hours after the event or information occurs.

Now, SEBI has established precise deadlines for disclosing important events or information. Depending on the nature and source of the incident or information, the disclosure must be disclosed as soon as is reasonably possible and within a certain amount of time. The following time frames for disclosure are established:

- Within 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken.
- Within 12 hours from the occurrence of the event or information if it originates from within the listed entity.
- Within 24 hours from the occurrence of the event or information if it does not originate from within the listed entity.

Disclosure of certain types of agreement to the stock exchange

- Agreements entered into by-
 - shareholders,
 - promoters,
 - promoter group entities,
 - related parties,
 - directors,
 - key managerial personnel,
 - employees of the listed entity or of its holding, subsidiary or associate company,

- among themselves or with the listed entity or with a third party,
- solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to
 - impact the management or
 - control of the listed entity or
 - impose any restriction or
 - create any liability upon the listed entity,

shall be disclosed to the Stock Exchanges, within 12 hours, if Company is a party and within 24 hours, if Company is not a party, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the listed entity is a party to such agreements.

All the aforesaid mentioned parties, who are parties to the agreements shall inform the Company about the agreement to which such a listed entity is not a party, within two working days of entering into such agreements or signing an agreement to enter into such agreements.

Note: Any subsisting agreement as on notification date shall be informed to the Company by the parties and the Company in turn disclose to the SEs and on its website.

Disclose agreements that subsist as on notification date along with their salient features in the Annual Report of 2022-23 or 2023-24.

Disclosure and approval requirements for special rights granted to shareholders

Now, any special right granted to the shareholders of a listed entity shall be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every five years starting from the date of grant of such special right.

Provided that the special rights available to the shareholders of a listed entity as on the date of coming into force of this regulation shall be subject to the approval by shareholders by way of a special resolution within a period of five years from the date of coming into force of this regulation.

Provided further that the requirement specified in this regulation shall not be applicable to the special rights made available by a listed entity to a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in the normal course of business or to a debenture trustee registered with the Board under a subscription agreement for the debentures issued by the listed entity, if such financial institution or the debenture trustee becomes a shareholder of the listed entity as a consequence of such lending arrangement or subscription agreement for the debentures.

Approval requirements for business transfer agreements undertaken outside the scheme of arrangement route

Prior approval of shareholders by way of special resolution is required in the event of the sale, lease, or otherwise disposal of the whole or substantial whole of any undertaking of the listed entity.

Furthermore, votes cast by the public shareholders in favor of the resolution exceed the votes cast by such public shareholders against the resolution.

Provided further that no public shareholder shall vote on the resolution if he is a party, directly or indirectly, to such sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the listed entity.

Exemption: The aforesaid is not applicable in case of-

- A. sale, lease, or disposal of an-undertaking to the wholly owned subsidiary of the listed entity, subject to certain conditions as follows
 1. Dilution of holdings in wholly owned subsidiary
 2. Wholly owned subsidiary selling / leasing / disposing such undertaking (whole or in part) to other entity.
- B. where sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of a listed entity is by virtue of a covenant covered under an agreement with a financial institution regulated by or registered with the Reserve Bank of India or with a Debenture Trustee registered with the Board.

Verification of Market Rumours promptly by top listed entity

Top 100 listed entities (wef October 1, 2023) and thereafter the top 250 listed entities (wef April 1, 2024) shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than twenty four hours from the reporting of the event or information.

In order to promote greater transparency and governance, the Amendment Regulations impose new compliance and disclosure requirements on the listed organization. The changes are intended to make sure that the listed entity discloses information in a sufficient manner so that a larger audience can access it.

Sumedha Fiscal Services Ltd. Sumedha Management Solutions Pvt. Ltd. (Insolvency Professional Entity)

- Sumedha Fiscal Services Limited (SFSL) is a front-ranking SEBI Registered Merchant Banking Company and boutique financial services company for the last 3 decades. It provides an entire gamut of financial services to its clients and is listed at BSE.
- The company offers a wide bouquet of services ranging from Debt Syndication, Restructuring, Corporate Advisory, Resolution of Stressed Assets, One Time Settlement, Valuation, Corporate Finance, Merchant Banking, Issue Management, Private Placement, SME IPO, Private Equity, Venture Capital, Mergers & Takeovers, Recovery Agent, etc.
- SFSL is having a pan India presence across six locations with offices at Kolkata, Mumbai, Delhi, Ahmedabad, and Bangalore.
- SFSL is managed by a group of eminent chartered accountants with vast experiences in various financial sectors supported by about 60 member's well-knit team of experienced professionals across the industry.
- It shares a strong relationship with corporates, banks, financial institutions, PE Funds, distressed assets funds & ARCs.

- Sumedha Management Solutions Pvt. Ltd. (SMSPL) is sponsored by Sumedha Fiscal Services Limited (SFSL) – a listed Investment Banking Company providing professional services under IBC, 2016;
- SMSPL is an IBBI recognized Insolvency Professional Entity vide IPE Recognition no: IBBI/ IPE/0020 & CIN: U93000WB2017PTC219387;
- Board of Directors of SMSPL consists of Insolvency Professionals, Experts, & In-house team of Lawyers, Company Secretaries, MBAs, assisting in legal and compliance matters.

Major Services

- Advise both Lenders & Borrowers on Insolvency & Bankruptcy Code, 2016;
- Assist Lenders (both Financial & Operational) towards recovery strategy on defaulting;
- Identification of Stressed assets, formulating strategies, pre-pack plan & execution for making recoveries;
- Assisting Corporates in working out resolution plan, turnaround strategies & restructuring packages;
- Resolution/Recovery under IB Code with experienced professionals;

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