HT NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 135

Wednesday, June 5, 2024

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Coalition karma: TDP, JD(U) to play kingmakers ▶P3

Bulls caught on wrong foot, stocks sink in sea of red ▶P1

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Think Ahead. Think Growth.

mint primer

The verdict in three minutes

BY N. MADHAVAN

The 2024 elections have thrown up a major surprise. The Bharatiya Janata Party (BJP) was supposed to have swept the polls. Instead, it has fallen short of majority. It now needs to form a government with its partners in the National Democratic Alliance (NDA). In short, the era of coalition politics is back in India. Here are some of the main takeaways.

1 Heartland heartbreak

The BJP's belief that it would do well in the elections stemmed from its confidence in sweeping the Hindi heartland—Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, Chhattisgarh and Haryana. This emboldened it to set a target of 400-plus for the National Democratic Alliance (NDA). In the event, voters in these states have reminded the BJP not to take their support for granted. In 2019, the party and its allies won 174 out of 195 seats in the above six states. This time around, the NDA is set to win just 122* seats. The BJP's hardcore Hindutva ideology, polarization of votes along religious lines and building of the Ram temple could not beat the anti-incumbency. People seem to be upset with falling incomes, rural distress and jobless growth.

2 Modi magic has its limits

After the notification of elections by the Election Commission, Prime Minister Narendra Modi held 206 public meetings including roadshows across the country. He led the NDA's campaign almost single-handedly. While the performance of his government, his personal popularity and guarantees have ensured that the NDA crossed the 272-mark, they were not enough for the BJP to get a majority or repeat its 2019 performance.

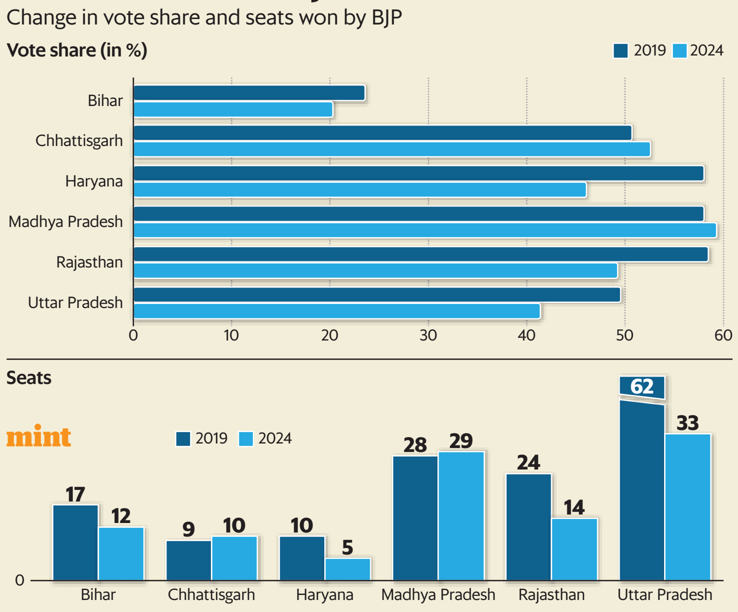
BLOOMBERG

3 A different Parliament

There has been much hand-wringing about the lack of a strong Opposition in the past decade. Congress, the only opposition party with a national presence, was weakened after drubbings in 2014 (44 seats) and 2019 (52 seats). It lacked confidence and respect among other parties. That made the BJP more powerful. People, by giving 99* seats to Congress in the 2024 elections, have revived the party. On the other hand, the BJP with about 240* seats, has fallen short of the 272 required for a majority and will now depend on its allies to form the government. This means the NDA will face a very different Parliament this time around and the BJP will need to take other parties along to pass important legislation.

Hindi heartland story

Change in vote share and seats won by BJP



Source: Election Commission of India

PRANAY BHARDWAJ/MINT

4 Regional parties return

The BJP's comfortable majority in 2014 and 2019 meant that regional parties had little say in policymaking. For instance, the DMK with 38 seats practically had no say in Parliament. That is now set to change. The BJP will depend on its allies such as the Telugu Desam Party, Janata Dal (United) and others to form the government. It may also need to reach out to other regional parties in the opposition benches to get important legislation passed.

5 Development matters

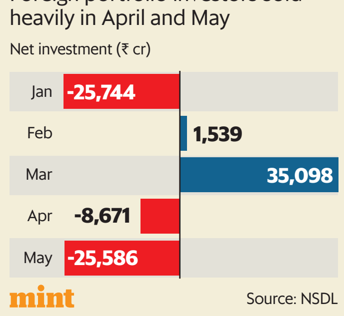
The people of Andhra Pradesh have voted for development and not cash handouts. The incumbent YSRCP spent ₹4.56 trillion towards welfare schemes in the last five years. This included ₹2.71 trillion by way of direct benefit transfers (DBT) and ₹1.84 trillion towards non-DBT spending. Its leader and incumbent chief minister Y.S. Jagan Mohan Reddy did not give a similar impetus to development. In fact, he painted those who wanted economic growth and development as anti-poor and termed this election as a class war between the poor and the rich. But the lack of jobs and other economic opportunities angered people, especially in the urban areas. Telugu Desam Party leader Chandrababu Naidu fought for development and said without economic growth, welfare schemes cannot be funded. People have given him a massive mandate.

6 FIIs read voters better

It is ironic that foreign institutional investors (FIIs) seem to have read the minds of the Indian voter better than their local counterparts. Anticipating a sub-optimal performance by the BJP, they pulled out as much as ₹25,586 crore from the equity markets in May. On the other hand, domestic investors pumped in over ₹40,000 crore. The stock markets crashed—the BSE Sensex by more than 4,000 points—on Tuesday, as the results began to come in and the possibility of a coalition government became clear. While local investors counted their losses (total market capitalization of listed stocks fell by ₹31 trillion on the day), FIIs that exited are laughing their way to the bank.

The exit

Foreign portfolio investors sold heavily in April and May



Source: NSDL

7 Exit polls off the mark

The performance of exit polls in India has been, at best, patchy. In 2004, they predicted a victory for Atal Bihari Vajpayee-led BJP, but the opposite happened. Since then, their record has improved. They mostly get the direction right while lacking in accuracy. But the 2024 election has exposed the limitation of their predictive models. All of them predicted a comfortable BJP victory and many expected the NDA to get 400-plus seats. The reality was very different. The BJP fell short of a simple majority. Pollsters failed to pick up on the anti-incumbency against the BJP in the Hindi heartland and Maharashtra. The credibility of exit pollsters have hit a new low in India.

(numbers as of 10.30 pm)*

QUICK EDIT

Market slide: Over-bearish on coalitions?

India's stock market tumbled on Tuesday as Lok Sabha election results showed the ruling National Democratic Alliance (NDA) led by the Bharatiya Janata Party (BJP) underperforming exit-poll predictions. The S&P BSE Sensex closed 5.7% lower, having fallen as much as 8.2% in intraday trade. Some of this betrayed panic that the BJP's grip on power would loosen considerably enough to hit the stability of economic policy. Yet, as results kept trickling in after stock-trading ended, market fears seemed overblown. What's expected now is a coalition government of the NDA, led by the BJP, most likely with Narendra Modi as a third-time prime minister. The loyalty of allies Telugu Desam Party and Janata Dal-United may seem fickle, but let's not forget that the economy need not suffer under a regime that could, on paper, come apart mid-way. The logic of a common minimum programme is usually good for economic reforms, as the all-round gains of fast growth are so obvious. If India's new coalition focuses on the economy's emergence, bears could turn bullish again. Let's not overreact.

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PLAIN FACTS

Key states and parties that moved the needle

BY HOWINDIALIVES.COM

In its stated ambition of increasing its seat count beyond 400, the Bharatiya Janata Party (BJP) was banking on two things. One, repeat its strong performance from 2019 in states with seat heft, especially in the Hindi-speaking belt. Two, make inroads in states where it has never held sway, notably in South India and West Bengal. On both counts, it fell short, resulting in an outcome that is likely to still fetch it a third term but with diminished clout.

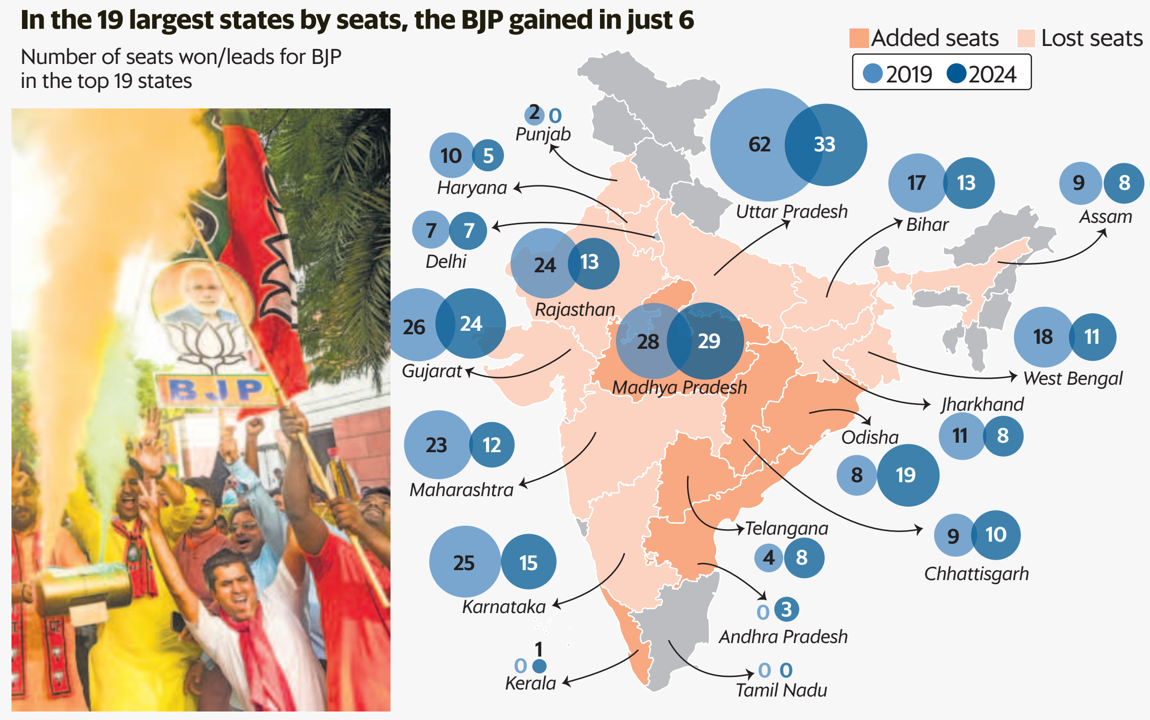
For the BJP, this downsizing is especially worrying because it has happened in some of the largest, and electorally most important, states. This is the case notably in Uttar Pradesh, which alone accounts for about 15% of members of Parliament (MPs). In UP, the BJP's tally declined from 62 seats to 32 seats (a decline of 30). Other notable declines were in Maharashtra (down 13 seats), Rajasthan (down 10 seats) and West Bengal (down six seats).

There were states where the BJP held firm. Among the 19 largest states by seats, which account for 509 of the 543 Lok Sabha seats, this set was led by Madhya Pradesh (a clean sweep of 29 seats), Gujarat, Chhattisgarh and Delhi. Among states where it gained, the most significant was Odisha, where it increased its Lok Sabha tally from 8 to 19 seats, as well as won the state assembly.

But when it came to carving out new ground in less-chartered territory, the BJP was unable to make the impression it wanted to. While it registered small seat gains in Telangana, Andhra Pradesh and Kerala, that was neutralised by its losses in Karnataka, and by coming a cropper in Tamil Nadu.

In the 19 largest states by seats, the BJP gained in just 6

Number of seats won/leads for BJP in the top 19 states



The graphic shows BJP's performance in the 19 biggest states by seats that account for 509 of 543 Lok Sabha seats.

Source: Election Commission of India

Congress On A Rebound

IN CONTRAST, the Indian National Congress (INC) was a story of bouncing back after a string of electoral setbacks over the past decade. The Grand Old Party roughly doubled its seat share, even though it registered a more modest rise in its national vote share. Among the seats it contested, its vote share increased from 24.8% in 2019 to 34.7% in 2024.

One strand of interest in this showing is its performance in direct contests with the BJP. In 2024, the INC was in a direct fight with the BJP in 288 constituencies. Of these, it secured more votes than the BJP in 95 seats (or roughly about one-third). This is a contrast to 2019, when it went up against the BJP in 374 seats, but won only 16% of them. In other words, it doubled its strike rate in such seats. In vote share terms, too, 2024 marked a substantial turnaround for the INC. In 2019, in seats where it contested against the BJP, it garnered 23.3% of votes. In 2024, that has risen to 36.3% of votes.

Overall, the INC contested 328 seats in 2024, down from 421 seats in 2019. Focusing on fewer seats, and being more flexible in seat sharing, enabled it to focus its resources and campaign more efficiently. The Congress this time around also benefitted hugely from the quirks of the first-past-the-post electoral system, which can lead to wild swings in seats from only a small shift in votes, often at the cost of incumbents. States where the INC has gained vote share include Rajasthan, Maharashtra and, crucially, Uttar Pradesh.

Regional Parties: Mixed Bag

ONE OF the important prognosis of the exit poll numbers was the BJP gaining in clout, sometimes at the expense of regional parties. The national party was looking to gain seats in states that were bastions of regional parties, like the Trinamool Congress in West Bengal or the DMK in Tamil Nadu. With the BJP not turning in a performance that matched the exit poll forecasts, the regional parties gained or held on, though there were some among them that saw a slippage.

There are parties that have come out decidedly stronger (for example, Samajwadi Party in Uttar Pradesh and TDP in Andhra Pradesh). Perhaps, the most stellar showing came from the SP, which surged from 5 seats in 2019 to 37 seats in 2024. The most important regional party in Uttar Pradesh has also increased its vote share in seats contested by it by 5 percentage points, from 38.5% to 43.4%. The other large regional party that heaved a sigh of relief is the Trinamool Congress in West Bengal, which despite predictions to the contrary has managed to increase its seats, as well as its vote share by about 3 percentage points.

There are some regional parties that either weakened or did not perform as expected (for example, Biju Janata Dal in Odisha, AAP in Delhi and the RJD in Bihar). Among parties not aligned to any particular alliance, the worst performer was the BJD in Odisha, which has lost seats in the Lok Sabha, as well as control of the state assembly. Its vote share in the Lok Sabha elections has fallen by 6 percentage points to 37%.

Another loser was the Bahujan Samaj Party (BSP) in Uttar Pradesh, which won 10 seats last time and none this time around. In Delhi, despite the AAP campaigning around the arrest of its chief minister Arvind Kejriwal, AAP has not managed to secure any seats against the BJP, though it has gained seats in Punjab.

www.howindialives.com is a database and search engine for public data.

INC gained share in contests against the BJP

INC's vote share in head to head contests with BJP (%)

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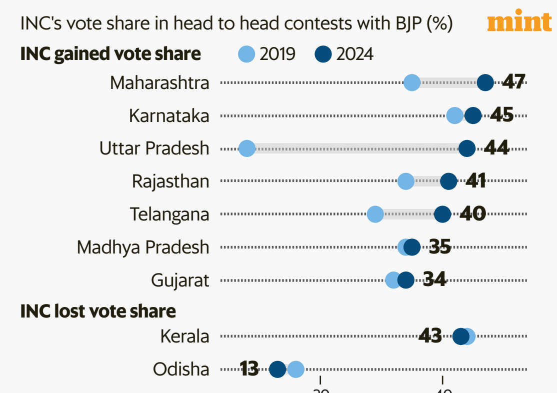
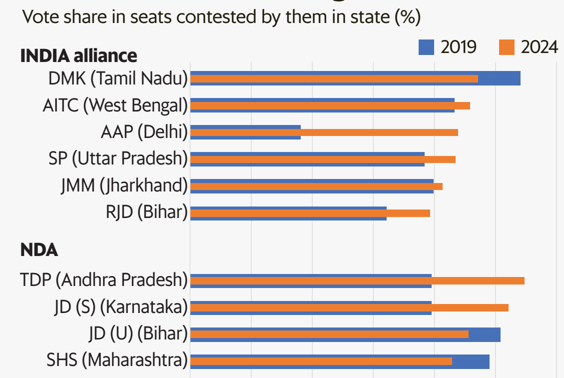


Graphic shows states where the BJP and INC squared up in at least 15 seats. States arranged in descending order of 2024 share of INC.

Major regional parties in their bastions were a mixed bag

Vote share in seats contested by them in state (%)



NCP (SP) and SHS (UBT) were formed after 2019. They secured 44.8% and 39.9% votes in the seats they contested in Maharashtra, respectively, in 2024.

Source: Election Commission of India

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz

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It's bread-and-butter worries that decided the vote ▶P3

India Inc pins hopes on economic reforms ▶P9

COALITION KARMA

NDA parties in pole position as stiff challenge from INDIA bloc denies BJP a Lok Sabha majority of its own for its third term

Sayantan Bera
sayantan.bera@livemint.com
NEW DELHI

Mandate 2024 marked the return of coalition politics to India after a decade of absolute majority, requiring respect for the wishes of smaller allies and raising the prospect of slower economic reforms.

Prime Minister Narendra Modi-led Bharatiya Janata Party (BJP) saw its seat count dip to 240 as per trends late evening—a loss of 63 seats from the 303 it won five years earlier. While the BJP is far from a simple majority of 272 seats in the 543-member Lok Sabha, the National Democratic Alliance (NDA) it leads is set to cross the half-way mark. As of press time, the NDA had either won or was ahead in 293 seats, which entitles it to a clear third term.

The opposition INDIA alliance is likely to secure 233 seats, led by the Indian National Congress that nearly doubled its Parliament strength to 99 seats. INDIA is short for Indian National Developmental Inclusive Alliance.

"People have placed their faith in the NDA, for a third consecutive time! This is a historical feat in India's history," Prime Minister Narendra Modi said on X, formerly Twitter, in his first response to the verdict. Speaking at the BJP headquarters later, Modi outlined the agenda for the next term—pledging to reach out to 'every' section of the society including farmers, working with state governments, and wiping out corruption. He added that the government will strive to wipe out poverty.

The BJP broke into new territories in the east, notably Odisha, where it won the state elections decisively—but its overall numbers were impacted due to a slide in Hindi heartland states of Uttar Pradesh, Rajasthan and Haryana, and the western state of Maharashtra. It looks set to lose 57 seats in these four states, compared to 2019.

The party's significant losses are more a result of pre-poll alliances not working in its favour, rather than any heavy anti-incumbency nationally, said Rahul Verma, a political scientist and fellow at the Delhi-based Centre for Policy Research.

"The BJP continues to be a dominant force in states such as Gujarat, Madhya Pradesh and Chhattisgarh and to some extent in Karnataka... the massive slide in Uttar Pradesh is due to multiple factors, including economic distress. It also lost out in the farm agitation belt and due to the counter-offensive created by the Opposition that a 400-seat strong NDA can lead to changes in the Constitution and removal of reservation benefits (to socially backward classes)."

Verma added that while the Congress improved its national vote share by 5%, the road to recovery where it becomes a serious force to challenge the BJP on its own is still a long one.

The outcome of the general elections is starkly different from most exit polls which forecast the NDA to win between 350 and 400 seats. The pollsters got it spectacularly wrong in states such as Uttar Pradesh, Maharashtra and West Bengal, which account for a third of all Parliament seats.

The results imply that the BJP will have to depend on its allies, primarily the Telegu Desam Party (TDP) led by N. Chandrabābu Naidu, who is likely to win as many as 16 seats in the Lok Sabha, besides winning the state elections in Andhra Pradesh. The other NDA ally is Janata Dal (United) led by Bihar chief minister Nitish Kumar, which had either won or was ahead in 12 seats.

"The election results signify the victory of democracy... the people of India did not give a clear mandate to any political party. The BJP sought votes in the name of one person, one face (Prime Minister Narendra Modi). It is clear, this is not a mandate for Modi ji," Congress president Mallikarjun Kharge

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> People have placed their faith in NDA, for a third consecutive time! This is a historical feat in India's history. I bow to the Janata Janardan for this affection.
>
> **NARENDRA MODI**
> Prime Minister

REUTERS

NDA 293		
BJP	240	▼ 63
TDP	16	▲ 13
JD(U)	12	▼ 4
Shiv Sena	7	▼ 11
LJP (RV)	5	NA

I.N.D.I.A. 233		
INC	99	▲ 47
SP	37	▲ 32
AITC	29	▲ 7
DMK	22	▼ 2
Shiv Sena (UBT)	9	NA

*As of 10.40pm

LEADERS SPEAK

This win is for saving the Constitution, democracy and reservation.

AKHILESH YADAV
SP leader

I thank Hon'ble PM @narendramodi, @AmitShah, @JPNadda for their commitment to AP's future.

N. CHANDRABABU NAIDU
TDP leader

The country's poorest people have done the job of saving the Constitution of India.

RAHUL GANDHI
Congress leader

(Prime Minister Narendra Modi) broke many parties and now people have broken his morale.

MAMATA BANERJEE
CM, West Bengal

This victory of the NDA is a reflection of the people's unwavering faith in the leadership of Shri @narendramodi ji.

AMIT SHAH
Home minister

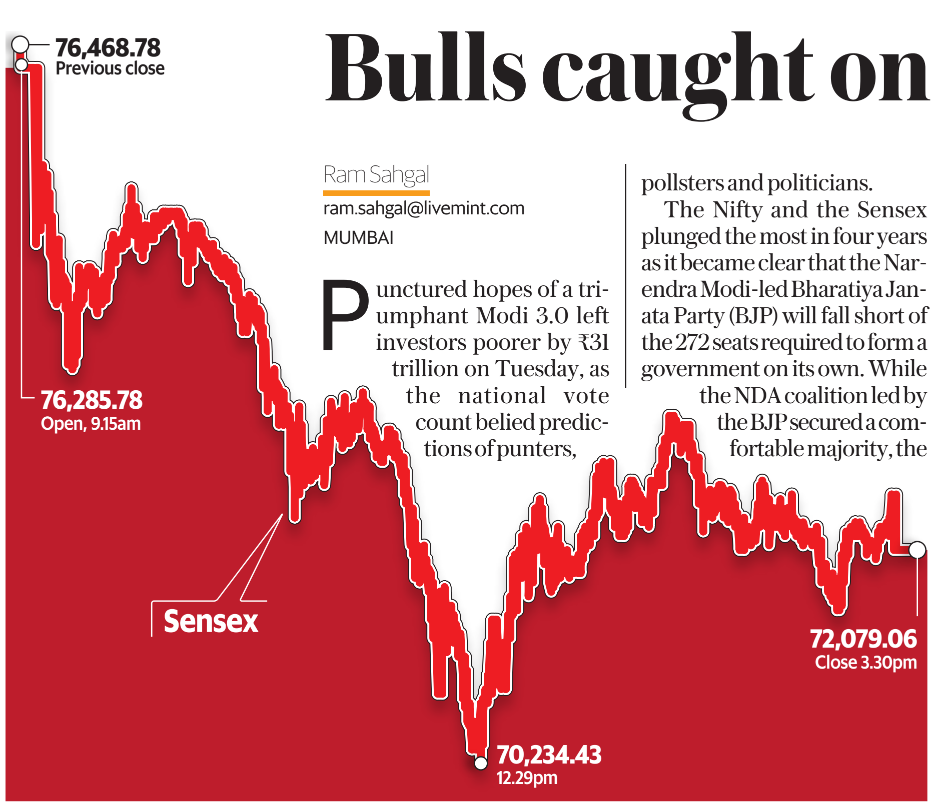
I am not sure if the INDIA alliance can form government. We will meet tomorrow and take a decision.

SHARAD PAWAR
Opposition leader

We'd been saying this battle is between public and Modi...Mandate is against Modi. It's his political, moral defeat.

MALLIKARJUN KHARGE
Congress leader

Bulls caught on the wrong foot, stocks sink in sea of red



Ram Sahgal
ram.sahgal@livemint.com
MUMBAI

Punctured hopes of a triumphant Modi 3.0 left investors poorer by ₹31 trillion on Tuesday, as the national vote count belied predictions of punters, pollsters and politicians.

The Nifty and the Sensex plunged the most in four years as it became clear that the Narendra Modi-led Bharatiya Janata Party (BJP) will fall short of the 272 seats required to form a government on its own. While the NDA coalition led by the BJP secured a comfortable majority, the numbers were far below Modi's call for 400 seats, and exit poll predictions of above 350. At press time, the BJP had either won or was ahead in 293 seats and the NDA in 293 seats.

The Nifty plunged 5.93% to 21,884.5, its worst fall since its 12.98% crash on 23 March, 2020, a day before India entered its first pandemic lockdown. The Sensex tanked 5.74% to 72,079.05, the most since 4 May 2020. The selling was led by foreigners who offloaded a whopping ₹12,436 crore worth of shares and mounted bearish futures positions, provisional BSE data showed. Local institutions sold ₹3,318.98 crore of shares.

While market experts do not expect any sharp change in economic trajectory, they believe stocks will remain turbulent until clarity emerges on government formation, and investors digest Tuesday's rude surprise.

Bluechips such as Reliance Industries, HDFC Bank, ICICI Bank, Larsen & Toubro and State Bank of India, which fell 5-15%, contributed over half of the Nifty's 1,379-point correction. Nifty Midcap 150 and the Nifty Smallcap 250 fell the most in four years to 18,476.25 and 14,761.1, deepening investor wealth erosion.

"Most of the poison is out after Tuesday's correction," said Raamdeo Agrawal, co-founder and chairman of Motilal Oswal Group, when asked about the market direction. "We could correct a bit more technically, say, 2-3%, but not the same way we fell today (Tuesday), with the NDA set to return to the Centre led by Narendra Modi."

The nervousness was underscored by fear gauge India Vix rising 27.7%, the most in 27 months, to 26.75. Vix and markets move in opposite directions, with a steep rise in the volatility index seen as a sign of nervousness and a fall seen as an increase in confidence.

"The broad direction of the economy is unlikely to change, though factor market reform and privatization are off the table. India is likely to now derate due to higher risk perception. Switch from PSUs and capital goods to FMCG and buy Indian equities if the Nifty falls below 20,000," analysts at Emkay Global said in a 4 June note.

On Tuesday, bond yields jumped and the rupee logged its biggest drop in a year. The benchmark 10-year government bond yield rose nine basis points to 7.04%, the most since October 2023. The rupee fell 0.45% to 83.52 a dollar, its steepest fall since June 2023.

Agrawal of Motilal Oswal said investors could consider buying quality stocks once a new government is in place, with many constituents underperforming indices they were part of. However, he cautioned that markets would go into a "free fall" in the unlikely event of the INDIA bloc forming a new government.

Aside from cash market sales, foreign portfolio investors (FPIs) also raised their short index futures positions to 355,379 contracts from 196,944 contracts on 3 June. Retail and high-net-worth investors, on the other hand, increased their bullish index futures bets to 333,364 contracts from 188,947 contracts.

As of Tuesday, FPIs have hedged part of their $800 billion Indian equity assets by shorting index futures. They hedged these index futures (Nifty and Bank Nifty) bearish bets, in turn, by shorting index call and put options.

"It is possible that Modi 3.0 may not be as reform-oriented as the market expected, and may turn more welfare-oriented. This is getting reflected in the strength of FMCG stocks," said V.K. Vijayakumar,

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EXPERT VIEW

SIRAJ HUSSAIN

Respond to this column at feedback@livemint.com

WHY FEDERAL POLITY IS KEY TO MORE JOBS

General elections in India have concluded after a six-week-long campaign. The results are surprising, as the exit polls had created a euphoria around a resounding victory for the BJP-led alliance.

Despite the hype of high economic growth, the voters have expressed their deep concern over the state of the economy. More than 90% of about 292.1 million informal-sector workers registered on the e-Shram portal have a monthly income of ₹10,000 or less. In many poor states, they have spoken about their lived experience.

The 8% real GDP growth in FY24 has not trickled down to a vast majority of masses. Contraction in real rural wages depicts the dire state of rural economy. Inequality seems to have found an expression in the election results, at least in some states.

Elections are too complex to be the outcome of one or a few reasons across the entire country. Many poor states (Bihar and Odisha, for example) have voted for the BJP, so it seems their voters are satisfied with the government and they think that the incumbent can deliver employment and a better future for them.

In any case, the new government, irrespective of its colour, will be bound to take the plight of the masses into consideration.

The top priority for the new government would be to formulate and implement a policy regime which would create more employment opportunities.

The Union government can't do it alone. It will have to work with the states. Thus, federal polity, which had witnessed a decline, may regain centre stage. For a vast and diverse country, it will be a good development.

According to the Periodic Labour Force Survey, about 45.76% of India's workforce was employed in agriculture and allied sectors in 2022-23, but its share in the gross value added (GVA) in the total economy was only 18.3%. And a large number of those employed in agriculture are unpaid family labour.

For any meaningful reforms in the sector, the Union government has to work through the states. It is hoped that government policies will enable growth of the sector, especially animal husbandry, fisheries, and poultry. For farmers, animal husbandry is an important source of income, and any threat of violence by criminal elements results in stagnation of the same. The new government must come out clearly against it and encourage these allied sectors that have emerged as a major source of farmers' income.

> For any meaningful reforms, the Centre has to work through the states

However, it is unlikely that in the short term the productivity of agriculture sector will rise to such a level that these people can earn a decent income. So, the only alternative is to create employment in other sectors where the workforce surplus from agriculture can be deployed.

Textiles, leather, construction, food processing are some sectors that can generate employment if right incentives are provided for investment. Investment and job creation in some of these sectors has suffered due to wrong policies, neglect and in some cases actions of violent mobs (tanneries and leather sector, for example).

Bangladesh is an example where the civil society organizations (NGOs) have contributed to social development, especially of women, thus providing skilled woman power to apparel industry. In the last 10 years, the NGO sector has attracted enormous scrutiny and high-handedness in India. One hopes that the new government will co-opt the NGOs in developmental programmes and employment-generation activities.

Since the implementation of GST, small enterprises have suffered loss of business and the corporates have benefited from the formalization of the economy. They contribute about 30% of the GDP, with a substantial share in exports. They provide employment to millions.

While the agriculture sector has gained attention, the handicraft sector has remained neglected. Coupled with tourism and hospitality, it can provide higher income to large numbers living in smaller towns. The infrastructure facilities in these centres need to be upgraded so that their products can get access to markets. ONDC (Open network for Digital Commerce) provides a new area of opportunity to their crafts.

Lastly, the unemployment scene for the educated is worrisome. The new government should ensure that vacancies in the government are filled up through a transparent system. Nothing is more demotivating for a young person than to find that the paper of the examination in which he appeared has leaked.

The author is a former Union agriculture secretary.

With an eye on long-term growth, new govt to focus on labour, capex

Given NDA's record over the past 10 years, some of the next-generation structural reforms could continue

Puja Das & Subhash Narayan

NEW DELHI

Tuesday's general election results that have trimmed the strength of ruling coalition while boosting the opposition alliance led by the Congress are likely to slow down some of the ambitious reform measures of the new government, experts said.

But given the incumbent Bharatiya Janata Party-led National Democratic Alliance's record over the past 10 years, some of the next-generation structural reforms are expected to continue, alongside a focus on welfare economics.

Experts expect the new government to take some major policy decisions, such as introducing the next generation of structural reforms, and increasing the capex for the infrastructure sector, while taking more steps to raise farmers' income through a major revamp of the minimum support price (MSP) for crops.

Along with it, new welfare initiatives and demand-side measures would likely be launched to maintain the economic growth momentum.

At the time of going to press on Tuesday, the BJP had won or was leading in 238 seats -- below the 272 needed for majority -- while the Congress was at 100.

"The talk of next generation reforms by the previous government may not be completely dropped if the same formation returns to power at the Centre, even with a lower mandate. The new government would inherit a fairly stronger economy that would provide it enough room to go ahead with further reforms while pursuing welfare economics," said a former government official on the condition of anonymity.

The new government may take some major policy decisions, such as increasing the capex for infrastructure, while taking more steps to raise farmers' income, including a revamp of minimum support price for crops. MINT

India's real GDP (gross domestic product) grew by 7.8% in January-March, taking the full-year growth rate to 8.2% in the 2023-24 financial year, the third consecutive year of 7%-plus growth. Government finances are also quite robust.

While manufacturing output has risen 8.9% year-on-year in the three months ended March compared with a revised expansion of 11.5% in the previous quarter, farm output growth accelerated to 0.6% after a revised 0.4% growth in the December quarter.

Outgoing finance minister Nirmala Sitharaman had said that the Modi government, if voted back to power, intends to usher in next-generation structural reforms in all factors of production, including land, labour, capital and digital public infrastructure to spur inclusive growth. This is the direction that the government is likely to take in the first few months of its coming to power.

FOR INCLUSIVE GROWTH

VARIOUS new welfare initiatives and demand-side measures are likely to keep growth going

NEW reforms may see legislation that will make it easier for industries to acquire land

LABOUR codes would be effected, allowing flexibility in movement of the workforce

THE government may also take action to effect the full convertibility of the rupee

These measures are likely to include legislation carrying forward land reforms, making the process of availability and acquisition of land for industry and mining easier while ensuring a proper compensation mechanism.

In labour, the already-introduced labour codes would be implemented, allowing flexibility in movement of workforce and generating more employment. Capital reforms have been ongoing, and the government will take further steps to move towards full convertibility of the rupee. On digital public infrastructure, more projects would be rolled out nationally to facilitate easier implementation of regulations.

"The policy focus of the new government should consider India's medium- to long-term growth objectives in the light of global developments. As a first step, the medium-term growth of 7% plus should be ensured (both in urban and rural areas) which would require maintaining the savings ratio in the range of 31–32% of GDP. The causes of the recent fall in the nominal household sector financial savings relative to GDP to 5.1% in FY23 should be examined and addressed. This, in combination with net capital inflow of 1.5–2% of GDP, would ensure an investment ratio of 35–37% in real terms," said D. K. Srivastava, chief policy adviser, EY India.

Modi's BJP had also vowed, if re-elected, to maintain its focus on infrastructure spending and keep in place popular subsidies including free rations for needy families and cash hand-outs for farmers.

This is expected to continue going forward with higher allocation for all infrastructure sector ministries and approval for projects and programmes in the first 100 days of the government—aligned to the target of making India a developed nation by 2047. Alongside increased allocations for these ministries, a blueprint for development over the next one-and-a-half decades will also be presented with shorter-term targets for each year.

The 100-day agenda, which may be rolled out promptly to avoid any delays in decision-making, may include 50–70 important goals and recommendations to establish the tone and intent of the new government, including long-term targets with a rollout plan for the next 2–3 years.

puja.das@livemint.com

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How allies could shape foreign policy, usher in paradiplomacy

Shweta Singh

As the Lok Sabha elections results come in, Prime Minister Modi looks all set to chart, strengthen and set the narrative of a resurgent and rising India.

However, this time there's a difference—trends show the BJP will form the government with two key coalition partners—the Chandrababu Naidu-led Telugu Desam Party (TDP) and Nitish Kumar's Janata Dal (United).

So what are the challenges and opportunities that the incumbent government faces on the foreign policy front? How would Modi 3.0 rescript the foreign policy narrative of a more resurgent India? What would be the core ideational and material components in this act of storytelling, given the possible contestations from alliance partners? What implications does it have for shaping of foreign policy, particularly in areas of strategic partnerships and the neighbourhood? Can strategic autonomy—a core element of India's foreign policy—be comfortably re-scripted in the age of digitization, semiconductor chips, and artificial intelligence?

First, India's foreign policy preferences cannot be understood without referring to its state identity. For Modi and BJP, it has been the unabashed embracing of the civilizational identity, rooted in the narrative of a glorious ancient Hindu past.

While the Centre remains the dominant force in shaping the core ideational and material component of resurgent India, still Modi 3.0 would have to be watchful of the contestations to this narrative that can stem from alliance partner TDP, which has traditionally emphasized Telugu "*Vaari Atma Gauravam*" (self-respect of the Telugu people), and only more recently invoked a reworked brand of Hindutva.

It will be interesting to watch India's engagement with the US and Russia and its push for a multipolar global architecture. AP

Modi's third term could see states led by alliance partners pushing for sub-national diplomacy or what is often classified as paradiplomacy. This brings back both the strengths and precarity of foreign policy-making against the backdrop of coalition politics and federalism.

Second, against this backdrop, it will be interesting to watch India's great power engagement with the US and Russia and its continued emphasis on pushing for a truly multipolar global architecture.

Any analysis of this would be incomplete without adequate attention to China's continued great power aspirations, its conflict and cleavage with the US, and its "no limit" partnership with Russia.

How would India under Modi 3.0 navigate this continuing challenge?

India has demonstrated its ability to straddle its national interest, and has owned its position on Russia not with ambivalence but assertion—a point that may well be supported by key alliance partners such as the TDP.

Further, it does appear that despite its close alliance with Russia, India would continue to strengthen its strategic partnership with the West, particularly the US.

It fully recognizes that an aggressive, and resurgent China poses a direct threat to its interest, identity and aspiration—both regionally and globally. And thus what would be closely watched is how India continues to straddle China, both globally and regionally.

Third, the contestations of moral exceptionalism, and strategic pragmatism, would further see a possible leeway in Modi's third term, given the politics of national interest, and its brute recognition across NDA alliance partners.

So while India might have historically had a position on Palestine, it has not shied away from standing with Israel given both its strategic and ideational proximity with it. It will also be interesting to see how India continues to balance its interest both in the Arab world and West Asia in the next five years.

Shweta Singh is Associate Professor at the Department of International Relations, Faculty of Social Sciences, South Asian University, New Delhi.

Key bills on insurance, bankruptcy, data privacy likely to face delays

Dhirendra Kumar & Subhash Narayan

NEW DELHI

The new government may reconsider its legislative agenda, and revise its economic priorities, as the ruling Bharatiya Janata Party (BJP) has failed to secure a clear mandate, and its dependence on allies has increased due to a reduction in its Lok Sabha seats, experts said. At the time of going to press, the BJP had won or was leading in 239 seats, down from 303, in the 2024 elections.

The BJP will now have to depend on its allies such as the Telugu Desam Party and the Janata Dal (United) to build a broader consensus on several important issues, they added.

This may delay the passage of key bills, including the insurance laws amendment, IBC amendment bill, Digital India Act 2023, Pesticides Management Bill, Seeds Bill, and Drugs, Medical Devices, and Cosmetics Bill 2023. Some of the bills in line for introduction earlier faced stricter scrutiny in parliament and got delayed for more than two years.

"The immediate impact of the Lok Sabha poll verdict will be that the government will have to reprioritize its schemes from capital-intensive to labour-intensive projects. Funds will likely be diverted from national highways and rail freight corridors to labour-intensive sectors such as rural job guarantee schemes, etc," said Arun Kumar, a former professor at JNU.

Some bills in line for introduction earlier faced stricter scrutiny in parliament and got delayed for more than two years. PTI

The insurance sector may have to wait further for major reforms. The insurance amendment bill, considered a pathbreaking legislation, is unlikely to be passed in its original form as the government may delay its introduction.

Besides, key bills like the National Financial Information Registry (NFIR) Bill, which seeks to provide a 360-degree information system that will be readily available to lending institutions to quicken the process and cost of credit, would now face a relook before being passed by parliament.

A diminished coalition government would likely be forced to address key issues such as joblessness, experts said.

"The recent reversal in the BJP's fortunes will compel the party to lean more heavily on its allies... This shift implies that, in addition to their pro-business policies, the government will be pressured to address critical issues such as unemployment and inflation. In the long run, this could be beneficial for the country," said Utkarsh Sinha, managing director of Bexley Advisors, a boutique investment bank.

The bills that may face delays also include amendments to the Insurance Act, 1938, and the Irdai Act to allow composite licensing for insurers, amendments to the bankruptcy law to include cross-border and group insolvency mechanisms, and changes in rules under the Companies Act, 2013 to bolster the National Company Law Tribunal.

The lack of a full majority for the BJP may also impact the finalization of rules for the Digital Personal Data Protection Act.

dhirendra.kumar@livemint.com

Leslie D'Monte contributed to this story. For a longer version of this story, go to livemint.com.

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EXPERT VIEW

ARUN MAIRA

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TIME TO BUILD THE ECONOMY'S BASE SUSTAINABLY

Governments come and go in electoral democracies. The nation carries on. Whatever its political ideology, India's new government must reform the nation's business and increase the incomes of 1.4 billion Indian citizens, not just the wealth of a few on top.

Unfinished business. The base of India's social and demographic pyramid is economically weak. At Independence, India's policy makers took the Nehruvian high road to build the commanding heights of the economy. They built foundations for a modern industrial economy: large factories for basic inputs for manufacturing and agriculture, namely steel and fertilizers, as well as scientific institutions. World class institutions were established for technology education (IITs), and fundamental research (the atomic energy establishment, the Tata Institute of Fundamental Research, and foundations for space research). These industries and institutions were built by the public sector because they require large capital investments and produce little or no profit. The Gandhian road—to build village economies and local institutions of governance—was given lip service. For all practical purposes, it was consigned to the dustbin of history as an old man's romantic ideas.

A large economy without a strong base of producers and consumers in its villages and small towns cannot be sustainable, economically or politically. Investors in capital intensive factories need customers to buy their produce. Investors can be tempted with incentives and subsidies, and by making it easier for them to do business. However, if consumption does not grow, investments will slacken. Economic growth will run out of fuel until the masses' ease of earning and ease of living increase.

Globalization will be disrupted by international conflicts for many years. The energy of India's 1.4 billion citizens, with the largest number of working age persons, is the biggest pool of insufficiently tapped human energy in the world. It can be a substantial source of energy for India's economic growth. Policy makers must concentrate on creating employment for the masses, who work on farms and small enterprises, and not more wealth for the classes employed in financial ventures and high-tech industries.

Whoever is in power must strengthen base pyramid of India for sustained growth

Interrupted business. India's capital goods, power equipment, and automotive sectors were as advanced as the Chinese in 1990, perhaps more. By 2010, the Chinese capital goods sector was 50 times larger than India's, and China was a global supplier of electronic equipment. In 1991, a new wind propelled India's economy faster, but it blew the economy off course. "Make in India" was confined to history as "protectionism" and "industrial policy" became taboo. Imports became easier, which was a boon for Indian consumers who could buy international products from China, Korea, and other countries. Employment and incomes for workers increased there. Incomes precede consumption; and good employment produces good incomes. Indian citizens must have good jobs to put a strong wind behind the Indian economy's sails.

Indians can make a lot more for themselves. The country's leaders must nurture the strengths of domestic industries. Foreign producers are welcome to participate in the country's growth, by investing and producing in India, provided they are willing to help their Indian partners and domestic suppliers to learn new technologies. Several foreign companies had done this before 1991, in commercial vehicles, auto parts, power equipment and other capital goods. The government must also promote high employment industries more vigorously that produce consumer goods such as fabrics, garments, processed food, electronics, etc., and persuade them to provide better jobs. And the government must expand the social safety net.

The ideology of business. India's GDP is rising in international rankings. Yet the country continues to rate very low in HDI (human development indicators). The purpose of economic growth is to improve the lives of citizens; and human development is necessary for sustainable economic growth.

A new economics swept the world in the 1990s. According to it, governments are not the solution, they are the problem; and public is bad, private is good. India's education and health sectors have been handed over to the private sector. The government must reverse the excessive privatization of the country's public services and strengthen its own capabilities to deliver. This will build the economy's base more sustainably than welfare schemes and digitized transfers of benefits (which help win elections) can.

The author is former chairman of BCG India and member at Planning Commission

Modi 3.0: Will it have to favour populism over big bang reforms?

Populist measures were conspicuously absent in the interim budget presented by the NDA government

Gireesh Chandra Prasad &
Rhik Kundu

NEW DELHI

Freebies and populist welfare measures that the National Democratic Alliance (NDA) government sidestepped in its interim budget for FY25 could make it to the agenda of the next government with a weakened Bharatiya Janata Party (BJP) having to rely on allies not only for a third term in office but also to build its political capital, said analysts and political observers.

That could get reflected in the full-year budget for FY25, with the cushion of a bigger-than-expected Reserve Bank of India dividend of ₹2.11 trillion for FY24, said a person informed about discussions in the Modi government.

Congress workers celebrate the party's lead in the Lok Sabha elections in Lucknow. PTI

The dividend has to be accounted for in FY25, and some of this fiscal room could be utilized for new schemes, said the person, who spoke on condition of anonymity.

"Big-bang reforms will be difficult for some time as the political capital is limited. Also, populism could make a comeback," said the person.

The BJP had accorded priority to fiscal prudence and macroeconomic stability in the last 10 years and resisted pressure for printing money during the pandemic years. It has also taken a serious view of state governments with limited fiscal room announcing freebies financed by debt.

"I think there would be a greater recognition of the rural distress, the acute and chronic unemployment problem and high food prices, which might require some adjustment in the full- year budget and then we might see some higher allocations for some subsidies and the rural job guarantee scheme (MGNREGS). Luckily the revenue position of the Central government is quite robust. So some of these additional expenditures may be easily accommodated without a significant compromise on the fiscal consolidation roadmap," said D.K. Srivastava, EY's chief policy advisor.

"While the overall focus on infrastructure and capex could continue, some fiscal room may need to be made for populist measures," said UBS Securities India Pvt. Ltd. in an analysis.

ON THE AGENDA

BJP had accorded priority to fiscal prudence and macroeconomic stability in last 10 yrs

EXPERTS pointed to fixing weaknesses in the education system to improve learning outcomes

CLIMATE action, de-carbonization of the economy are also on the priority list

IN the past 3 years, NDA has focused on building upon the post-covid average growth rate of 8.3%

At the time of publishing, BJP was on course to winning 238 seats, significantly short of the 272 seats needed to gain a majority in the Lok Sabha. But it was likely to form the government because the coalition it leads, the NDA, was leading or winning in about 290 seats. In the previous elections, BJP alone had won 303 seats, and the NDA, 352.

Meanwhile, the opposition INDIA coalition was on course to winning 234 seats in the 543-seat lower house. INDIA refers to the Indian National Developmental Inclusive Alliance comprising Congress and its partners.

Also read: Ignoring rural distress, jobs hurt BJP: Experts

In the past three years, the NDA has focused on sustaining and building upon the post-pandemic average growth rate of 8.3% while maintaining fiscal credibility and, at the same time, ensuring wealth redistribution through effectively administered welfare measures.

Populist measures were conspicuously absent in the interim budget presented by the NDA government on 1 February as it laid emphasis on infrastructure spending and macroeconomic stability.

Tax revenue buoyancy achieved because of reforms and formalization of the economy had provided the NDA administration resources for not only infrastructure building but also for social transfers.

This time, though, allies have become crucial in government formation—especially Chandrababu Naidu-led Telugu Desam Party (TDP) and Nitish Kumar's Janata Dal United—which could give them more influence in policy matters.

Once the NDA forms the government, some reforms measures can be introduced, but "nothing very controversial", the person quoted above said. Inflation and unemployment, two campaign issues highlighted by the Congress party, are likely to remain high on the radar of policy makers.

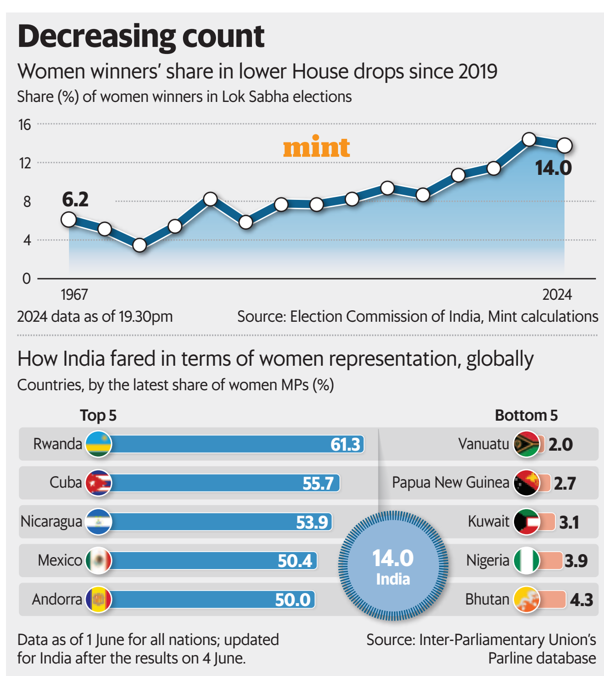
A.K. Verma, director of the Centre for Study of Society and Politics, a think-tank, said, "The NDA government has not only been a provider for vulnerable sections of society, but also an enabler for their empowerment while also strengthening the economy. Somehow, the alliance could not capitalize on them."

Fewer women in Lok Sabha

Manjul Paul &
Payal Bhattacharya

NEW DELHI

The lower house of Parliament is unlikely to see any notable uptick in the representation of women after the latest elections. As per the latest trends available from the Election Commission of India, only 75 women were leading across the 543 Lok Sabha constituencies, down from 78 elected in 2019.



SATISH KUMAR/MINT

A total of 797 women candidates contested the election this year.

The participation of women in India's Lok Sabha elections has seen a positive shift over the years, both in terms of the number of candidates contesting and the increasing engagement of female voters.

If the women who are leading go on to win, the overall strike rate of female candidates will end up at around 9.4%, as against 11.7% in the 2019 elections, when 726 women contested and only 78 of them got elected.

Over the years, the number of women candidates has increased but the rise in the number of winners has been modest. In 1962, 74 women contested ad 36 won—a high strike rate of 48.6%. The following decades saw more women candidates contesting the Lok Sabha elections, but their strike rate often declined.

Strike rate refers to the number of seats won per 100 seats contested.

The Bharatiya Janata Party (BJP), Indian National Congress (INC), and All India Trinamool Congress (AITC) account for the largest number of women candidates who are leading as per the latest trends, with about 13.8% share of the 797 women overall.

manjul.paul@livemint.com

Some metros veer towards Congress; BJP leads overall

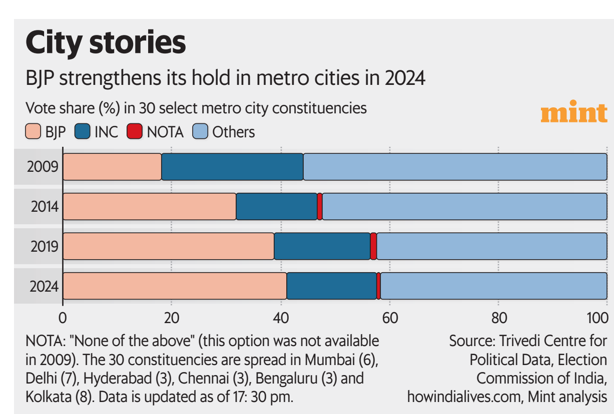
Niti Kiran
niti.k@Livemint.com

NEW DELHI

Some of India's largest metro cities voted in significantly larger numbers for the Congress in the Lok Sabha elections, with the party getting 36.4% of the votes in 12 such seats where it contested, as compared with 28.7% in 2019.

These 12 seats were among a select set of 30 across six cities considered for this analysis. In the other 18 seats, the Congress did not contest directly; its partners in the INDIA bloc did.

Overall, in these 30 constituencies, the Bharatiya Janata Party (BJP), too, gained vote share, rising to 41.3% from nearly 39% in 2019 and 32% in 2014, a *Mint* analysis of the latest data from the Election Commission of India shows.



SATISH KUMAR/MINT

The 30 seats are spread across Delhi, Mumbai, Chennai, Kolkata, Hyderabad, and Bengaluru, and they accounted for nearly 6.2% of all registered electors in the just-concluded Lok Sabha election. The counting of votes cast in the seven-phase Lok Sabha election took place on Tuesday, and this analysis is based on trends as of 7 pm.

Since the Congress didn't contest all seats, its overall vote share in the 30 constituencies marginally declined, from 17.8% in the previous national election to nearly 16% as of the latest data. The Congress' vote share had declined from 26% in the 2009 election to 15% in 2014. The 'none of the above' option, which was introduced in a Lok Sabha election for the first time in 2014, did not find too many takers in these cities, getting just 0.8% vote share in 2024 compared to 1% in 2019 and 0.9% in 2014.

However, these figures may not reflect the sentiment of these cities entirely, since they have grappled with declining voter turnouts, particularly this year, a problem flagged by the Election Commission of India as 'urban apathy'.

Kolkata saw the biggest drop in voter turnout this year—it fell nearly 4.7 percentage points from 2019, provisional data shows.

Back to basics: It's bread-and-butter worries that decided the vote

Rhik Kundu &
Manas Pimpalkhare

NEW DELHI

The Bharatiya Janata Party's (BJP) failure to address jobs and rural distress impacted its tally considerably in the general elections, experts said, in contrast to the gains made by the Indian National Congress on the back of a people-centric manifesto.

Two major issues that impacted the incumbent were rural distress and its perceived attack on the Constitution, said Himanshu, associate professor of economics at Centre for Study of Regional Development, Jawaharlal Nehru University.

"Ignoring rural distress has come to bite the BJP. Just giving out freebies was not enough when the economy is not doing well," Himanshu said.

He said that while the Opposition highlighted inflation, farm distress and unemployment, there was also the undercurrent of the ruling party's perceived attack on the Constitution.

"The real bread-and-butter issues are important, the incoming government needs to focus on them...ultimately economic issues are what need to be addressed," he added.

India's GDP (gross domestic product) is estimated to grow at 8.2% in FY25. The country is already the fastest-growing large economy.

However, inflation, rural distress and unemployment weigh heavily on the Indian economy.

During April, retail inflation eased slightly to 4.83%, down from 4.85% in March, mainly due to falling fuel prices. However, food inflation remained elevated.

Rural distress, mainly due to erratic rains, and rising unemployment have also hurt citizens.

"The construction of the Ram temple hasn't yielded any positive results for the BJP. The party should work more on people-centric measures and welfare activities rather than religion-centric activities. They concentrated more on the development of infrastructure but welfare measures are important," said S. Janakarajan, professor of economics at the Madras Institute of Development Studies.

"Welfare measures in the Congress manifesto made an impact. Its manifesto, which addressed many issues, was completely people-centric," he added.

The manifesto, titled 'Nyay Patra', promised jobs, development of infrastructure, higher minimum support prices (MSP) for farmers, universal free healthcare and a national caste census.

India's GDP is estimated to grow at 8.2% in FY25. The country is already the fastest-growing large economy. MINT

The manifesto also promised to ensure that minorities have the freedom of choice of dress, food, language and personal laws.

Overall, the party's election manifesto focuses on 'Paanch Nyay' or five pillars of justice -- 'Yuva Nyay' (youth), 'Naari Nyay' (women), 'Kisaan Nyay' (farmers), 'Shramik Nyay' (workers) and 'Hissedari Nyay' (partnership) as well as guarantees made by it to the people as part of its poll promises for the 2024 Lok Sabha elections.

The BJP's manifesto promised a national code that will replace religion-specific civil laws in the country.

PAIN POINTS

RURAL distress, mainly due to erratic rains, and rising unemployment have also hurt citizens

SOME experts argued that the manifestos didn't really have an impact on the poll results

A uniform set of civil laws has been one of the BJP's core promises but this remains unfulfilled.

The highlights of the BJP manifesto included the continuation of the free ration scheme for the next five years, delivering clean drinking water, providing free electricity to the poor, synchronized general and assembly elections, and building bullet train corridors.

Equally, some experts argued that the manifestos didn't really have an impact on the election results.

N.R. Bhanumurthy, vice chancellor of Dr BR Ambedkar School of Economics University, Bengaluru, said the BJP has scaled up many welfare schemes, some of which were a continuation of the earlier Congress-led government's policies.

"It is more of the government's performance of the last five years. Except for a few misses, the BJP government has scaled up many welfare schemes, some continuation from the previous government, which include providing drinking water, housing, gas connections, toilets, and roads," said Bhanumurthy.

"Going ahead, one can expect continuity (of the ongoing policies), and more focus on welfare measures. However, we need to be careful of freebies and focus more on employment opportunities. There is also an issue of inequality, which needs to be addressed," he added.

On Tuesday evening, before the completion of the counting, the BJP's tally stood at 239 seats and the Congress was at 99 seats. Both the ruling and the opposition coalition have crossed the 200-mark. However, no single party had managed to reach the majority figure of 272.

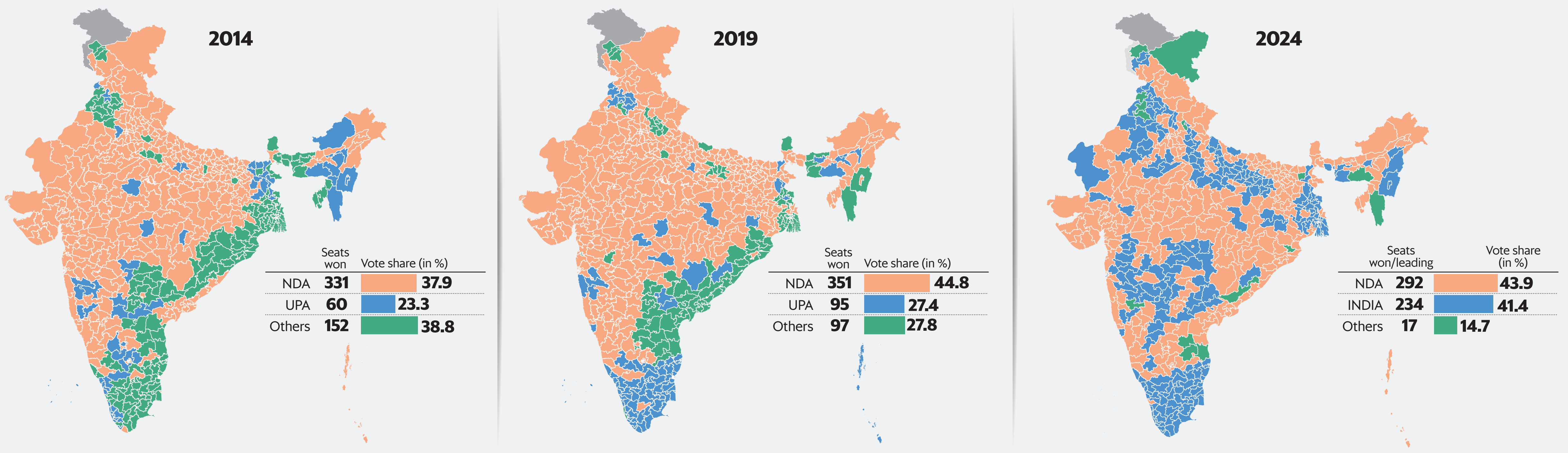
The BJP had got 303 seats in 2019, and 353 in alliance . The Congress won 52 seats, while the United Progressive Alliance (UPA), bagged 91 seats.

How the verdict of 2024 unfolded

By going against most exit polls, the 2024 verdict threw up an element of surprise. It also threw up a lot of stories—of advances and declines, of new ground and status quo, of outperformance and underperformance. Here are 10 strands that defined the 2024 general elections.

Team Plain Facts and howindialives.com

RESULTS IN LAST THREE ELECTIONS



2014

	Seats won	Vote share (in %)
NDA	331	37.9
UPA	60	23.3
Others	152	38.8

2019

	Seats won	Vote share (in %)
NDA	351	44.8
UPA	95	27.4
Others	97	27.8

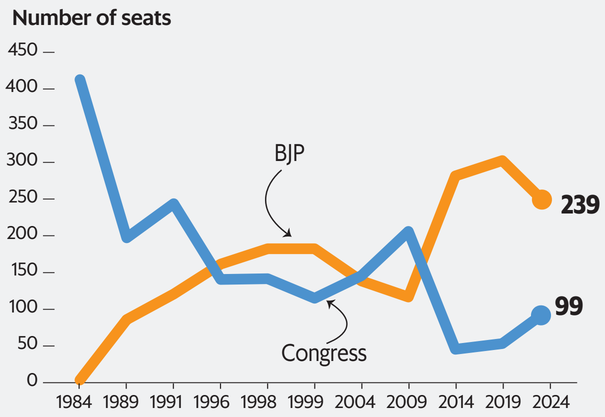
2024

	Seats won/leading	Vote share (in %)
NDA	292	43.9
INDIA	234	41.4
Others	17	14.7

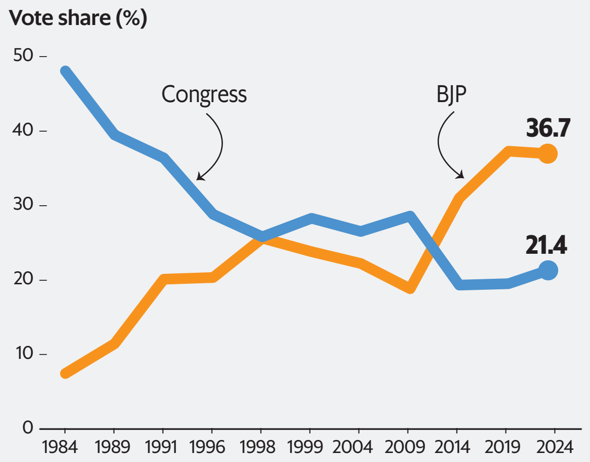
SHIFT IN TRAJECTORIES

The 2024 elections, on one hand, halted the formidable BJP juggernaut. On the other hand, after successive reversals in 2014 and 2019, the Congress managed to nearly double its seat tally and recover some lost ground.

Number of seats



Vote share (%)



THE MOST EFFECTIVE PARTIES

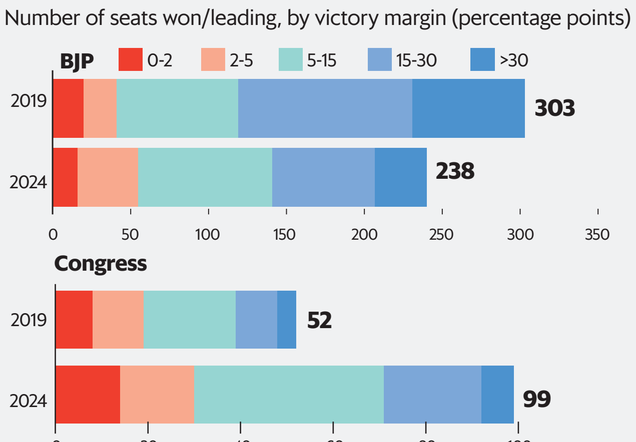
High winnability and strength in vote share makes an effective party. Select regional parties scored on both counts—TDP and JD(U) from the NDA, making them kingmakers, and DMK from India.

	Seats contested in 2024	Strike rate (%)	Vote share in seats contested (%)
NDA			
TDP	17	94	55
JD(U)	16	75	46
BJP	441	54	45
Shiv Sena	15	47	43
INDIA			
DMK	22	100	47
AITC	48	60	42
SP	71	54	37
SS (UBT)	21	43	40
INC	328	30	35
RJD	24	17	39
AAP	22	14	29
CPI	30	7	9

MARGINS GAME

The BJP's inability to repeat its 2019 performance also reflected in victory margins. The number of seats it won with big margins (over 30%) declined to less than half. Conversely, Congress has doubled its total seat tally, and will be pleased by its largely satisfactory victory margins.

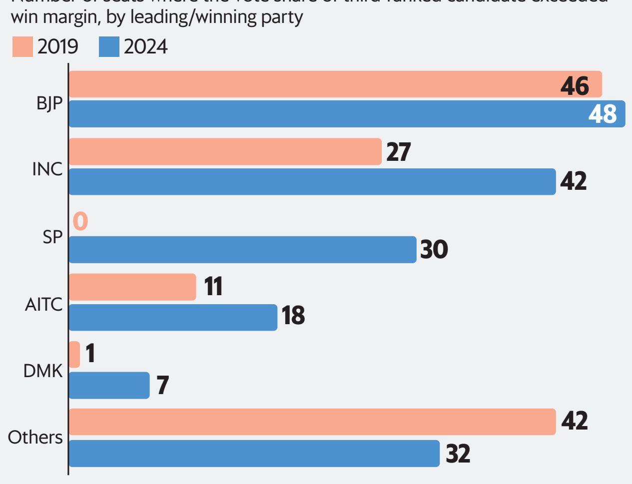
Number of seats won/leading, by victory margin (percentage points)



PROFITING FROM VOTE CUTTERS

A significant performance from third-placed candidates had impacted 2024 results than 2019. And INC, SP and AITC were greater beneficiaries of such dispersion than last time.

Number of seats where the vote share of third-ranked candidate exceeded win margin, by leading/winning party



NO GAINS FOR WOMEN

The number of women candidates contesting the elections has increased over the years but the corresponding rise in the number of winners has been modest. In 2024, 76 women candidates won or were ahead as of latest count.

Women candidates* and their strike rate in Lok Sabha elections

	Women candidates	Strike rate (%)
1996	179	23.5
1998	202	21.8
1999	210	23.8
2004	242	19.4
2009	353	16.4
2014	462	13.4
2019	500	15.2
2024	521	14.6

*Only those fielded by political parties (non-independents). Strike rate refers to the number of seats won as a share of seats contested.

BIG STATES DRIVE THE DIP

Uttar Pradesh saw a decline in the number of women being elected to Parliament, while Bihar, Tamil Nadu and Madhya Pradesh gained two seats each.

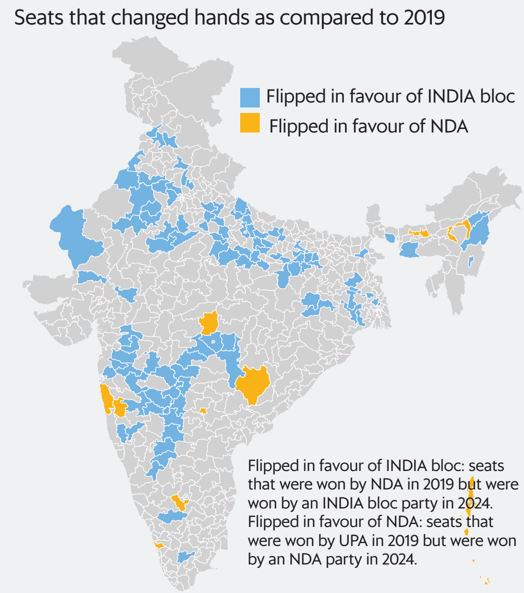
States with the highest increase in women's representation in Parliament, compared to 2019

	Number of women winners	Change
West Bengal	11	↔
Maharashtra	8	↔
Uttar Pradesh	7	↓4
Madhya Pradesh	6	↑2
Bihar	5	↑2
Tamil Nadu	5	↑2

CHANGED DESTINIES

The INDIA bloc managed to flip several of the NDA's seats in its favour, but the reverse was not true. BJP lost precious seats in states such as Maharashtra, Rajasthan, Assam and Bihar. Congress lost fewer seats.

Seats that changed hands as compared to 2019



Flipped in favour of INDIA bloc: seats that were won by NDA in 2019 but were won by an INDIA bloc party in 2024. Flipped in favour of NDA: seats that were won by UPA in 2019 but were won by an NDA party in 2024.

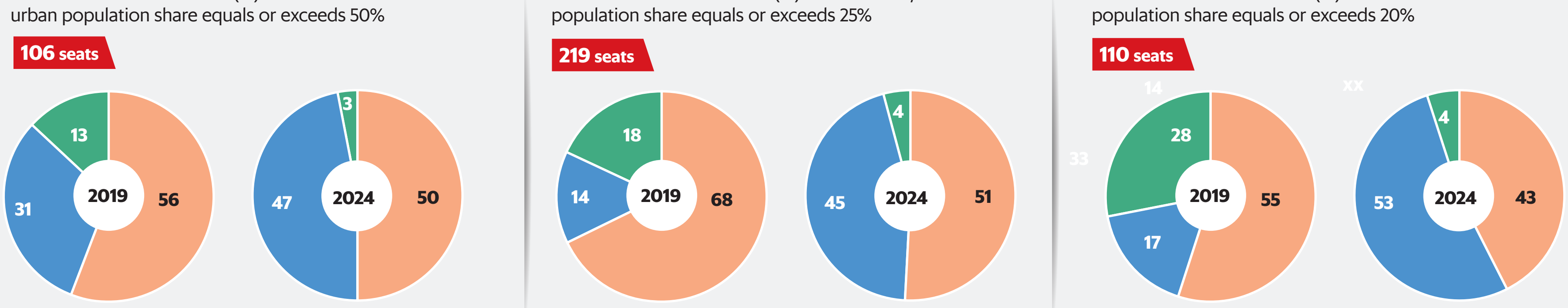
Change in seat position as compared to 2019

	Gained	Retained	Lost
BJP	32	207	96
INC	64	35	17

THE DEMOGRAPHIC CUTS

NDA UPA/INDIA Others

The INDIA coalition registered significant gains in seats that typified three key demographic segment cuts.



THE KEY CANDIDATES


RAJNATH SINGH (BJP)
Lucknow, Uttar Pradesh
Vote share 53% WON


ADHIR RANJAN CHOWDHURY (INC)
Baharampur, West Bengal
Vote share 31.7% TRAILING


AKHILESH YADAV (Samajwadi Party)
Kannauj, Uttar Pradesh
Vote share 52.7% LEADING


AMIT SHAH (BJP)
Gandhinagar, Gujarat
Vote share 76.5% WON


MANISH TEWARI (INC)
Chandigarh
Vote share 48.2% WON


NARENDRA MODI (BJP)
Varanasi, Uttar Pradesh
Vote share 54.2% WON


NITIN GADKARI (BJP)
Nagpur, Maharashtra
Vote share 54% LEADING


PIYUSH GOYAL (BJP)
Mumbai North, Maharashtra
Vote share 65.8% LEADING


RAHUL GANDHI (INC)
Rae Bareli, Uttar Pradesh — WON — Vote share 66.2%
Wayanad, Kerala — WON — Vote share 59.7%


SMRITI ZUBIN IRANI (BJP)
Amethi, Uttar Pradesh
Vote share 37.9 LOST

All data for 2024 is based on leads as of 7 pm on 4 June 2024. Past data refers only to the main election cycle, and does not include any by-elections.
howindialives.com is a database and search engine for public data

Source: Election Commission of India, howindialives.com, Trivedi Centre for Political Data, Census 2011, Mint calculations

Design: Paras Jain/Mint

INDIA shining: How the alliance's satraps beat the BJP on their home turf

After a decade, India will have a credible Opposition thanks to the Congress party's alliance with regional powerhouses paying off

Ruhi Tewari
feedback@livemint.com
NEW DELHI

In perhaps the biggest election upset in India's recent history, the ruling Bharatiya Janata Party's (BJP) seat count fell short (32) of the 272 majority mark in the 543-seat Lok Sabha, landing at 240 (including leads), and well short of its ambitious target of 400 seats for the NDA. But the bruised party is still set to form the next government with support from its allies in the National Democratic Alliance (NDA), including the Janata Dal (United), or JDU, and the Telugu Desam Party (TDP). The NDA's tally stood at 291 (including leads) at the time of going to press.

The opposition Indian National Developmental Inclusive Alliance (INDIA), meanwhile, has done unexpectedly well, belying just about every exit poll prediction. The alliance is winning in 233 seats (including leads), with the Congress party, which had struggled to cross the 50 mark in the previous two elections, in the vanguard and within kissing distance of the 100 mark.

While the performance by the Congress was creditable relative to the last two elections, the real show stealers in the INDIA bloc were regional parties Samajwadi Party, Trinamool Congress and Dravida Munnetra Kazhagam, which along with smaller contributions from Uddhav Thackeray's Shiv Sena and Sharad Pawar's NCP bagged more than a hundred seats, and propelled the alliance's total to 233. It may not form the government but after a decade, the country is likely to have a strong opposition, provided the alliance holds and there are no defections.

In Uttar Pradesh, which sends the most MPs—80—to the Lok Sabha, the Samajwadi Party turned the tables on the BJP, with the alliance winning 43 of the 80 seats (including leads). In 2019, the NDA had won 64 seats in the state. In Maharashtra, which has the next highest number of MPs—the Congress, NCP and Uddhav Thackeray's Shiv Sena took 29 seats (including leads)—the NDA had won 41 seats in 2019. In Bengal, where national partners Congress, the Left and the Trinamool Congress fought each other, Mamata Banerjee's party increased its seat count by seven to 29 (including leads). In Tamil Nadu, the alliance was leading in all the 39 seats (including leads) with the DMK at the forefront again.

While the political chaos in Maharashtra meant the elections would be unpredictable, it is Uttar Pradesh, at the heart of the BJP's big Ram Mandir pitch, that has thrown up the biggest surprise. The Ram Mandir was not the primary election issue, as the BJP had hoped it would be, and as *Mint* had reported last month. Indeed, most voters across states, and more specifically Uttar Pradesh, did not cite the Ram Mandir as an election issue. The BJP's overreliance on what it believed to be its trump card clearly has not paid off.

In the end, the unkindest cut for the BJP came from Ayodhya. The saffron party lost to the SP in the Faizabad seat, of which Ayodhya is a part. This is despite building the Ram temple, an airport, a railway station and an expressway; despite the temple corridor, five-star hotels and the influx of tourists and the money they brought along; and despite the Yogi Adityanath government's focus on law and order and a slew of welfare schemes both from the Centre and the state. What happened in the constituency mirrored the disaffection for the BJP across the state.

In a sense, 2024 has turned out to be more like a traditional Indian election, where constituencies and local factors matter as much as national narratives, unlike in 2014 and 2019, when the only question was if Narendra Modi should be prime minister.

THE BJP STORY

There are four big takeaways for the BJP this election.

One, Prime Minister Modi's brand is no longer enough to win elections on its own. Modi's popularity had peaked in 2019 in several states and to that extent, it seems to have plateaued. Nevertheless, the BJP is gaining fresh ground in states such as Telangana and Odisha, where the PM's popularity is on the uptick, but not enough to offset losses in key states.

Two, the state leadership is equally important. Besides Gujarat, which is a Modi-Amit Shah bastion, the one state that has kept the BJP in good stead is Madhya Pradesh, where the party swept all the 29 seats. Former chief minister Shivraj Singh Chouhan's massive popularity and his government's welfare delivery seem to have given the BJP a big fillip there, as was evident on the ground, with voters across the board pledging their support for *'Mamaji'*, as Chouhan is fondly known. This factor was evidently missing in other heartland states such as Haryana and Rajasthan, where the BJP had done tremendously well in 2019 but has suffered serious reverses in this election, due to a diminished state leadership.

Three, the Centre's welfare plank is a solid one, but weakens when there is an opposition party in the state that can sing the same song. In West Bengal, for instance, chief minister Mamata Banerjee's own welfare delivery is strong enough to overshadow the Centre's. Voters, especially women, cite her popular schemes such as Lakshmir Bhandar, more than Modi's initiatives. The BJP had hoped to improve on its solid performance in West Bengal in 2019 but ended up losing seats.

And four, a united Opposition can pose a far greater challenge by making gains in each state, even in the absence of an overarching national narrative, as happened in Uttar Pradesh and Maharashtra.

"I think the verdict clearly sets out a message for course correction. The BJP will be in government but will need to be more accommodative in dealing with the Opposition while the Opposition can no longer complain about being voiceless," said Chandrachur Singh, professor of political science at Delhi University's Hindu College. "The verdict can be read as one that is full of mixed bags for all. For the NDA, it offers power but cautions them on future prospects, while for the Opposition it gives them a little now but perhaps brightens their prospects if they play the constructive role required of a responsible opposition."

Nilanjan Mukhopadhyay, veteran journalist and author, *Narendra Modi: The Man, the Times*, felt that the prime minister will have to become more accommodating with his NDA partners henceforth. "Going forward, for the survival of his government, Modi has to demonstrate skills in taking others along and forge a consensus. He will have to restart parliamentary processes like referring to Standing Committees, which were almost totally discontinued," said Mukhopadhyay.

UP AND MAHARASHTRA

The big headline of this election is undoubtedly Uttar Pradesh. The BJP had everything going for it in the state, from a popular chief minister with a law and order record to boast of to the Ram Mandir, a decimated Opposition and a formidable win in the 2022 assembly election.

What seems to have worked against the BJP is its over-reliance on the Ram Mandir issue, as well as a lack of vacancies in government jobs, the paper leak scandal, inflation and the Agniveer scheme.

The caste configuration of constituencies and Samajwadi Party's tactic of fielding only five candidates from the Yadav community worked in its favour, helping it secure votes beyond its core Yadav-Muslim vote bank. It made inroads into the non-Yadav OBC vote and shifted a significant chunk of the Scheduled Caste vote towards itself. Both these are vote banks that the BJP has relied on significantly.

The Congress-SP alliance also helped prevent a split in the Muslim vote, which almost en masse seems to have gone to the alliance.

"Economic issues, too, have played a major role in this verdict and PM Narendra Modi failed to construct an overarching narrative. The opposition strategy, in UP particularly, was very effective. This is Modi's biggest electorally humbling moment," said Mukhopadhyay.

Maharashtra, meanwhile, is more a case of too many cooks spoiling the broth. *"Yahan sab khichdi bani huyi hai,"* was a common lament among voters and that seems to have been reflected in the outcome as well. Ultimately, the Uddhav Thackeray-led Shiv Sena and Sharad Pawar NCP outdid their rival factions. Uddhav was seen as the rightful heir of the Shiv Sena legacy, while the Pawar patriarch clearly had voter sympathy for what they perceived as a 'betrayal' by his nephew and NDA ally Ajit Pawar.

THE WELFARE FACTOR

As expected, every political party touted its welfare schemes during campaigning. For the NDA, *'Suvidha'* was the buzzword this election too and is perhaps the plank that helped the BJP emerge as the single largest party, thanks to schemes offering rural houses, free rations, water, subsidized gas and cash payouts through PM Kisan Nidhi.

But unlike in 2019 when welfare gave the BJP the push to the 303 mark, 2024 was different for two reasons. One, several of these central schemes are not new, with voters having already rewarded the BJP for these in the 2019 Lok Sabha polls as well as several state elections. Voters now view these schemes as a given and not with the enthusiasm of 2019. It is in states where the BJP's state governments have a solid welfare record to show that the BJP is benefiting from the double-engine model. Madhya Pradesh and Assam are instant examples, with voters in these states citing state government schemes such as Ladli Laxmi and Orunodoi more than the Modi government initiatives. The NDA won 10 of the 14 seats in Assam (including leads).

Secondly, that welfare is a key poll plank is now clear to all political parties and they are mastering the art of selling their programmes to the electorate, giving the BJP tough competition.

TINA FATIGUE

Another factor that has been a mixed bag for the BJP is its 'There is no alternative' (TINA) pitch. Some voters did indeed vote for the party as they felt the absence of a national alternative. The perceived absence of a pan-India alternative to Modi meant INDIA failed to emerge as the single largest bloc.

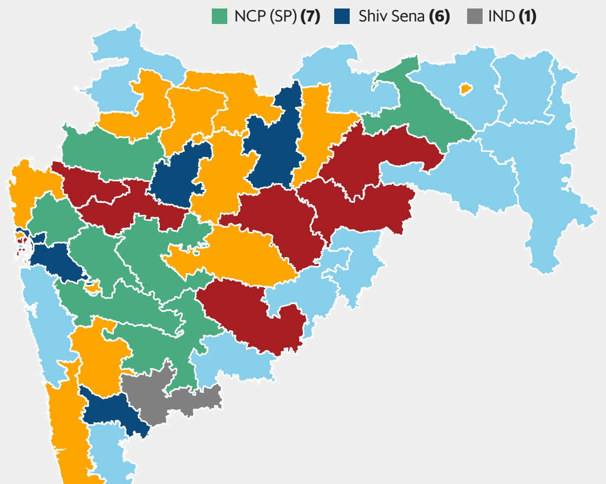
On the other hand, it is bad news for the BJP that the TINA factor was discussed at all in this election. In 2019, it was hardly a factor, with the vote for BJP primarily a euphoric vote for Modi. The 2024 election, however, saw several voters looking for something more.

"Now we have seen Modi for 10 years and while his work has been good, one perhaps wouldn't mind trying out a new prime minister. Today, there is no PM candidate on the other side, hence we are supporting Modi. But tomorrow, if a candidate emerges, it will not be easy for the BJP. Boredom does set in," said Kuldeep Singh of Sehore in Madhya Pradesh, summing up the thinking of some voters in the 2024 Lok Sabha poll.

Samajwadi Party supporters celebrate the party's lead during counting of votes for the Lok Sabha elections, in Lucknow on Tuesday. PTI

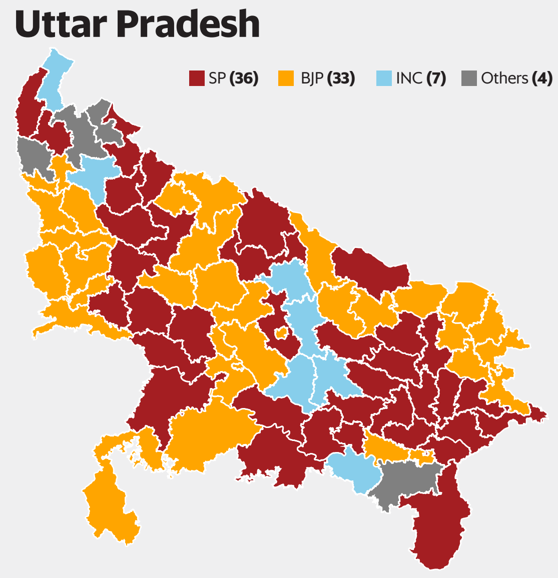
Lok Sabha elections 2024: Maharashtra

INC (13) BJP (11) Shiv Sena (UBT) (10)
NCP (SP) (7) Shiv Sena (6) IND (1)



Lok Sabha elections 2024: Uttar Pradesh

SP (36) BJP (33) INC (7) Others (4)



mint

Source: Election Commission of India • Mapdata: Datameet

SARVESH KUMAR SHARMA/MINT

REVENUE BOOST: WHY IT'S TIME TO WRITE A GUIDEBOOK FOR TAX REFORMS

EXPERT VIEW

SURANJALI TANDON

Respond to this column at
feedback@livemint.com

In a year of global elections, all eyes are on India. A lot has been written about the hopes and expectations of the new government. It is now time to set the trajectory for the next five years. The last decade was marked by a series of reforms and economic setbacks from covid-19. As the new government sets its eye on the future, its economic legacy must shape fiscal policy thinking.

The most significant shift in the policy landscape was the introduction of the goods and services tax. The regime has settled as revenue collections have been robust, increasing by the year. This, along with the upward trend in e-way bills and registrations, indicates a degree of formalization of the economy. It may now be time to consider whether the elasticities of demand for products warrant a rejig of GST rates.

Despite the pandemic years, direct tax collections have also been impressive. In FY23, collections increased 17.7%, reinforcing trends observed for GST. The growth in revenue has been accompanied by a rise in the number of income tax payers and returns filed. In FY23 74 million individuals and entities filed returns, a 65% jump from FY17. Compositionally, business incomes that were impacted by covid-19 rebounded in the subsequent years and stood at 57.4% of gross total income reported in tax returns in Assessment Year 2021-22.

Also Read: Lok Sabha Election Results 2024: 5 crucial things that helped INDIA bloc hold NDA under 300 seats

The structure of income tax rates too is stabilizing as more and more taxpayers opt for the new regime with limited exemptions. While the simplification of corporate taxes has been welcomed by companies, the lower rates in 2019 did not quite boost private investment. In fact, the ratio of corporate investments to their net income has been declining since FY21. Therefore, a conundrum that remains for tax policy is the future trajectory of tax rates. The government has also tried to ease confrontation between the tax department and taxpayers. Consequently, the revenues under dispute have declined overall but not for corporate taxes. Therefore, there remains some scope for reforms in corporate taxes so as to minimize disputes and bolster investments.

Though these reforms have contributed to a higher tax to GDP ratio, experts ponder over whether this is enough. Keeping aside the imprecise comparisons with developed countries, a roadmap is necessary for thinking about the ideal tax to GDP for India given its economic structure. As India grapples with inequality and lacklustre demand a bigger question looms -- what will be the future of taxes in India?

> In FY23 74 million individuals and entities filed returns, a 65% jump from FY17

Public debates on capital gains reform, inheritance or wealth tax and tax increases have gathered momentum but there are no easy answers. All such taxes are inter-linked and must be understood in the context of their revenue generation capacity and wider impact on the economy.

Wealth tax in India, for example, was repealed due to insubstantial revenues. Changes to capital gains tax can only be pursued conscious of the impact this would have on financial markets. A rationalization of rates across asset classes is one possible way but with less than 10% of reported incomes in returns at capital gains, the fiscal impact of the reform needs to be studied.

In the 1990s policy shifts were informed by the need for foreign capital inflows; a similar overarching macroeconomic priority such as employment generating private investment is required to inform policy.

Also Read: Lok Sabha election results 2024: How Rahul Gandhi, Akhilesh Yadav changed the game for INDIA bloc in Uttar Pradesh

It is perhaps time to create a guidebook for the future of tax reforms by a committee dedicated to direct taxes. This is particularly important given that fiscal consolidation is key. In the equation are also sub-national governments that now look to 16th finance commission for their fiscal future. The need for revenue augmentation is also critical for states, while thinking of innovative ways of financing projects that are aligned with energy transition and infrastructure development.

As world markets cope with uncertainties of war, inflation, oil politics and growth, the next decade for India will be informed by such uncertainties. India has remained a bright spot amidst sombre global growth. To set India on a higher growth path a medium-term fiscal strategy that includes taxes needs to be laid out.

Suranjali Tandon is an associate professor at NIPFP.

A matter of numbers: What the poll results mean for top leaders

Narendra Modi is set to become prime minister for a third term, while Rahul Gandhi has emerged a national leader. *HT*'s *Prashant Jha* gives you the details

REUTERS

Modi builds new milestone but coalition a new bump

Narendra Modi remains India's most popular leader. It is only because he has redefined the idea of political and electoral success that what would have been considered a huge accomplishment a decade ago is today seen as a setback. Modi, 73, is on the verge of returning to power for a third time, a record that only Jawaharlal Nehru has had in Independent India's history. Modi may also become the only leader to complete three consecutive elected terms in office if he stays on till 2029; remember Nehru died two years into his third elected term.

But notwithstanding the achievement, this time around, Modi will at best be the head of a coalition government without an absolute majority for his party, a constraint that he hasn't had to work with for the 22 years that he has helmed a government either in Gujarat or in Delhi. This isn't to suggest that he can't adapt, just that he will have to. And therefore the first implication of this verdict for Modi is forming a government that will involve a much higher degree of accommodation. Dealing with allies, in terms of ministerial appointments or policy announcements, legislations or credit-sharing, requires give-and-take. It is an art that the current BJP leadership will have to pick up from the era when Atal Bihari Vajpayee headed the first avatar of the National Democratic Alliance.

But while how he runs the next government is the first big challenge for Modi, learning the lessons from this verdict will have to be the next priority for the Prime Minister in terms of the governance and political agenda. The 2024 mandate cannot be read and dismissed as a result of popular disillusionment with local BJP leaders or the inability of the party to keep up with the PM's popularity.

Modi had shown an ability to lift a weak local organisation and weak local candidates in the past two elections, and if it didn't happen this time, it is also a reflection of the perceptions that voters have of Modi's own record and promise. And here the signal of discontent is coming bottom-up, especially from areas where BJP was strongest in the past. Whether this discontent is a result of Modi's governance style or his government's mixed economic record or the party's inability to manage social contradictions or a mix of all these factors will need careful examination.

Either way, though, it will be for Modi 3.0 to address the root causes of the BJP's relative decline and take corrective steps. And this will require greater humility and engagement with the wider public sphere than the BJP leadership has shown in recent years.

Young voters are increasingly impatient especially with the lack of opportunities to earn higher incomes and obtain stable jobs. There is no easy answer for the jobs or incomes puzzle, a puzzle that has haunted every Indian government. But unless Modi is able to bring the single minded focus he has brought to improving India's welfare delivery architecture to creation of jobs, the political challenge may only grow. Dealing with the aspirations is his third big challenge.

Modi will also need to institute correctives in the functioning of the BJP itself. There is no doubt that despite the setback, the party remains extraordinarily well-organised and disciplined. Its ability to penetrate and grow in newer geographies has been on display in these elections;look at Odisha and Telangana. Its ability to co-opt new social groups while maintaining its existing base is also still impressive. But the overwhelming dependence of the party on a single leader has clearly led to a hollowing out of the party structure in key respects. It has resulted in a neglect of local factors and led to a sense of smugness that the PM's image can address all issues — it can't.

The rise of Rahul Gandhi as a national leader of reckoning

AP

These elections mark the arrival of **Rahul Gandhi**, 53, as a national leader in his own right. That winning about 100 seats is considered an achievement is a reflection of the dismal state that the Congress has found itself in, but it is still an achievement. The verdict vindicates Gandhi in five respects.

First, his decision to do two ambitious yatras. If the Bharat Jodo Yatra took him from Kanyakumari to Kashmir on foot in 2022-2023, the Bharat Jodo Nyay Yatra saw him travel from Manipur to Mumbai in a van earlier this year. Both marches were impressive attempts at direct public outreach, without intermediaries.

Second, engage seriously in alliance-building with like-minded parties and create the INDIA bloc. This led the Congress to compromise with regional outfits and engage in seat-sharing while sacrificing its own immediate political stakes in local geographies.

Third, Gandhi engineered a shift in Congress's approach to the caste question. From prioritising the idea of the nation as comprising citizens with individual rights and limited concessions for historically disadvantaged social groups, the Congress's new imagination was of a nation where caste was the fundamental marker of discrimination, which should therefore serve as a fundamental basis for policy.

Four, Gandhi kept the focus on economy, particularly unemployment, an issue that resonated with the young, and promised greater welfare benefits.

And finally, he changed his communication strategy. He didn't give interviews to the media this season and instead relied, just as Modi had done in the past, on his social media channels and direct communication with his party base, workers and sympathisers.

Unpleasant message to Yogi

PTI

Along with PM Narendra Modi, **Yogi Adityanath** helmed the BJP's campaign in Uttar Pradesh. With a five-year term as chief minister of India's most politically significant state between 2017 and 2022, the BJP's success in the Lok Sabha elections in 2019 and in the state assembly elections in 2022 when he led the state, his second ongoing stint as CM, his connect with the party's core Hindutva base, his administrative record of law and order that included tools such as "bulldozer justice" targeted at lawbreakers, and policy measures to woo private capital, Adityanath, 51, was projecting himself as the next generation leader of the BJP, ready for a national role.

But the 2024 verdict has a message for him: Not so soon.

The setback in UP, where the BJP has seen a fairly dramatic reduction in vote share along with a dip in seat tally, is a setback for its national leadership including Modi, who is a candidate from the state and campaigned extensively. But it also reflects poorly on Adityanath, who played a key role in determining the tone and tenor of the campaign and its strategy, of which anti-Muslim sloganeering was a key component. The fact that BJP has lost in every region in the state and that anecdotal reporting from the ground showed disillusionment with governments both at the Centre and the state means that if the CM wants to remain a key player in the national political battle in the future, he needs to hunker down and make corrections in terms of accommodating all social groups and addressing economic discontent. The UP CM may have his eyes on 2029 and 2034, but before that, there is 2027—and success in the assembly polls will be a prerequisite for any future political growth for the mahant from Gorakhpur.

Akhilesh: coming of age

PTI

If there is one leader who learnt the right lessons from BJP's Hindi heartland success over the past decade, and managed to reshape his own party based on the success of its rival, it is **Akhilesh Yadav**.

In 2014, as chief minister under the shadow of his father and uncles, he saw the Samajwadi Party face a rout as the Modi wave swept Uttar Pradesh. In 2017, he confronted a bruising feud within his family and then saw the BJP win the state assembly elections decisively with Yogi Adityanath taking over as the CM. In 2019, Yadav joined hands with arch-rival Mayawati; yet, the BJP managed to comfortably win over 60 seats in the state. And Yadav confronted his fourth consecutive electoral defeat in 2022 as Adityanath returned to power.

But Yadav, 50, recognized that the BJP's success stemmed from two weaknesses of SP. The first was its reduction from an umbrella formation of backward groups to being seen as a Yadav party that allowed its caste loyalists to run riot during stints in power to becoming an outfit of a single Yadav family. This allowed the BJP to construct a coalition of which a core component were the non-Yadav other backward classes (OBCs). The second was the impression that the SP was partial to Muslims in administration, political appointments, etc. This allowed the BJP to construct a wider Hindu coalition that was apprehensive of SP's return to power.

Yadav corrected both these impressions through substantive steps. One, he brought in representatives from other backward communities. And two, while retaining his Muslim support base, he ensured that this support remained a quiet feature of his campaign. All this means that Yadav has today emerged as probably the INDIA bloc's most important constituent.

Patnaik: The leader who brought hope, then faded away

PTI

When he entered politics after the death of his father Biju Patnaik, no one thought the suave, urbane and Anglicised **Naveen Patnaik** could survive the rough and tumble of Odisha's politics. But in a sign of true political genius and resilience, Patnaik, 77, not only made Odisha his home but came to dominate its politics like no one else had before, not even his father. The BJP encouraged the formation of the Biju Janata Dal as a way to counter the Congress's hegemony in the state. Patnaik allied with the BJP for a decade, then branched off on his own.

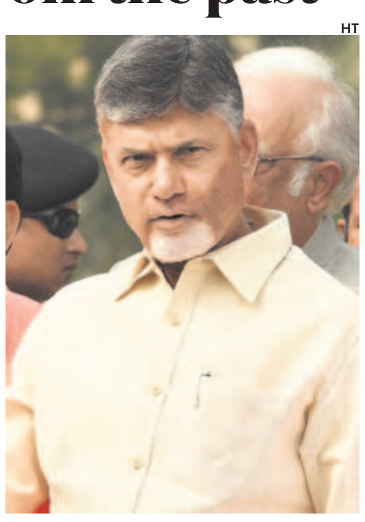
And through his two and a half decades in power, he came to dominate Odisha's political consciousness. He wasn't the most fluent orator, but he knew how to construct and deliver on welfare schemes. He wasn't the most visible politician, but he exercised control over his party and his government minutely. But the end of Patnaik's stint in power is a partially tragic story.

In the past decade, Patnaik relied excessively on a bureaucrat, V.K. Pandian. It was an open secret that Pandian ran the government, but as long as there was an appearance of Patnaik being in control, Odisha's citizens lived with this reality. But when Pandian joined politics, and was virtually anointed the successor, the BJP moved in for the kill and campaigned on regional pride.

Ailing and perhaps shorn of the political skills that had guided him so far, Patnaik didn't read the state's mood in time and lost the plot, and with it, power. Age and health doesn't allow him the luxury of a comeback but Patnaik will go down in Indian political history as a rare and successful politician who transformed a desperately poor state and gave it political stability and economic hope.

Naidu: Blast from the past

HT



Chandrababu Naidu likes to remind his interlocutors that he is among the country's senior-most leaders, for he was a chief minister in the mid-1990s, much before Narendra Modi.

In those years, Naidu, 74, feted for his innovative governance of Andhra Pradesh, was also among the most important players in national politics as an architect of the United Front governments and, subsequently, as a pillar of support for the Atal Bihari Vajpayee government. Indeed, Naidu's defeat in Andhra Pradesh in the 2004 elections—and the triumph of Congress in the state; the party won 37 of the 42 Lok Sabha seats—was among the key reasons why Vajpayee couldn't return to power in Delhi.

Two decades later, the key to the formation of another NDA government, this time led by Modi, is once again Naidu's hands, after traversing the journey of being a BJP ally in 2014 to adversary after 2018 to ally again this year.

All indications so far suggest that the TDP-BJP alliance will stay. Naidu, who has won a massive majority in the state assembly, will take over as the state CM. And he will offer Modi support at the Centre.

But Naidu can be expected to extract his pound of flesh, be it in terms of ministerial positions or financial support for Andhra Pradesh. Irrespective of the terms of engagement between TDP and BJP, Naidu's relevance—he is also being wooed by Congress to shift to INDIA bloc—shows why in Indian politics, it is never wise to write off a politician who has shaped his state's and central politics in some form for three decades.

TMC: Unstoppable force

PTI

If there is any leader who has consistently, barring 2019, interrupted the BJP's political plans, it is **Mamata Banerjee.** A leader who spent decades fighting the draconian and semi-violent communist regime in West Bengal through sheer grit and determination, Banerjee, 69, knows her state's social landscape intimately.

Her politics include dollops of welfare, women-centric schemes, the blurring of lines between the party and the state, the use of force to impose her party's writ, and the weaving together of complete Muslim support along with segments of Hindu support to sustain a winning electoral coalition.

The BJP was able to leverage the Left to win 18 seats in the 2019 elections. But despite a high-voltage campaign, it was unable to oust Banerjee in the subsequent state election, which revealed her ability to absorb lessons and change course. But in this year's election, buoyed by the drafting of the Citizenship (Amendment) Act rules and episodes that exposed the TMC's violent machine, such as the one in Sandeshkhali, the BJP hoped to its 2019 performance.

That was not to be. Banerjee held her own, and TMC improved its performance. This catapults Banerjee into pole position for the next state election two years from now; it allows her to remain a key voice in national politics with strong presence both in the Lok Sabha and Rajya Sabha. And her role in stopping the BJP juggernaut gives her pride of place in the INDIA bloc. It also reinforces her and her nephew, Abhishek Banerjee's, absolute grip over the party.

Nitish Kumar: Back & forth

HT

In 2013, **Nitish Kumar** decided that his conscience didn't permit him to support Narendra Modi as prime minister and he walked out of the NDA, a partnership that had lasted for close to two decades and benefited both the BJP and Kumar. In 2015, Kumar allied with Lalu Prasad's Rashtriya Janata Dal to defeat the BJP in Bihar. In 2017, Kumar returned to ally with Modi's BJP, ostensibly because he found it difficult to work with Prasad's party. In 2019 and 2020, he fought elections in alliance with the BJP, only to switch to the RJD once again in 2022. And earlier this year, he switched again to working with the BJP. If you have lost track, don't worry; so have many people in Bihar.

But it also tells you about the remarkable survival skills of a politician who is the weakest of the three players in Bihar in terms of party organisation and caste base. But by switching sides at key moments, Kumar, 73, has managed to stay on as chief minister for close to two decades, barring one short break in 2014-2015. When he switched back to BJP earlier this year, it did appear that Kumar would lose all credibility and base and his party was expected to fare poorly; instead Janata Dal (United) has got the most seats among all formations in Bihar.

But most significantly, along with Naidu, Narendra Modi now depends on Nitish Kumar for the formation and survival of his government at the centre. What Kumar will seek in return — in terms of commitments to his political future in Bihar or at the centre, or in terms of the future of his party — is to be seen. But Kumar's story tells us why consistency isn't necessarily a virtue, that voters don't particularly care for stable partnerships and that in politics, amorality is its own morality.

Regional titans Nitish and Chandrababu kingmakers

Arun Kumar &
Srinivasa Rao Apparasu
letters@hindustantimes.com

PATNA/HYDERABAD

One man is 73 years old, the other 74. Their political journeys have clear differences. One has helmed one of India's poorest states, and is credited with restoring a sense of law and order in a region fraught with social division.

The other centred his politics in one of India's most developed states, and helmed the development of Hyderabad, a glittering modern-day metropolis.

One leader has remained immovable from the corridors of power, resisting the winds of change, bending always, but never breaking. The other was considered down and out for the count, but every political epitaph has been premature.

Yet, Nitish Kumar and Chandrababu Naidu, regional satraps both, the first chief minister of Bihar and the second, to-be-CM of Andhra are now kingmakers. With the BJP short of majority in Lok Sabha elections declared on Tuesday, no government can come to power without them.

When the results trickled in on Tuesday, despite constant opposition attacks on his ostensibly fading health and incessant somersaults, his support remained steadfast.

Even as the opposition made inroads in neighbouring Uttar Pradesh, and faced with an enthusiastic RJD, the JDU won 12 of the 16 seats it contested.

JD-U state president Umesh Kushwaha said, "It is the work of Nitish Kumar and the performance of Prime Minister Narendra Modi that has got the thumbs up from the people in Bihar."

in Hyderabad, TDP's Chandrababu Naidu, once written off, has returned to centre-stage. HT

Crucially, despite being an NDA ally, and party leaders insisting that he would now stand by the BJP, experts said that Kumar holds all the cards. To be sure, a day before results were announced, Kumar traveled to Delhi and met Prime Minister Narendra Modi.

"He is crucial for both the BJP as well as the opposition and now can now manoeuvre things to his advantage. How he will behave, only time will tell," political analyst DM Diwakar said.

In the run-up to the elections in Bihar, there was much conjecture around the future of chief minister Nitish Kumar

Some 1,500 kilometres away from Patna, in Hyderabad, Naidu, once written off, has returned to centre-stage.

In 2019, his Telugu Desam Party won only 23 seats in the state assembly. Five years later, he is set to be chief minister again; his party winning 136 of the 144 it contested, and with his two allies—BJP and Pawan Kalya's Jan Sena—the NDA won 163 of the state's 175 seats. Importantly, the alliance won 21 of the 25 Lok Sabha seats with the TDP winning 16 on its own.

The alliance is key to his success; the BJP gave him national heft and the argument that the state would benefit from a friendly government at the centre.

In Pawan Kalyan, he found an ally with a shared grievance with political treatment meted out by chief minister Jagan Mohan Reddy.

Together, the two regional leaders formed a powerful alliance between communities, once warring but now united—the Kammas and the Kapus.

This leaves Naidu in a position that he is not unfamiliar with. "He was instrumental in installing three governments at the Centre – the first United Front government of H D Deve Gowda and later that of I K Gujral, followed by the National Democratic Alliance government of Atal Bihari Vajpayee twice," said author and political analyst Sriram Karri.

One TDP leader said that Naidu was unlikely to waver, would stick by the BJP and has spoken to both Prime Minister Modi and union minister Amit Shah.

"They have reportedly invited him to New Delhi on Wednesday," the leader said.

Farmers were disgruntled over jobs, MSP and incomes

Average debt among rural households grew from ₹32,500 in 2012 to ₹59,700 in 2018

Zia Haq
zia.haq@htlive.com

NEW DELHI

Faced with the police's tear gas and rubber bullets, farmers from Punjab have been protesting outside Delhi since February, a reprisal of the uprisings of 2020 and 2021, albeit on a smaller scale. Their demand for guaranteed crop prices points to poor returns from farming and rising debt of cultivators.

While the Bharatiya Janata Party (BJP) has dominated large swathes of India's rural heartland in the last 10 years, discontent and anguish among agriculturists is common. Rural dwellers do appreciate gleaming highways, cash transfers, subsidized cooking gas, piped water and free grain among a welter of welfare benefits offered by the National Democratic Alliance (NDA) government led by Prime Minister Narendra Modi. Yet, cultivators complain that farming has become increasingly unprofitable.

"The cash support of ₹6,000 a year is very helpful. But it is not sufficient and needs to be increased," said Arun Mhatre, an onion grower from Dindori in Maharashtra, the largest producer of the kitchen staple. "The government wants to keep prices low because it only cares for city-dwellers. That's why it has banned export of food items."

India has banned the export of wheat, rice and sugar to cool local prices, which has hurt incomes of farmers and those employed in the food supply chain.

One of Modi's tallest promises was to double farm incomes by 2022, which didn't happen. Farm income data for the latest year is not available. Official data is available for the period 2015-2019, during which incomes from agriculture have grown from approximately Rs 8,000 a month to slightly more than ₹10,218 on a nominal basis.

One of Prime Minister Narendra Modi's biggest promises was to double farm incomes by 2022, which didn't happen. HT

On the other hand, debt levels have soared. The average amount of debt among rural households grew from ₹32,500 in 2012 to ₹59,700 in 2018, according to the State Bank of India. Prices in the countryside rose at a quicker pace than in the cities between 2019 and 2024, official data showed, mainly on account of increases in food prices.

All told, adjusting for inflation, real incomes and wages for people employed in agriculture and construction, sectors which employ the poorest, have been flat during the past five years, according to data from the Centre for Monitoring Indian Economy (CMIE).

To be sure, analysts say it's too early to discern how issues in the agriculture sector, which employs half the population, played out in the Lok Sabha polls, in the absence of data and surveys on rural vote shares by occupation and demography.

In its second term, the Modi government had to face angry farmers over a set of unpopular farm laws and a demand to make minimum support prices (MSPs) for farm produce a legal right. An MSP is a floor price designed to prevent distress sales. Modi had to eventually scrap the three farm laws.

LINGERING PAIN

WHILE the BJP has dominated large swathes of India's rural heartland, discontent is there

CULTIVATORS complain that farming has become increasingly unprofitable

INDIA has banned export of wheat, rice, sugar to cool prices, which has hurt farmer incomes

FARMERS often have to sell produce below the cost of production

Despite world-beating economic growth of 8.2% during 2023-24, India has not been able to create enough jobs for rural youth, keeping migration to urban areas unabated. That seemed to be a bigger issue in the Lok Sabha polls, analysts say.

"The second term of the Modi government was actually better for the farm sector than the first term, during which there was serious distress," said R. Mani of the Tamil Nadu Agricultural University. Back then, a collapse in crop prices was triggered by the government's decision to cancel high-value currency notes, triggering chaos across India.

In the second term (2019-20 to 2023-24), agriculture, on average, grew at 4.2%, one percentage point higher than average growth registered during the first term. Crop realizations were also higher during the second term, driven by high global commodity prices, Mani said.

However, farmers often have to sell produce below cost of production and, at times, simply discard it rather than incurring storage costs.

In Maharashtra's onion-growing hubs of Dindori, Nashik, Dhule, Sirdi and south Ahmednagar, farmers and traders had protested a ban on exports imposed in December, 2023 following a price spiral. This squeezed farmers' and traders' earnings. On 4 May, the government finally lifted the prohibition, citing normal availability and stable prices.

"Farmers have not voted the BJP because it has been an anti-farmer government. We will not rest till we get guaranteed MSP," said Gurnam Singh Chaduni, a farm leader from Haryana who played a key role in the 2020-21 protests.

"Rural distress because of a lack of adequate jobs, rather than farm distress, seemed to have influenced voting preferences in many states," said Tarun Vajpayi, a scholar with the Tata Institute of Social Sciences.

Ire over Agnipath scheme could have dulled NDA's fortunes in some states

HT Correspondent
letters@hindustantimes.com

NEW DELHI

Agnipath, a controversial scheme for the short-term induction of soldiers, and linked employment issues likely impacted the BJP-led National Democratic Alliance (NDA) in the Lok Sabha elections and helped the INDIA bloc make inroads in several states such as Uttar Pradesh, Rajasthan, Haryana and Punjab, that are seen as recruitment hubs for the armed forces.

Simmering anger among the youth over the scheme, introduced by the NDA government two years ago, appears to have boiled over and influenced voters in these states where the alliance took a beating.

The Agnipath model was a major departure from the military's decades-old recruitment system that was scrapped when the NDA government announced the new scheme in June 2022. It seeks to recruit soldiers for only four years, with a provision to retain 25% of them in regular service. Those recruited under the new scheme are called Agniveers.

There's no doubt that Agnipath has had an impact on the outcome of the elections, said a former three-star general, who asked not to be named.

"The youth, who wanted to join the army, have begun to feel that the police or the paramilitary forces are a better career option. The Congress took up the issue in a big way during its poll campaign. I believe Agnipath has dulled the NDA's fortunes, though it's hard to quantify the impact," he said.

The Congress party promised in its manifesto that it will scrap the Agnipath scheme and bring back the legacy recruitment model if voted to power. To be sure, the NDA government earlier indicated that it was not averse to refining the scheme to enhance its appeal.

There is anger among the youth over the scheme, that seems to have impacted voting pattern. HT

Since the NDA is returning power, it must take a relook at the scheme and bring in changes in line with the aspirations of the country's youth, said another senior veteran, who also asked not to be named.

India had on 14 June 2022, announced the Agnipath scheme replacing the legacy system to lower the age profile of the armed forces, ensure a fitter military and create a technically skilled war fighting force capable of meeting future challenges. It sparked widespread protests and forced a concerted outreach by the government to scotch apprehensions about the scheme.

Hindustan Times toured several villages in Punjab in the run-up to the seventh phase of voting on 1 June to assess the mood of the state's youth and found that the Agnipath model was a dampener for them, and they were eyeing other career options. Scores of young men, their families and other people HT interacted with said it would influence voting patterns.

It was clear that the scheme had not cut ice with Punjab's youth who wanted the government to return to the legacy system of recruitment. Soldiers who were recruited through the legacy recruitment system serve in the armed forces for about 20 years before they retire in their late 30s with pension and other benefits.

On the other hand, Agniveers released after four years do not get any benefits that ex-servicemen are entitled to, including pension, medical care and canteen facilities.

Agniveers released after four years do not get any benefits that ex-servicemen are entitled to

Agniveers draw an annual salary of ₹4.76 lakh in the first year of service and Rs 6.92 lakh in the fourth, get a non-contributory insurance cover of Rs 48 lakh, and an additional ex-gratia payment of Rs 44 lakh for death attributable to service. Those released after four years will get Rs 11.71 lakh as a Seva Nidhi severance package, including Rs 5.02 lakh contributed by them during their service. They will also have job quotas in different government organisations, paramilitary forces and other departments.

To be sure, the army is constantly obtaining feedback from Agniveers to refine the recruitment model for best outcomes.

"The army conducts regular reviews to ensure efficacy and currency of its HR policies. The Agnipath scheme was introduced two years ago as a transformational approach to human resource management in the armed forces. Regular feedback is being obtained from all stakeholders and this has been instrumental in ensuring smooth, timely and error-free implementation of the scheme and adequacy of policies," a senior officer earlier said.

The army has got positive feedback on Agniveers from its units and the recruitment scheme was finalised after extensive consultations, army chief Gen. Manoj Pande said in January.

Pande's comments came weeks after his predecessor Gen. Manoj Mukund Naravane (retd) created a stir by revealing that the Agnipath scheme caught the army by surprise and was a bolt out of the blue for the air force and the navy as well. Naravane's take on the scheme figure in excerpts of his yet-to-be released autobiography titled Four Stars of Destiny.

Index	Close	Percent change	Previous close	Open	High	Low
S&P BSE Sensex	72079.05	-5.74	76468.78	76285.78	76300.46	70234.43
Nifty 50	21884.5	-5.93	23263.9	23179.5	23179.5	21281.45
Nifty 500	20323.85	-6.76	21797.4	21753.35	21753.35	19624.25
Nifty Next 50	64022.15	-9.34	70620.25	70511.3	70511.3	60663.4
Nifty 100	22739.60	-6.59	24344.2	24268.05	24268.05	22003.75
S&P BSE Mid-cap	40788.10	-8.07	44367.67	44437.86	44465.57	39112.44
S&P BSE Small Cap	44958.48	-6.79	48232.3	48341.04	48341.04	43224.74

MINT SHORTS

Chinese stock rebound sparks rush of firms to raise funds

Chinese companies are rushing to take advantage of a recent equities rebound to raise funds, using what may be a narrow window before the market falters again. Mining company MMG Ltd proposed a rights offering in Hong Kong to raise HK$9.08 billion ($1.2 billion), while Yankuang Energy Group is eyeing $634 million in a shares placement. Separately, Poly Developments and Holdings Group is considering raising as much as 12 billion yuan ($1.7 billion) via notes that can be turned into equity. The firms join other Chinese companies seeking to raise cheap funding through equity or equity-linked notes. The additional issuances are a bright spot for bankers, who have seen mergers and acquisitions and initial public offerings dry up. Yankuang's placement is the largest by a Hong Kong-listed firm since April 2023, when sportswear developer Anta Sports Products Ltd raised $1.5 billion through a similar offering. **BLOOMBERG**

South Korea's consumer price index in May stood 2.7% higher than a year earlier. ISTOCKPHOTO

South Korea's consumer inflation at 10-month low

South Korea's consumer inflation slowed for a second straight month in May to a 10-month low, official data showed on Tuesday, coming in lower than market expectations. The consumer price index (CPI) in May stood 2.7% higher than a year earlier, slower than a rise of 2.9% in April and a gain of 2.8% tipped in a *Reuters* survey. It was the slowest annual increase since July. The index rose 0.1% on a monthly basis, according to Statistics Korea, after no change in April and compared with a 0.2% rise expected by economists. By product, prices of agricultural products fell 2.5% over the month, but petroleum products rose 0.3% and personal service prices gained 0.4%. "Inflation is expected to stabilize in the lower to mid-2% range in the second half," finance minister Choi Sang-mok said, vowing to extend tariff cuts on food ingredients and refrain from raising public utility prices. The Bank of Korea (BOK) said consumer inflation would likely continue to ease gradually. ***REUTERS***

What can energize Apollo stock?

Manish Joshi
feedback@livemint.com

Apollo Hospitals Enterprise Ltd investors are yet to get over the disappointment of a lower-than-expected valuation in the stake sale of its pharmacy business.

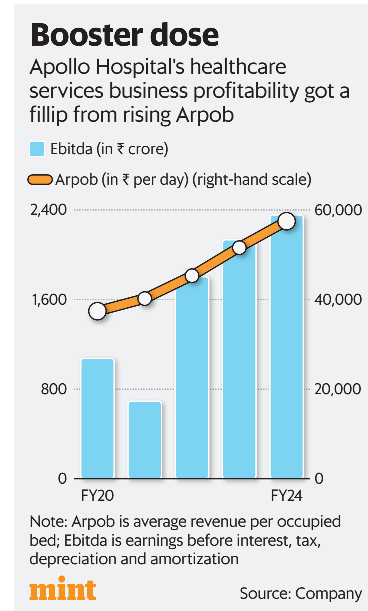
The stock is languishing below the ₹6,258.60 level it was at on 26 April, when the deal was announced. It has largely been indifferent since the company announced its FY24 results after market hours on Thursday. The mainstay healthcare-services business saw 10% year-on-year growth in Ebitda to ₹2,356 crore in FY24, largely on the back of an almost equivalent rise in average revenue per occupied bed (Arpob) to ₹57,488. The double-digit Arpob growth was due to a reconfiguration of general-ward beds into semi-private and private sections in certain locations, with case mix also playing a part.

Note that the 24% Ebitda margin of the healthcare business is almost four times that of the adjusted-Ebitda margin of the pharmacy business. Here, the pharmacy business includes offline, online, digital app Apollo 24/7, and promoter group company Keimed, which

The stock is languishing below the ₹6,258.60 level it was on 26 Apr. HT

will be merged with the existing pharmacy business as a part of the deal. The adjusted-Ebitda margin for pharmacy has been arrived at by adding back Esop and new business costs of Apollo 24/7.

Based on the equity transaction by Advent International Private Equity, the pharmacy business forms just about 15%



PRANAY BHARDWAJ/MINT

of the company's total market capitalization of ₹85,230 crore. The PE fund acquired a 12.1% stake for ₹2,475 crore, which means the 59% stake of Apollo Hospitals is worth ₹12,000 crore.

The remaining market capitalization can be ascribed mainly to healthcare services as the retail health and diagnostics business is still tiny. Negligible net debt in the healthcare-services business means the market capitalization and enterprise value are the same. Based on FY24 results, the EV/Ebitda multiple works out to nearly 30x. This valuation must be seen in the context of the business' growth prospects over the short-to-medium term.

For FY25, management has guided for 15% growth in healthcare services, with an Ebitda-margin target of 25%, up from 23.7% in FY24. Over the next three years, the company aims to grow its operating bed capacity at a CAGR of 9% to FY27.

GROWTH PLANS

FOR FY25, management has guided for 15% growth in healthcare services

OVER the next three years, the co aims to grow its operating bed capacity at a CAGR of 9% to FY27

To be sure, the real boost to earnings comes from increasing the occupancy rate and Arpob. Management has been adding new doctors across cities by spending on advertising and marketing to achieve higher occupancy. It remains to be seen whether that bears fruit as the occupancy rate for FY24 was 65%, below the pre-covid high of 67% in FY20. Arpob provided succour, clocking 11% CAGR from FY20 to FY24.

Notwithstanding lower valuations from the Advent deal, investors may be pleased if management delivers on its goal of increasing revenue to ₹25,000 crore over the next three years, with an Ebitda margin of 8% for the entire pharmacy business.

In FY24, revenue and adjusted Ebitda for the pharmacy business were ₹15,600 crore and ₹890 crore, respectively. The valuation of the pharmacy business and Apollo Hospital Enterprises's holding could therefore double in tandem with Ebitda, even if the valuation multiple remains the same as it was in the stake sale. The incremental value of holding of the pharmacy business could thus be another 15% of the current market cap.

After deducting the pharmacy valuation from the market cap, the implied EV/Ebitda multiple of Apollo's healthcare business is 23 times projected FY25 earnings, which is in line with the historical average multiple of the entire company.

With little room for the multiple to expand, the stock's returns will track the company's growth trajectory.

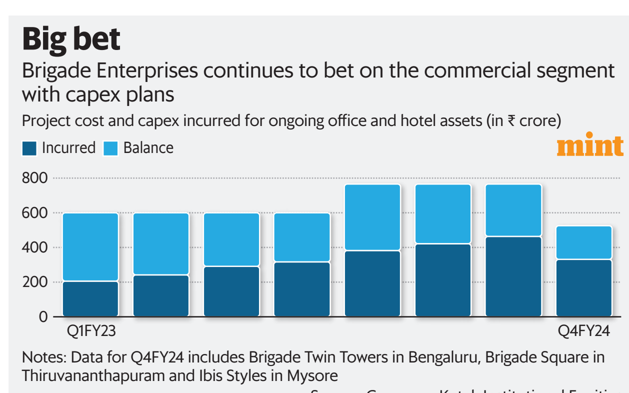
Brigade Enterprises' FY25 focus to be on commercial segment

Harsha Jethmalani
harsha.j@htlive.com

Realty firm Brigade Enterprises Ltd concluded FY24 on a solid note with strong performance across business verticals. Pre-sales or bookings in the residential segment surged 46% year-on-year to ₹6,012.5 crore. New launches and sustaining sales momentum in ongoing projects translated into highest ever collections of ₹5,915.1 crore in FY24.

The outlook for FY25 is also upbeat. Project launches of 12.6 million square feet (msf) are the line up in the residential space spread across key markets of Bengaluru, Hyderabad and Chennai. These projects have a gross development value of ₹13,000 crore. The company expects to spend more on business development over the next two years. "This will provide growth visibility in the residential segment and lead to further re-rating," said Motilal Oswal Financial Services.

On the commercial side, net office space absorption in FY24 was more than 1msf with 97.5% occupancy across leasing portfolio. The management expects office demand to be robust in FY25, driven by medium and large-sized tenants, dominated by automobile, tech, manufacturing, and engineering sectors.



PRANAY BHARDWAJ/MINT

It anticipates rental income to grow by 15-16% year-on-year and reach ₹700 crore by end-FY25 from ₹600 crore in FY24.

Despite the sluggish performance of multiplexes, its mall business saw consumption surpassing pre-covid levels with footfall rising 10% in FY24.

In the hospitality segment, the key metric of average room rate (ARR) grew 8% in FY24 at around ₹6,500, surpassing the pre-covid level of ₹5,400.

The average occupancy rate for the segment rose to 72% in FY24, much more than the pre-covid level of 62%. The management expects ARR to grow 10% in FY25 aided by improvement in occupancies.

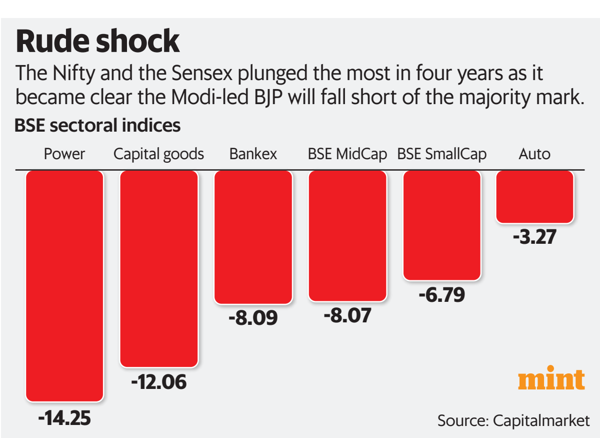
The company eyes 3msf of new office projects in Bengaluru, Hyderabad, and Chennai, and 0.5msf in hotels. This will entail a capital expenditure of ₹2,000 crore in FY25-28.

The stock has rallied by a massive 117% in the last one year, beating the Nifty Realty index which has risen 100%.

Investors have approved the impressive pre-sales trajectory, robust cash flows and healthy balance sheet. Any delays ahead could mean pressure on cash flows and ability to service debt. To be sure, Brigade's net debt has eased to ₹1,908 crore, but cost of debt is elevated at 8.8%.

Investors also need to watch out for geographical concentration risk as the majority of Brigade's projects are in Bengaluru. Any slowdown here could derail pre-sales growth and hamper the stock's momentum.

Mark to Market writers do not have positions in the companies they have discussed here



SARVESH KUMAR SHARMA/MINT

Bulls caught by the surprise poll verdict

FROM PAGE 1

chief investment strategist at Geojit Financial Services.

"The markets would now weigh the pace of reforms; whether there would be any tweaks or continuation of policy," said Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies. "There is that uncertainty right now and we'd have to wait for commentary overnight from the winning coalition. It seems that the valuation premium that India commanded to its Asian peers would be under a cloud."

The Nifty's one-year forward price-earnings multiple now stands at 17.7 times, against MSCI Asia's (ex-Japan) one-year forward PE of 12.02.

"The stress in mass market consumption (as seen through company earnings data) may come into focus for the government," analysts at UBS said in a note. "While the overall focus on infrastructure and capex could continue, some fiscal room may need to be made for populist measures. As our India economics team writes, that could mean some delays in fiscal consolidation path. Some of the key flagship schemes of the government from a market perspective—like PLI (manufacturing incentives) could continue—although upsizing of incentive dollars could be tough. Reforms that could be placed on cold storage include—agri/food subsidy reforms, land reforms, direct tax reforms," the UBS analysts wrote.

Veteran investor Vijay Kedia said newbie investors should "wait on the sidelines", until more clarity emerges after a new government is formed.

"If you're a long-term investor, waiting won't kill you. Better to enter after the event settles and clarity emerges on the economic footprint, even if you have to buy a stock at a 10% higher level," Kedia explained.

Gopika Gopakumar and Nishant Kumar in Mumbai contributed to this story.

When mkt crashes, defensives like HUL, Nestle, Hero stand tall

Dipti Sharma & Vaamanaa Sethi

MUMBAI/NEW DELHI

On a day when several stocks hit the lower circuit triggering a trading halt, there were some fast-moving consumer goods and auto names that stood tall. This hints at invest-ors fleeing to defensive bets in a highly volatile market. On Tuesday, India VIX jumped 28%.

Shares of Hindustan Unilever Ltd, Nestle India Ltd, Britannia Industries Ltd, Hero Motocorp Ltd, and Tata Consumer Products Ltd settled about 2-6% higher.

This is in contrast to Shriram Finance Ltd, Power Grid, Larsen & Toubro, BPCL, Adani Enterprises and Adani Ports Special Economic Zone stocks that crashed 10-21%. What spooked investors was a negative surprise in India's general elections results, with the ruling NDA set to return albeit with a less than expected majority. That said, the broad direction of the economy is unlikely to change, said market experts.

"So, FMCG and auto names are places for institutional investors to hide in a collapsing market," said Bino Pathiparampil, head of research, Elara Capital. He believes, "There could also be an expectation of a more populist policy framework from the government, given the mandate, which can boost private consumption."

What spooked the investors was a negative surprise in India's general elections

Even UBS Securities said in 4 June note, "While political stability should help ensure continuity in policy agenda, we see risk of populist bias in the third term (targeted towards lower income strata) and change in economic policy dynamics with tougher reforms getting pushed further out." The brokerage said that India's consumption is recovering in a K-shaped pattern, with demand for luxury and affluent items looking strong and entry-level and mass-market goods remaining relatively flat after the pandemic. This implies that people at the bottom of the economic pyramid, who were presumably the most impacted by the pandemic, still haven't seen their income levels rise to the point where they can afford to spend again.

So, "limited fiscal support for vulnerable sections of society and weather anomalies affecting rural income have further amplified the gap," added UBS.

Any major shift in BJP's governance agenda is unlikely, according to market experts, but the pace of reforms could soften, they said. The focus on manufacturing will continue, especially given its importance in job creation, some believe.

"There is a possibility of some welfare measures from the government in addition to manufacturing and capital expenditure themes going forward," said Varun Saboo, head of Equities at Anand Rathi Shares & Stock Brokers.

dipti.sharma@livemint.com

MARGIN CALLS BY BROKERS HEIGHTENED VOLATILITY ON TUE

EXPERT VIEW

A. BALASUBRAMANIAN

Respond to this column at **feedback@livemint.com**

The current market volatility and correction in both the Sensex and the Nifty are outcomes of the Lok Sabha election results. It fell short of the general expectations of market players built up over the past two weeks and exit poll results, due to which the markets have been volatile, with bears emerging and building short positions. After the exit polls , the market rise was attributed to short covering . Tuesday's significant fall could largely be attributed to the election result falling short of expectations.

As is known in the Futures and Options segment, people have been building positions for quite some time in the market. The outstanding position in F&O grew so big, that the outstanding position became close to ten times the daily trading volume. I must also mention that this huge outstanding position in F&O market also added to the volatility, due to the unwinding of F&O positions. Normally when uncertainty sets in the market along with increased volatility, margin call comes, forcing F&O traders to sell stocks, even if one doesn't want to, because the loss in the market has to be compensated. Therefore, the current market volatility needs to be looked at from that angle. Overall equity markets have scaled significantly in the last few years, on the back of a strong economy and political will. Compared to most other economies globally, India has been consistently growing and leading on several macroeconomic parameters. In my opinion, this trend should continue going forward even after the current election result and government formation.

The biggest strength of the Indian economy has been a stable and forward-looking policy framework, making India a prominent and high-growth economy in the world. In fact, this narrative is not altered. However, one might witness marginal slowdown in the pace of execution. The India growth story was also supported by government-owned enterprises moving up in market cap, which is nothing but a re-rating of the companies from undervalued to being reasonably valued. These enterprises have seen a significant pickup in earnings growth by largely participating in the overall economic momentum that the country has been witnessing.

One must also keep in mind that Indian markets have been one of the best-performing in the world. And most of the returns got front-loaded on expectation of a thumping majority for the incumbent and the fast tracking of economic growth for the future. This front-loading of returns, in fact, did put a question on the attractiveness of the Indian capital market adjusted for growth and earnings. As a school of thought exists, any big correction in the market will never come with a warning. Therefore, the current volatility should be seen in that light, and the market has finally found some reason to correct , reducing the excess in valuations built in the last six months , based on high expectations. Going by history , a single-day correction of more than 10% generally never gets repeated for quite some time. However, the markets may remain volatile till the formation of the government and the narrative for the next five years envisioned by them. Additionally, I am sure the Budget will play an important role in setting the ball rolling.

The momentum that has been built in the last few years will gain further ground, driven by rising GDP growth, low inflation, stable interest environment and currency, low current account deficit, improved BoP, improving fiscal deficit and increased earnings. Steady progress in tax collections, both direct and indirect, should further improve the fiscal deficit, in turn making a case for a rating upgrade for India. Therefore, it is important to remain confident of our long-term growth story and stay invested in India. Continued FDI investment and reforms such as Make in India and Startup India will further help India to rise to a new level on the path of a high-growth economy. None of these narratives are going to change, therefore we should look beyond yesterday's volatility. It should be seen as a time to look at the portfolio, rebalance where necessary and increase commitment for the long term. One should continue to use this mutual fund route for long-term investing and build a robust portfolio for the next 5 to 10 years.

The biggest strength of the Indian economy has been a stable policy framework

The author is MD & chief executive, Aditya Birla Sun Life AMC. Views expressed are personal.

MINT SHORTS

China gives nod for public trials of advanced autonomous driving

Beijing: China has granted approval to a first group of nine automakers to carry out tests on vehicles with advanced autonomous driving technologies on public roads, as part of a plan to accelerate adoption of self-driving cars. The tests of so-called level three autonomous driving technologies will be carried out by automakers including BYD and Nio, as well as major state-owned manufacturers such as Changan Automobile, GAC and SAIC, according to a statement published by the industry ministry on Tuesday. Fleet operators such as ride-hailing companies will also be involved in the tests. REUTERS

Mercedes, Stellantis pause battery plans to reset strategy

REUTERS

Stellantis NV and Mercedes-Benz Group AG's battery site in Germany has stopped construction to review the business in light of slowing electric-vehicle sales and high costs. Automotive Cells Company SE, which is developing three battery plants in Europe at a total cost of €7 billion ($7.6 billion), is resetting its strategy in Kaiserslautern with one of the options making low-cost lithium-iron-phosphate cells, said chief executive Yann Vincent. Demand for EVs has slowed in Europe with growth only expected in the mass-market segment, he said. The plant, set to cost just over €2 billion with an initial plan to make lithium-ion cells, is also pushing out its start date by at about two years. BLOOMBERG

Tesla's China shipments drop again as competition heats up

Tesla Inc. shipments from its Shanghai factory fell for the third time this year in May, contrasting with robust growth for rivals and adding to signs of fierce competition for customers playing out in China. Tesla's shipments, including cars for domestic sale and export, dropped 6.6% from a year earlier to 72,573 vehicles, showed data from China's Passenger Car Association on Tuesday. Still, that represents a 17% increased compared with April, data showed. Industrywide wholesales of new-energy passenger vehicles were estimated at 910,000 units, up around 35% from a year ago, suggesting that demand continues to be supported by EV makers' price discounts and government subsidies. While Elon Musk's EV firm struggles to maintain growth momentum in its largest overseas market, local automakers have seen booming sales. BLOOMBERG

Edtech turns up the heat on foot soldiers

Sales executives are facing the music as firms are linking talktimes to pay

Samiksha Goel
samiksha.goel@livemint.com
BENGALURU

Edtech saw a slowdown as students returned to physical classrooms after Covid. HT

The brunt of the slowdown in India's once highly vaunted edtech sector has fallen on its foot soldiers. As online tutoring startups struggle with falling revenues and reduced investor funding, they are cracking the whip on their salespeople, thrusting on them higher targets and longer hours while saving on incentives.

Mint's conversations with about two dozen sales executives across edtech firms including upGrad, Unacademy and Scaler suggest the situation may be heading from bad to worse, not only for the employees but also for the sector. These executives spoke on condition of anonymity.

The edtech industry already has been under the scanner for extreme examples of mis-selling and unethical sales practices. Byju's, once India's most-valuable startup, especially has been under scrutiny for its sales practices, which forced it to alter its approach.

Late last year, Scaler, which offers upskilling courses, introduced a policy requiring sales executives to complete two hours of 'talktime' every day, failing which it would dock their day's pay, according to the company's sales executives. Talktime refers to the duration sales executives spend engaged in conversation with potential customers over phone calls.

"Imagine working for 9-11 hours but you end up having 110 minutes of talktime (10 minutes short of two hours), and you don't get paid for that day," said a sales executive at Scaler. Scaler tweaked the policy last month, and now mandates two hours of talktime only for employees under probation, according to company executives.

"As with any other organisation, we at Scaler occasionally change and experiment with our internal work policies across teams. To ensure these changes do not adversely impact morale and culture, we also undertake quarterly employee NPS surveys," said Abhimanyu Saxena, co-founder, Scaler and InterviewBit, a platform for upgrading tech skills.

"Based on the feedback received in these surveys, we make the necessary changes and accommodations to ensure an optimum experience for all."

Scaler is not the only company to have linked higher talktimes to pay. Unacademy in April increased the required daily talktime for its sales executives to 3.5 hours to be entitled to a full day's salary, up from 3 hours earlier, according to three employees. Besides, according to one Unacademy sales executive, the company has not rolled out a salary increment since last year, but has promised to implement it in July. Unacademy did not respond to *Mint's* queries.

upGrad requires a daily talktime of 1.5 hours that's not linked to pay, although it has increased its work week to six from five, according to the company's sales executives.

"The edtech industry is reaching a saturation point, making it challenging to achieve targets," said an upGrad executive. "Despite this, we are working diligently to get back on track." upGrad, in response to *Mint's* queries, said it had not implemented any recent changes to its sales policies.

India's edtech sector has witnessed a slowdown as students returned to physical classrooms after about two years of learning online during the pandemic.

LONGER TALKTIME, LOWER INCENTIVE

ONLINE tutoring startups are battling falling revenues and reduced investor funding.

THESE firms are thrusting higher targets, longer hours & lower incentives on sales staff.

EDTECH sector has been under the scanner for mis-selling and unethical sales practices.

Intel CEO targets Nvidia in fight for AI chip dominance

Bloomberg
feedback@livemint.com

Intel Corp. chief executive officer Pat Gelsinger. REUTERS

Intel Corp. chief executive officer Pat Gelsinger took the stage at the Computex show in Taiwan to talk about new products he expects will help turn back the tide of share losses to peers, including AI leader Nvidia Corp.

Intel showed its new Xeon 6 data centre processors with more efficient cores that will allow operators to cut down the space required for a given task to a third of prior-generation hardware.

Like rivals, from Advanced Micro Devices Inc. to Qualcomm Inc., Intel touted benchmarks that showed its new silicon is significantly better than its existing options. AMD and Qualcomm's CEOs, in earlier Computex keynotes, used Intel's laptop and desktop processors to show how far ahead they are in certain aspects of technology.

Gelsinger took a direct shot at Nvidia CEO Jensen Huang's claim that traditional processors like Intel's are running out of steam in the age of artificial intelligence (AI).

"Unlike what Jensen would have you believe, Moore's Law is alive and well," he said, stressing that Intel will have a major role to play in the proliferation of AI as the leading provider of PC chips.

"I think of it like the internet 25 years ago, it's that big," Gelsinger said. "We see this as the fuel that's driving the semiconductor industry to reach $1 trillion by the end of the decade."

Shares of Intel were up about 1% in early trading in New York on Tuesday.

Gelsinger took direct shot at Huang's claim that traditional processors like Intel's are running out of steam

Intel's Gaudi systems, which compile its chips into kits of multiple processors tailored to handle generative AI training, will be offered by partners like Dell Technologies Inc. and Inventec Corp., Gelsinger said. One kit with eight Intel Gaudi 2 accelerators will sell for $65,000.

A more powerful kit of eight Intel Gaudi 3 accelerators will list at $125,000, with the company estimating both offerings are more affordable than competitors'.

Each of those Gaudi 3 clusters is composed of 8,192 accelerators and Intel estimates it offers up to 40% faster time to train an AI model compared to an equivalent size cluster of Nvidia H100 GPUs.

Intel also said Gaudi 3 would be as much as two times faster than Nvidia's H100 in executing AI inferencing tasks, as measured in popular models like those made by Meta Platforms Inc. and Mistral. Those advantages may not be enough to topple Nvidia from the lead in data center AI processing.

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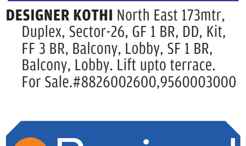

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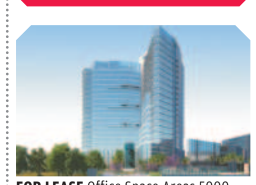

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India Inc pins hope on reform

Industry heads say the opposition getting substantial votes is also a sign that checks and balances are in place

Team Mint
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India Inc. is surprised at the close finish in the 18th Lok Sabha elections and remains hopeful that the new government will push for reforms. Industry heads have told *Mint* that the opposition getting substantial votes is also a sign that checks and balances are in place.

Sajjan Jindal, chairman of JSW Group, in a statement on today's election results, said, "Very difficult to gauge the mood of public in a vast country like ours. This is amply clear from today's numbers! What we are witnessing today is something nobody expected and showcases how a democracy of our size functions." "The biggest question on the mind of investors is whether the pace and quality of reform will continue as it has over the past 10 years without the single majority. The economic reform agenda articulated prior to the results are essential to India becoming a developed nation by 2047. These will need to be bolder and more far reaching than the past for this ambitious target to be met," Siddarth Pai, co-founder, 3one4 Capital. "From a fund manager's perspective, our job is to use every opportunity in a very sensible way. In my mind, if BJP had come back with a strident "400+"win, it would have had the potential to create an irrational exuberance in pricing. Now, we have continuity with sanity," said Gopal Srinivasan, founder, TVS Capital.


The bourses reacted sharply to the changes in voter's sentiments. MINT

The bourses reacted sharply to the changes in voter's sentiments. After a 3% surge on Monday, Indian equities witnessed a bloodbath on Tuesday, with headline indices falling more than 7% each intra-day. Nifty 50 and Sensex hit the lowest since 23 March 2020 and 4 May 2020, respectively. A negative surprise in India's general elections outcome spooked investors, with the ruling National Democratic Alliance (NDA) set to return albeit with a less-than-expected majority. That said, the broad direction of the economy is unlikely to change.

Brokerage firm heads expect markets to turn volatile for a short period before regaining their equilibrium. "The latest numbers suggest that the NDA government could return to power with a lesser than last time seats," said Ajay Menon, managing director and chief executive officer (CEO), Broking & Distribution for brokerage firm-Motilal Oswal Financial Services. "We expect the volatility around the outcome to reduce over the next few days and market focus to return on macro and fundamentals which remain strong," he added.

Corporates hope that policies on the ground do not change. "Setting up fabrication units, component manufacturing and assembly units in the country is crucial for the domestic ecosystem to continue on its upward trajectory, and it is unlikely that this process will be disrupted at any point," said Ajai Chowdhry, co-founder of HCL Technologies and chairman of mission governing board, National Quantum Mission.

The startup community is hopeful that the new government will bring in stability and continue with business reforms. "The hope from the startup community is that the newly formed government will be stable and will continue with its pro-business policies to ensure India continues to grow at 8% per annum," said Ashwin Damera, co-founder Eruditus—an edtech firm that became a unicorn in 2021.

Law firms are betting on a smoother regulatory environment to propel business growth. "We largely expect the regulatory environment to continue to become more investor- and business-friendly with time. For corporate India, opportunities to grow along with the country's economy are likely to continue as well," said Haigreve Khaitan, senior partner at law firm Khaitan & Co.


Mother Dairy hiked prices by ₹2 a litre as intense heat impacted milk production. MINT

Dairy products see steady prices even as milk gets costlier

Suneera Tandon
suneera.t@htlive.com
MUMBAI

Manufacturers of packaged foods and dairy products may absorb recent milk price hikes instead of passing on the rise in cost to consumers immediately.

This follows price increases announced by major milk producers, including the Gujarat Cooperative Milk Marketing Federation (GCMMF) and Mother Dairy.

GCMMF had increased the price of Amul fresh pouch milk by ₹2 per litre pan-India effective 3 June, while Mother Dairy hiked prices by ₹2 a litre as intense heat impacted milk production. An increase in overall cost of operation and production of milk prompted Amul to raise prices after a gap of over a year, the country's largest dairy cooperative said.

Though Amul has raised the cost of its fresh milk, it has not yet planned any hike in the prices of its milk products.

Companies making dairy products such as curd, ice creams and cold beverages are wary of price hikes given the high summer demand for these items.

"The recent surge in milk prices is likely to have an impact on consumers and small sweet-shop owners, leading to higher prices for milk-related products," said Manish Aggarwal, director, Bikano, Bikanervala Foods Pvt. Ltd.

A rise in overall cost of operation and production of milk prompted Amul to raise prices after a gap of over a year

"However, it's important to note that the demand for *'mithai'* and other milk-based products may not be significantly affected by these rising costs. We are absorbing the increased cost of milk and have no immediate plans to pass it on to our consumers. We are carefully balancing consumer price sensitivity with price elasticity and competitive dynamics," Aggarwal added. The firm may though consider adjusting the prices of products in the future if the scenario persists, he said.

A Nestlé India spokesperson said, "We are closely monitoring the milk market conditions."

OTTs, creators embrace theatrical films for maximising profit

Lata Jha
lata.j@htlive.com
NEW DELHI

Streaming platforms, such as Amazon Prime Video, hoichoi and aha Video, along with web content creators like The Viral Fever (TVF), are taking a bold leap into the world of theatrical films.

These platforms are not just streaming films after their theatrical release but are securing stakes in the movies from day one. According to experts, this is a novel experiment to boost profits by combining the buzz around big-screen premieres with digital revenue streams such as subscriptions, advertising, and pay-per-view rentals. This would allow platforms to curb acquisition expenses, given that they would not have actual share in the IP (intellectual property) rights, they said.

"The buzz around theatrical release helps the prospects of a film. This is a core reason (for our foray into theatrical productions). The market is going through a change and there aren't many films being made that we would like to bring to the platform," Soumya Mukherjee, chief operating officer, hoichoi, a Bengali streaming service said. Besides, hoichoi is considering to also get into the business of owning IPs for generating better revenue. "Big movies always do well on the platform. So, it makes sense to back a film which can eventually be streamed, right from the start". For Hoichoi three films are scheduled for theatrical debut.

This is a move to boost profits by merging the buzz around big-screen premieres with digital revenue streams

OTTs are investing in films with many benefits, said Chaupal OTT's managing director Sandeep Bansal. One, from cinemas in terms of the revenue earned by the film besides from the OTT release. That apart, creative input from an OTT perspective always helps, he added.

The common perception is that streaming platforms are spending on marketing originals and movies when released online, experts said. "The perceived value of a film goes up when it is released in theatres. Also, after films like *12th Fail*, makers can see there is a market for mid-sized content in theatres, and creators can see the benefit in reaching out to audiences directly," said Mehul Gupta, co-founder and chief executive of SoCheers, an independent digital agency.

The views were echoed by Rajat Agrawal, director, Ultra Media & Entertainment Group which owns Marathi language platform Ultra Jhakaas. "Going to a multiplex with family on a weekend is a wholesome cohesive experience, and any film, whether big or small becomes part of that experience."

The merged boundaries are facilitating a crossover. "OTT and creators constantly interact to learn about consumers, to cater to different needs. The theatrical market in 2024 saw significant resurgence, re-validating the box office model. Content costs have overheated so creators and platforms want to tap all the monetization avenues," Saurabh Srivastava, chief operating officer, digital business at Shemaroo Entertainment Ltd, said.

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Return of regional parties may impact Centre-state relations

Significant shifts in the dynamics of Centre-state relations are expected as regional parties return to the fore

Manas Pimpalkhare, Rituraj Baruah & Gulveen Aulakh
NEW DELHI

While some said this might cause greater friction between the Centre and states, others saw it as a positive development AP

Centre-state relations may be about to get a makeover. The resurgence of regional parties in the National Democratic Alliance (NDA) as also in the Congress-led Indian National Developmental Inclusive Alliance (INDIA), which rules several states, might lead to significant shifts in the dynamics between the Centre and states, experts said. While some experts said this might cause greater friction between the Centre and states, others saw it as a positive development, and more in line with inclusive development of the country.

Prime minister Narendra Modi had started off on a cordial note in 2015, calling for the states and the central government to work as "Team India". One of the objectives of setting up NITI Aayog was to promote competitive and cooperative federalism among states and Union territories.

Despite these initial efforts, friction has periodically been seen between the Modi-led central government and several states, especially those ruled by opposition parties, largely in terms of financial or fiscal relations. States like West Bengal and Karnataka have time and again blamed the Centre for allegedly withholding funds.

This February, West Bengal chief minister Mamata Banerjee led a protest against the Centre over its delay in releasing wages under the MNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) and some housing schemes.

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Seats won by Samajwadi Party in Uttar Pradesh

The southern states of Karnataka, Kerala, and Tamil Nadu, where the governments are led by Indian National Congress (INC), Left Democratic Front (LDF) and Dravida Munnetra Kazhagam (DMK), respectively, also protested at Jantar Mantar this February against the Centre's alleged fiscal biases.

However, the stance of the central government may be different and much more amiable this time, given that the new NDA government would be led by a BJP that does not have a majority of its own.

N.R. Bhanumurthy, vice-chancellor of Dr BR Ambedkar School of Economics University, was of the view that states will have more heft in terms of getting their demands met. "States will have more bargaining power now. There are two major partners of the government, Andhra Pradesh (Telugu Desam Party) and Bihar (Janata Dal-United). They would be really looking forward to further discussions on this. There would be some reworking of Centre-state relations. It all depends on how these two political parties are going to bargain with the Centre and see how they improve their transfer of resources from Centre to state."

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Seats won by the AITC in West Bengal

Former vice chairman of NITI Aayog, Rajiv Kumar also was of the view that the significant numbers of TDP in the NDA may help it get more attention from the Centre for its longstanding demand of special status for the state.

At the same time, he said that given the numbers for the NDA are not as robust as in the past term, and with states having more bargaining power, Centre-state relations may even take a hit, mostly in case of states governed by opposition parties.

"Centre state relations may turn more rancorous," Kumar said. "With a weaker central government, states may be more demanding in their approach and the Centre may not be able to meet these demands."

A former bureaucrat in the central government, who did not wish to be named, said that a coalition government would enable the states to have greater say in matters of fiscal importance as well as in legislative matters, whereas in the past bills have been passed without much discussion.

Pointing out that a broad-based inclusive government will be good for India, the person said, "I'm looking forward towards rationalisation of GST, more inclusive social security net and better agricultural reforms. There was unnecessary intrusion by the Centre into fiscal (issues) of states and there was reduced discussion on these issues. With a coalition government, both issues will be addressed. I expect that the agricultural bill, land acquisition bills and CAA will come up for discussion again." CAA refers to Citizenship Amendment Act.

The former official further said that there were still a number of structural and substantive reforms that had to be done, which need backing of states and people, and cannot be done with a top-down approach. "Now, there will be a more inclusive approach. This will help the economic momentum, irrespective of the party that comes to power. The election results have shown that unemployment and inequality have become central issues, that's why regional parties coming in will be a good thing," the person added.

EXPERT VIEW
ARVIND KUMAR

Respond to this column at
feedback@livemint.com

INDIA WAS A GOOD IDEA THAT NEEDED BETTER EXECUTION

Czech-born British playwright and screenwriter Tom Stoppard had aptly noted, "...it's not the voting that's democracy. It's the counting...". Counting of votes for the Lok Sabha elections is still on, but the current trend so far suggests the National Democratic Alliance (NDA) led by the Bhartiya Janata Party (BJP) is all set to form the next government in New Delhi. It is also certain that the government that will be sworn in soon in New Delhi will definitely be a *Majboor Sarkar* (weak government) rather than a *Majboot Sarkar* (strong government). Bahujan Samaj Party (BSP) founder Kanshiram firmly believed that such a weak government would always be more accountable and answerable towards the people of a developing country like India.

Over the last 10 years that the NDA has been in power, the Opposition—which was in a disarray—has been claiming that the government was going against the very idea of India that has remained multi-lingual, multi-religious and pluralistic in civilizational sense; and a multi-party democracy and federal in constitutional sense. The Hindutva juggernaut, it said, needed to be stopped. And so there emerged a need for alliances of political parties.

Such alliances have been successful, as seen in the Bihar assembly elections in 2015. The very idea of the Indian National Developmental Inclusive Alliance (INDIA) started shaping up against this backdrop. The Janata Dal (United) or JDU, led by Bihar chief minister Nitish Kumar, took the initiative then and found good support from the Congress and the Rashtriya Janta Dal, besides the Shiv Sena (led by Udhav Thackeray), Nationalist Congress Party, All India Trinamool Congress (AITC), Jharkhand Mukti Morcha (JMM) and the communist parties.

> Such alliances have been successful, as seen in the Bihar assembly polls in 2015

INDIA was a welcome idea, as unlike in the 2019 parliamentary elections, the opposition parties came together to take on the BJP that had seen its popularity soar and its vote percentage going up to 40%. The 2024 general election is thus unique in the sense that there was an attempt by the Opposition to cobble up a pan-India alliance.

The history of Indian parliamentary democracy shows that there were two attempts by the Opposition to dethrone the ruling party, in 1977 and 1989, respectively. In both cases, the Opposition parties and their leaders were so devoted to their cause that they decided to field a single opposition candidate in each parliamentary seat. INDIA failed miserably on this count. The first jolt came when the JDU decided to part ways with the alliance. Mamata Banerjee led AITC, too, left the fledgling alliance midway. Mayawati-led BSP couldn't be persuaded to be a part of this alliance. Also, no common minimum programme could be pronounced on behalf of the alliance. Yet, opposition unity was definitely better than in 2019 though it could not muster the support of the electorate to form a government of its own.

The incumbent BJP, on the other hand, started off by setting a high target. The NDA slogan was *abki bar char sau paar* (400 seats this time) but it seemed to sense the pulse of the people and was pragmatic enough to enter into alliances with political parties such as the JDU and the Telugu Desam Party led by Chandrababu Naidu in Andhra Pradesh. It also welcomed into its fold parties of lesser significance, including the Shiv Sena faction led by Shinde and the Nationalist Congress Party faction led by Ajit Pawar, Pattali Makkal Katchi of Tamil Nadu and the Janata Dal (Secular) of Karnataka.

It requires no retelling that in the first-past-the-post system, the government is elected by only a minority of its total electorate. So, in 2014, the ruling party's voter share was close to 31%; in 2019, it was 38%. The estimated vote percentage for the BJP for 2024 is again close to 38% even if the NDA vote share would be higher and closer to 40%. This simply indicates that above 60% of the Indian electorate has never extended its mandate to the government.

As for the electoral outcome, Abraham Lincoln had quipped once, "Elections belong to the people. It's their decision. If they decide to turn their back on the fire and burn their behinds, then they will just have to sit on their blister."

The author teaches at the Centre for the Study of Social Exclusion and Inclusive Policy, Jamia Millia Islamia, New Delhi.

Alternative media, influencers give voice to Opposition

Lata Jha
lata.j@livemint.com
NEW DELHI

There was an active, visible and vocal counter media. PTI

The 2024 general elections will probably go down as the one that saw the coming of age of opposition parties in leveraging alternative media—YouTubers, independent journalists, social-media influencers—in the jostle for gaining political mileage.

At last count, the Indian National Developmental Inclusive Alliance (INDIA) had clocked in 41.47% of all votes, right behind the National Democratic Alliance's (NDA's) 45.13%. Media experts say a lot of the social-media content may not have been technically backed by the parties in question, but has instead come from unorganised entities working as an independent ecosystem to take on the ruling alliance via satire, humour and fact-based posts.

Names like Dhruv Rathee stand out with engaging and simplified videos on a number of subjects, complemented by the party leaders themselves who also tried to model communication that could appeal especially to Gen Z and millennial voters, experts pointed out.

"The 2019 elections were largely dominated by WhatsApp, while the 2024 elections saw YouTube as a major medium," communications strategy consultant Karthik Srinivasan said. "In a way, these influencers became an alternative media and were very vocal this election. Their presence was necessitated because the mainstream media was taking a pro-ruling government position."

> Names like Dhruv Rathee stand out with engaging videos, complemented by the party leaders

This meant there was an active, visible and vocal counter media that probably shifted perspectives significantly, Srinivasan added. "What they said and how they presented their points of view made a big dent with the people who were tired of seeing the same point of view coming from the organised media," he added.

While the Bharatiya Janata Party (BJP) selected influencers who reinforced its developmental and nationalistic narratives and appealed to its traditional voter base, the opposition strategically chose voices focused on employment, economic growth and social issues, resonating deeply with young voters.

"The BJP, renowned for its innovative social-media strategies, maintained a robust social-media presence in the latest elections, but the Opposition matched these efforts, engaging an increasingly influential youthful electorate in tier-II and -III cities," Shudeep Majumdar, the co-founder of Delhi-based influencer marketing firm Zefmo Media said.

Brand consultant and social commentator Santosh Desai agreed it was the influencers working by themselves that emerged as powerful voices this election that political parties actually rode on. "They garnered a very different kind of viewership from news channels," Desai added.

Sandeep Goyal, chairman and MD of advertising agency Rediffusion, pointed out that there is complete democracy on social-media platforms.

Coalition Karma: BJP misses 272 mark

FROM PAGE 1

said at a press meet.

"I applaud the political wisdom displayed by voters of UP," said Rahul Gandhi, Congress leader and its former president, responding to the results. "The UP voter understood the politics of India, realized the threat to the Constitution and voted to protect it."

The 2024 general elections were a pitched battle which the BJP contested with its usual nationalist-religious pitch coupled with 'Modi's Guarantee'—a slogan showcasing signature welfare schemes around housing, cooking fuel and free food. The Congress promised an annual cash transfer of ₹1 lakh to a woman member of every poor family and a farm loan waiver, among others.

The BJP's sub-optimal show comes at a time when Indian economy has put up an enviable show. It continues to be the fastest growing large economy in the world, clocking a gross domestic product (GDP) growth of 8.2% in 2023-24.

The BJP fought the polls with usual nationalist-religious pitch and its 'Modi's Guarantee'. AFP

But this growth, if the electoral outcome is any indication, has not positively impacted everyone. Consumption demand has been skewed pointing to an unequal post-covid recovery and private consumption growth at 4% is lowest in two decades, excluding the pandemic years. Inflation and lack of decent jobs were pan-India issues flagged by voters during the election.

The import of the verdict is more political and economic, said Sunil Kumar Sinha, senior director and principal economist, India Ratings. "The new government will have to focus not just on headline growth numbers but whether this growth is reaching all strata of the society. Consumption is happening among the top 50% but for sustained economic growth it should reach all. People are looking for jobs and those opportunities should be created."

Economists expect growth to slow down to around 6.5% in 2024-25 due to headwinds and a high base effect. For India's rapid growth to sustain, strong policy interventions are needed. "With the economy doing well on all fronts, it does appear that it will be business as usual for the country," said Madan Sabnavis, chief economist, Bank of Baroda. Existing policies and reforms will continue and there is fiscal space to accommodate extra expense on social welfare or capital expenditure, without compromising on fiscal deficit, he added.

The BJP falling short of an absolute majority could imply strengthening of existing welfare schemes and launch of new ones in the budget after it forms a government. The NDA government in its third term could also take steps to fix rural demand—by announcing higher crop support prices and raising funds under the rural jobs, housing, and road schemes. Upcoming state elections in Maharashtra and Haryana later this year could lead to a loosening of purse strings. While pending farm and labour reforms are likely to take a backseat, experts say India's attractiveness as an investment destination will continue as its fundamentals remains strong.

Emkay Global in its research report, said "reforms like those related to land, agriculture and labour are now off the table".

Andhra Pradesh and Odisha: Different shades of NDA wins

HT correspondent
letters@hindustantimes.com
NEW DELHI

Bhubaneswar and Hyderabad: Two big states, two big upsets. In Odisha, the Biju Janata Dal (BJD) is on its way out after five terms in office, making way for the Bharatiya Janata Party (BJP), which will form the government on its own for the first time.

And in Andhra Pradesh (AP), the Telugu Desam Party-led National Democratic Alliance (NDA) registered a landslide victory in the elections to both the legislative assembly and the Lok Sabha.

In Odisha, the BJP took an unassailable lead in 77 seats in the 147-member assembly, propelled by an anti-incumbency wave as well as popular disapproval of chief minister Naveen Patnaik hoisting a non-Odia person as his successor. The incumbent Biju Janata Dal, with a lead in 51 seats, was in second place, its worst performance since 2000.

In AP, the NDA—comprising the TDP, Jana Sena Party and the BJP—won 165 seats in the 175-member state assembly, an all-time record both before and after the state was bifurcated in 2014.

Patnaik, who was eyeing a record sixth term as CM and the record of the longest-serving chief minister of any Indian state, was trailing BJP's Laxman Bag in Kantabanji assembly constituency of Bolangir district, but he was leading by a slender margin against his BJP rival Sisir Mishra in Hinjili.

In fact, in Patnaik's home district of Ganjam, BJD lost in 11 of the 13 constituencies. Patnaik's bete noire and former state minister Pradeep Panigrahy, who joined BJP just two months ago after being expelled by BJD in 2020, was all set to win Berhampur Lok Sabha constituency by over 136,000 votes.

Patnaik would submit his resignation to Odisha Governor Raghubar Das on Wednesday morning, officials said. BJD leader Sasmit Patra said, "We are grateful to the people of the state for allowing us to govern over the last 24 years," but refused to answer questions on the reasons behind the party's debacle.

In chief minister Naveen Patnaik's home district of Ganjam, BJD lost in 11 of the 13 constituencies. HT

In the Lok Sabha polls in Odisha, BJP was leading in 19 of 21 seats, its best performance ever. Among the big names in the contest are Union education minister Dharmendra Pradhan, who was leading in Sambalpur constituency, while Sambit Patra led in Puri.

Political expert S.P. Dash of Sambalpur University said BJD's loss was unsurprising.

"He ran a stable government for the last 24 years, and though he did manage to improve the state on several parameters including poverty, infant mortality and women empowerment, he could not manage to meet the aspirations of the people who wanted him to do much more. Instead, he passed on the reins to a coterie of bureaucrats who possibly took him for a ride. Besides, his failing health was also an issue...," said Dash.

Meanwhile, in AP, the ruling YSR Congress party led by chief minister Y.S. Jagan Mohan Reddy, was virtually decimated in the elections. The party, which was swept to power in the state in 2019 by winning 151 seats, managed to just touch the double-digit mark of 10 seats this time.

> In Andhra, the YSR Congress party led by chief minister Y.S. Jagan Mohan Reddy, was virtually decimated

All three NDA partners registered a high strike rate. The TDP, led by former chief minister N. Chandrababu Naidu, which contested in 144 assembly seats as part of the seat-sharing pact with the other two allies, won 136 seats. In 2019, the TDP contested all 175 seats, but won only 23.

On the other hand, the Jana Sena Party led by popular Tollywood actor Pawan Kalyan, which contested 21 assembly seats, won all 21, while the BJP, which was allocated 10 seats as part of the alliance, won eight.

Thus, it is in a manner a reversal of the 2019 scenario in the state assembly elections this time. The YSRCP will not get even the leader of opposition status in the state assembly this time, as it requires a minimum of 18 seats.

In the Lok Sabha elections, too, the NDA posted a massive lead over the YSRCP. Out of 25 Lok Sabha seats in the state, the TDP won 16 out of 17 seats it contested, while BJP bagged three out of six seats it contested. Jana Sena Party won both the seats it was allotted as part of the alliance. The YSRCP won the remaining four seats.

In the 2019 Lok Sabha elections, the YSRCP had won 22 Lok Sabha seats, whereas the TDP ended up with just three MP seats.

China's economic model retains a dangerous allure

Despite the country's current struggles, autocrats elsewhere see a lot to admire

The Economist

Instead of cookie-cutter economic model, China offers developing-world leaders a reassurance they do not need to be more democratic in order to grow. ISTOCKPHOTO

Twenty years ago Joshua Cooper Ramo, a consultant, first wrote about the "Beijing consensus". The Washington consensus of financial liberalisation, floating currencies and openness to foreign capital was, he posited, a damaged brand. China was pioneering its own approach to development based on principles of equality, innovation and a relentless focus on sovereignty and national security. This would appeal to lots of developing countries.

In the years since, China's leaders have mostly denied any ambition to export a state-led model of development. But they are sometimes more brazen. Last year, for instance, Xi Jinping argued in a speech to Communist Party officials that the country's economic model "breaks the myth that modernisation equals Westernisation", and that its growth was expanding "choices for developing countries". Leaders past and present in the developing world—from Pakistan's Imran Khan and Malaysia's Mahathir Mohamad to Brazil's Luiz Inácio Lula da Silva and South Africa's Cyril Ramaphosa—have expounded the benefits of at least some aspects of the model. And since Mr Cooper Ramo first wrote about the Beijing consensus, the Chinese economy has quadrupled in size in real dollar terms, boosting the country's diplomatic and military sway.

More recently, though, China's economy has stumbled. Its recovery from covid-19 has been weak, limited by a property crisis, which has seen investment in the industry drop by almost a quarter in nominal terms since 2021. Efforts to boost manufacturing have produced clashes with Western powers, whose leaders accuse China of dumping underpriced goods. Given this gloomy context, surely demand for the China model is slipping? Not quite. As Kristalina Georgieva, head of the IMF, put it in a recent interview with Chinese state television: "I travel around the world and I see models of development that have come out of China replicated in other places." To analyse the extent to which this is true, we have produced an index that measures how similar other economies are to China's. It mostly confirms her conclusion. There is, moreover, reason to believe that China's influence will continue to grow.

What exactly is the China model? Some of its better-known features can also be found in other East Asian success stories, including Japan, South Korea and Taiwan. Economies in all four countries are orientated towards exports and investment. For its part, China has had a current-account surplus for three decades. Its gross fixed capital formation, a measure of investment, runs to 42% of GDP, one of the highest figures in the world. A largely closed capital account prevents citizens from moving money abroad. Financial repression, the practice of keeping interest rates artificially low, ensures cheap bank funding for industries favoured by the state.

But there are other more distinctly Chinese elements. South Korea and Taiwan moved from autocratic to democratic rule while poorer than China is today. In Beijing there has been no political liberalisation, and the state's economic power is wielded for political ends, including through the use of state-owned enterprises. That is particularly true in the financial sector. Despite the growth of private enterprise since the 1980s, officials have kept a tight grip on the banking system, with more than 50% of bank assets still held by state-owned lenders.

The country's development has also depended on the use of special economic zones (SEZs), areas offering more liberal tax and investment rules. These did not originate in China, but the most successful Chinese ones, such as the vast zones in Shenzhen and on Hainan Island, have provided the inspiration for copycats around the world. The number of SEZs has exploded. Today the Philippines alone hosts more of them than existed worldwide in 1995.

Using these seven measures—a country's current-account balance, the openness of its capital account, the scale of its investment, the share of its exports that are manufactured goods, the size of the state-owned banking system, its level of democracy and the number of large SEZs per person—we calculate how much other economies have in common with China. The most similar of all is Vietnam, which has an export- and manufacturing-intensive economy governed by its own Communist Party. Australia, Britain and Greece, none of which are ruled by communists, are among those skirting the bottom of the rankings.

Other countries' positions are more surprising. Although South Korea's early development is often compared to China's, the two countries have now diverged. Indeed, China now has more in common with Bangladesh and Turkey, countries that aim to promote exports but which have more democratic politics. India and Ethiopia also resemble China, in part owing to their state-led banking systems. Meanwhile, Angola's closed capital account pushes it up the ranks. All these countries also have SEZs.

Instead of a cookie-cutter economic model, what China offers developing-world leaders is reassurance they do not need to become more democratic in order to grow. As Charles Robertson of FIM partners, an emerging- and frontier-market investment firm, puts it: "For a very large part of the global south, China's success is immensely attractive because it shows white Westerners don't have all the answers." Even if the growth on offer now seems less certain than before, the bargain still looks like a good one to many autocrats. Countries including Angola, Ethiopia and Tanzania are led by dominant parties that emerged from national-liberation movements, and have long been fond of state intervention, close management of trade and political control of credit. China provides them with less of a blueprint, and more of an excuse, says Ricardo Soares de Oliveira of the University of Oxford.

On top of this, China's promotion of its model has stepped up a gear in recent years. Elizabeth Economy of Stanford University's Hoover Institution argues that this reflects an increased desire to promote Chinese companies abroad. The International Liaison Department of the Communist Party has fostered ties with elites across the developing world. Its first overseas training school for foreign bureaucrats, in Tanzania, began to accept students in 2022. Even as China's difficulties have become more obvious in the past year or so, praise for its economic model has continued to flow from foreign leaders, including Shavkat Mirziyoyev of Uzbekistan, Vladimir Putin of Russia and Yoweri Museveni of Uganda.

Unlike the Washington consensus, which was supported by the IMf and World Bank, the Beijing consensus has no international institutions pushing it. China's lending also comes with fewer political conditions. But it is extensive and focused on industries typical of the China model. Between 2019 and 2023, some 76% of China's overseas disbursements and construction activity, running to $541bn, was in just four sectors: energy, metals, property and transportation. Similarly, Yu Zhang and colleagues at the Civil Aviation University of China have identified 103 SEZs outside China that are run by China's Ministry of Commerce. Investment facilitated by these zones focuses on industries associated with the China model. As a result, host countries may find their economies becoming more Chinese.

Is adopting the Beijing consensus a good idea? Although Vietnam, Bangladesh and Ethiopia have introduced China-like policies, they have fallen far short of China-like growth. Meanwhile the likes of Georgia and Poland have shown that fast growth is possible in less authoritarian systems. Yasheng Huang of the Massachusetts Institute of Technology notes that developing economies could learn far more from China's experience of economic liberalisation soon after Deng Xiaoping's reforms began in 1978 than its more recent experiences. During the decade that followed, Chinese personal incomes rose faster than GDP, rural entrepreneurship boomed and the country flitted between a current-account surplus and deficit. "China did not have a mercantilist growth model in the 1980s," says Mr Huang.

Countries that prioritise the expansion of the state, infrastructure, exports and heavy industry may find themselves struggling. Mr Huang cites Pakistan as one such example. Its literacy rate is still below 60%, but the government is nevertheless concentrating investment on energy, rail and the China-Pakistan Economic Corridor, a web of infrastructure projects on the border between the two countries. In other places, too, the Chinese economy is still looked upon with admiration, particularly by elites with no intention of liberalising. For now, at least, the Beijing consensus is holding firm.

China considering purchase of more than 100 widebody jets from Airbus

Bloomberg
feedback@livemint.com

The talks gained momentum after President Jinping visited his French counterpart. REUTERS

Airbus SE is negotiating a major sale of A330neo aircraft to China, with talks gaining momentum since President Xi Jinping visited his French counterpart Emmanuel Macron last month.

The largest Chinese airlines are considering buying more than 100 of the upgraded A330 models, according to people familiar with the matter. The terms are still being discussed and the timing is uncertain, said the people, who asked not to be identified because the matter is confidential.

The negotiations underscore the increasingly stark contrast between Airbus and Boeing Co. when it comes to doing business in China's crucial aviation market as geopolitical tensions between the Asian nation and the US run high. An order of that magnitude would be significant considering it's for a single type of jet across a range of carriers, and it's been around two years since Airbus's last China transaction.

China has once again halted imports from US-based Boeing, just months after it had restarted following a five-year drought, as regulators review a cockpit voice recorder design already approved by their counterparts in the US and Europe. Meanwhile France-based Airbus benefits from its local investment in Asia's largest economy, including a factory that builds the workhorse A320neo model and another that installs interiors in the A330, and was one of the key beneficiaries of Xi's recent outreach to European leaders.

Any order from China would shore up the backlog for the slower selling A330neo, an updated version of the older A330

A spokesman for Airbus declined to comment. Air China Ltd, China Southern Airlines Co. and China Eastern Airlines Corp. didn't immediately respond to requests for comment. State-owned procurement agency, China Aviation Supplies Holding Co., didn't immediately respond to a fax seeking comment.

Airbus shares climbed as much as 0.3% in early trade in Europe. The stock is up 12% this year versus Boeing's 29% drop.

Any order from China would shore up the backlog for the slower selling A330neo, which is an updated version of the older A330 with new engines and wings. Airbus also makes the more advanced and longer-range A350 model that has seen a flurry of orders in the last couple of years and is sold out until almost the end of the decade. Currently, Airbus has 165 unfilled orders for the A330neo, which made its commercial debut in 2018. The model has struggled to win new purchase agreements in a market full of discounted, readily available used versions, according to George Ferguson, an analyst at *Bloomberg Intelligence*. That means the European planemaker may be more open to offering better pricing and other terms to bolster its order book at a time it's planning to ramp up A330 production, he said.

But it also comes at a time of heightened economic tensions and could get caught up in the back and forth around the European Union's investigation into Chinese subsidies for electric vehicles, which China is unhappy about.

Aviation is among the sectors Beijing has privately warned the EU could be targeted should the bloc move ahead with plans to impose tariffs on EVs made in China, according to another person familiar with the matter. China has made those and other threats in a letter to EU trade chief Valdis Dombrovskis, said the person, who spoke on condition of anonymity.

The EU sees the process as a technical and legal one, and currently remains on course to introduce provisional tariffs next month. China has been working to increase the pressure on the EU and member states to negotiate and last week announced restrictions on the export of equipment used to make things such as airplane engines and turbines.

Should a transaction eventuate, it would provide quicker access for Chinese airlines to new jets with better fuel efficiency as orders and supplier constraints stack up for Airbus's A350 and Boeing's rival 787 Dreamliner. Airbus and Boeing only have a handful of widebody jets to deliver to China's carriers, adding to the sense of urgency to finalize deals as planemakers see production slots for both single-aisle and twin-aisle jets fill up.

Big Tech companies unplug stock market from reality

James Mackintosh
feedback@livemint.com

THE WALL STREET JOURNAL.

Big Tech stocks aren't just dominating the market. They're also hiding just how scared investors are that the Federal Reserve will keep rates higher for longer.

The average stock in the S&P 500 is hurt more by rising yields—and helped more by falling yields—than any time this century. Yet the S&P itself is far less affected by the outlook for interest rates, because the Big Tech stocks that make up so much of the standard, value-weighted index are insulated from the Fed by their enormous cash piles.

The biggest stocks— Nvidia , Microsoft , Apple and Alphabet —have been propelled in part this year by excitement about artificial intelligence, as I discussed last week . But the highly unusual divide in both valuation and sensitivity to interest rates between the S&P and its average constituent shows just how those big stocks are skewing measures used by "macro" investors who focus on the economy and the Fed.

The valuation split is clear. Divide the market into tenths by size, and the valuation of the groups rises fairly steadily as company value rises. Valuation isn't as vertiginous, either: The median stock in the S&P trades at 18 times forward earnings, against more than 21 times for the Big Tech-dominated index. (To be clear, that still isn't cheap by historical standards.)

The sensitivity to interest rates can be gauged by comparing the ordinary S&P 500, which gives more weight to larger companies, and the equal-weighted version, which treats tiddlers the same as titans to measure the average stock. The ordinary S&P is up over 10% this year through Friday, while the equal-weighted version is up less than 5%.

Qrdinary S&P is up over 10% this year, while the equal-weighted version is up less than 5%. BLOOMBERG

The link to bond yields is also split, with the average stock more strongly linked to bond yields—rising when they fall, and vice versa—than any time since 1999 over a 100-day period. The gap between this correlation and that of the ordinary S&P, which has a much weaker link to Treasury yields, is unprecedented in data back to 1990.

Aside from AI, I think this is best explained by corporate profits and interest rates, and to a lesser extent concern about the economy.

The Big Tech stocks that dominate the market sit on huge cash piles , while the biggest companies chose to lock in low interest rates for a long time by refinancing their bonds before the Fed began raising rates in 2022. Smaller companies tend not to have cash piles on which to earn fat savings interest and have more need to issue bonds to raise cash. The smallest don't even have access to the bond market, one reason the Russell 2000 index of smaller companies has lagged so far behind the S&P this year, eking out a gain of just 1.6%.

Investors concerned about higher-for-longer interest rates have thus avoided the lower rungs of the S&P, even as the biggest stocks perform well. On days when bond yields fall—as on Thursday, when they plunged—the rate-sensitive smaller stocks typically do well.

The big-vs.-small-stocks phenomenon reflects the same disconnects we see in the broader economy

But the S&P itself is dragged around by the huge weight of its dominant Big Tech stocks, so on Thursday the index had a bad day even as only 139 stocks fell. The opposite happened on Friday, when bond yields fell sharply and smaller S&P members rose more than 1.5%, while the index as a whole rose only half that as its biggest members held it back.

The big-vs.-small-stocks phenomenon reflects the same disconnects we see in the broader economy . If the Fed is going to wait longer before cutting, as several policymakers have suggested in recent weeks, there will be more pressure on the parts of the economy already struggling with high rates. Poorer and younger borrowers are already feeling the pressure of higher rates. This drags on growth: Economic data have come in below forecasts for a month or so, according to Citigroup's economic surprise index. Big Tech sales shouldn't be touched by a slowdown unless it gets really bad, unlike mainstream retailers, financial firms and goods producers.

The oddity about the market's reaction this year is that it is almost exactly the opposite of what happened in 2022. Then, Big Tech stocks plunged as investors marked down their heady valuations, dragging the S&P down 19% over the year. Meanwhile the average stock was down just 13%, as smaller, lowly valued companies were regarded as less reliant on future profits that are worth less in a world of higher rates.

Why the difference? The AI excitement offsets the valuation hit. The rate shock this year—from expecting six Fed cuts to just one or two—is a different scale to 2022, when rates soared from zero to 4.5%. And investors have woken up to the long-dated debt and cash hoards that shield so many of the biggest stocks.

Investors outside the Big Tech sector are right to worry about higher rates. For those looking for bargains, the high valuation of the S&P hides the fact that its smallest 50 members are almost as cheap, at a median 15 times forward earnings, as the index as a whole was at the nadir of the Covid-19 panic in 2020.

If rate cuts do come to pass, the little guys should finally get the chance to put Big Tech in the shade.

NEWS IN NUMBERS

16%
THE PERCENTAGE drop in the BSE PSU index on Tuesday, as share prices of the public sector units dropped after NDA underperformed in Lok Sabha elections

10 GW
THE NUCLEAR power capacity NTPC plans to build with an investment of ₹1.5 trillion over 10 years, doubling India's current nuclear capacity

₹51,700
THE COST per tonne of imported HR coil steel post-Mumbai port charges, compared to domestic prices of ₹55,000 per tonne resulting in an import surge

$25 bn
THE AMOUNT Bill Ackman's Pershing Square eyes for a new closed-end fund targeting US retail investors, more than doubling the fee-paying AUM

$77.6
THE PRICE of Brent crude futures on Tuesday, the lowest in four months, reflecting the concerns among traders that crude oil supply will pick up

HOWINDIALIVES.COM

More info sought to hurry public offers

The market regulator wants companies looking to go public to share more information as it seeks to fast track public offers, according to a letter sent to merchant bankers last week.

The regulator has sought 31 additional disclosures, the most significant of which are information about conflict of interest with management, directors, large shareholders, subsidiaries and third-party service providers.

Reuters has reviewed a copy of the letter.

The Securities and Exchange Board of India (Sebi) has in the recent past observed gaps in the information shared by companies in their public offer documents, leading to delays in clearance, a person with the regulator, who declined to be identified as they are not authorised to speak to the media, said. "If a draft offer document contains these (additional) disclosures it will be cleared faster," this person said. **REUTERS**

The decision has been taken in the wake of the substantial growth of Indian securities markets. HT

Finances of clearing corp under review

Capital markets regulator Sebi on Tuesday said it has set up a committee to review the ownership and economic structure of clearing corporations and suggest measures to ensure that clearing corporations function as resilient, independent, and neutral risk managers.The ad-hoc committee would be chaired by Usha Thorat, former deputy governor of the Reserve Bank of India (RBI).

The decision has been taken in the wake of the substantial growth of Indian securities markets in recent years and the importance of clearing corporations as central risk management institutions.

In a statement, Sebi said that the committee has been entrusted with the task of reviewing ownership structure as well as finances of clearing corporations.

With regards to ownership structure, the committee will examine the feasibility, and broadening the list of eligible investors, who are allowed to take shareholding in a clearing corporation and suggest categories of investors who can acquire stakes in such corporations. **PTI**

BRACE FOR IMPACT

The remains of a Sukhoi fighter plane of the Indian Air Force that crashed in a field near Shirasgaon village of Maharashtra's Nashik district on Tuesday. Both the pilot and co-pilot ejected from the aircraft safely. PTI

Foodgrain output estimate for 2023-24 tad lower than last yr

Foodgrain production estimates at 328.8 mt for 2023-24, 0.3% lower than last season

Puja Das
puja.das@livemint.com
NEW DELHI

India's foodgrain production is 328.8 million tonnes (mt) for the 2023-24 (July-June) crop year, compared to its February estimates of 309mt, according to the third advance estimates of production released by the agriculture ministry on Tuesday. However, the revised estimate is 0.3% lower than the previous season's nearly 330mt.

Retaining its February estimate for wheat, the government said wheat production could be 112.9mt compared to last year's 110.5mt and has pegged rice output at 136.7mt, slightly lower than the previous year's 135.7mt.

Wheat, the main rabi (winter) crop, has been harvested and over 26mt has already been procured by the Union government at the minimum support price.

The estimate on tur production for the current season has been raised to 3.38mt from the February estimate of 3.33mt, but on par with the previous year's output. It lowered the production estimates of chana (gram) to 11.57mt from 12.1mt and increased masur's (lentil) to 1.75mt from 1.63mt. In 2022-23, the country produced 12.26mt of chana and 1.56mt of masur.

As far as oilseeds are concerned, the country is estimated to produce 13mt of soybean compared to 14.9mt produced last year and rapeseed & mustard is estimated to be 13.1mt, higher than last year's 12.6mt, the agriculture ministry said.

In contrast, the government sees cash crops such as cotton and sugarcane production lower at 32.5 million bales (1 bale = 170 kg) against last year's 33.6 million bales and at 442.5mt compared to 490.5mt in 2022-23, respectively. The agriculture ministry on Tuesday also released second estimates of production of horticulture crop for 2023-24. Horticulture production in the country in 2023-24 is estimated to be about 35.2mt, a fall from 2022-23's 35.5mt. This is due to a drop in vegetable production, especially potatoes and onions.

> Horticulture output in 2023-24 is estimated to be about 35.2mt, a fall from 2022-23's 35.5mt, due to a drop in vegetable production

The production of Shree Anna, or millets, is estimated to be 17.4mt, a marginal increase from 2022-23 production. Further, production of Nutri or Coarse Cereals is seen to be 54.7mt, an increase of 4.6mt from last year.

Onion production is expected to be at 24.2mt compared to 30.2mt last year and potato output is seen at 56.7mt, a decrease of about 3.4mt.

New central excise law in the offing

A new central excise law will replace the existing eight-decade-old Central Excise Act, the finance ministry said on Tuesday while seeking public comments on a draft bill. After most of the goods have been subsumed into the Goods and Services Tax (GST), only crude oil, petrol, diesel, natural gas and jet fuel are covered under the Central Excise Act. However, these yield substantial tax revenues to the Union government and to state governments which levy value added tax on them instead of state GST. The Centre collected more than ₹3 trillion from central excise in FY24, a bit lower than ₹3.19 trillion collected in the year before.

The finance ministry said that the Central Board of Indirect Taxes and Customs has sought feedback on a draft Central Excise Bill, 2024 by 26 June as part of the pre-legislative consultative process. **GIREESH CHANDRA PRASAD**

Palm oil imports jumped to 769,000 tonnes in May and may remain robust in June. BLOOMBERG

May palm oil import hits 4-month high

India's palm oil imports rose by 12.4% in May from the previous month to reach the highest level in four months as the recent correction in prices led to higher purchases, five dealers told *Reuters*. Higher palm oil purchases by India, the world's biggest importer of vegetable oils, could support the benchmark Malaysian palm oil futures that fell to their lowest level in more than three months in May.

Palm oil imports in May jumped to 769,000 tonnes, the highest since January, according to estimates from dealers. Palm oil imports jumped last month as higher margins prompted traders to raise refined palm oil purchases, rising to 214,000 tonnes, said Rajesh Patel, managing partner at GGN Research.

Palm oil imports would remain robust even in June and around 750,000 tonnes is likely to land in the country, said Sandeep Bajoria, chief executive of Sunvin Group. **REUTERS**

India's exports to Netherlands rise

The Netherlands has emerged as India's third largest export destination after the US and UAE during FY24, even as the country's merchandise shipments dipped by over 3%, according to the commerce ministry data. The main commodities which registered healthy exports growth in the Netherlands include petroleum products ($14.29 billion), electrical goods, chemicals, and pharmaceuticals in the last fiscal.

India's trade surplus with the Netherlands has increased to $17.4 billion in the last fiscal from $13 billion in FY23.

The Netherlands has taken over major destinations such as the UK, Hong Kong, Bangladesh and Germany.

India's exports to the Netherlands rose by about 3.5% to $22.36 billion in FY24 as against $21.61 billion in FY23, the data showed.

According to trade experts, the Netherlands has emerged as a hub for Europe with efficient ports and connectivity with the EU through roads, railways and waterways. **PTI**

'Global public debt hits record in '23'

Global public debt rose to $97 trillion last year, up by $5.6 trillion from 2022. ISTOCKPHOTO

Global public debt rose to a record $97 trillion last year, the United Nations reported Tuesday, with developing countries owing roughly one-third of that—crimping their ability to pay for basic government services like health care, education and climate action.

UN Trade and Development said the value of money owed by governments rose by $5.6 trillion from 2022. In its report entitled "A World of Debt," the agency said high interest payments are outstripping growth in essential public spending.

"Developing countries must not be forced to choose between servicing their debt or serving their people," the report said. "The international financial architecture must change to ensure a prosperous future for both people and the planet."

In the developing world, which is home to 3.3 billion people, 1 in 3 countries spends more on paying interest than on programs in "critical areas for human development" such as health care, education and climate action.

In 2023, public debt in developing countries hit $29 trillion, or about 30% of the total worldwide—an increase from a 16% share in 2010, the UN office said. **AP**

President Mohamed Muizzu had pledged to remove all Indian military staff from Maldives. AP

2 Indian helicopters operate in Maldives

Weeks after India withdrew its military personnel from the Maldives, the two helicopters gifted by New Delhi to the island nation are operated regularly with an MNDF (Maldives National Defence Force) soldier onboard, a Maldivian news portal reported on Tuesday.

Adhadhu.com quoted an unnamed airport official who said that a soldier of the MNDF "is always onboard when the helicopters are flown." President Mohamed Muizzu, a pro-China leader, rode to power in September last year with a pledge to remove all Indian military personnel from his country. The last of the 88-odd personnel were repatriated by the set deadline of 10 May. According to the agreement with the Maldives, when the military personnel were sent back, India replaced them with civilians to keep the operations of the three aviation platforms going.

The development comes weeks after Maldivian defence minister Ghassan Maumoon had alleged that Indian military helicopter pilots stationed in the Maldives carried out an unauthorized operation in 2019; a charge dismissed by the Indian High Commission in the Maldives. **PTI**

Regulators raid Toyota offices

Toyota Motor Corp. and other carmakers embroiled in a fresh certification scandal halted shipments of a handful of models and saw their offices raided by government officials, but the impact on their customers and operations appears to be limited.

Honda Motor Co. shares fell 2.4% while Toyota dipped 1.1% in morning trading in Tokyo Tuesday, after disclosing that they falsified safety certification tests. Toyota submitted faulty data during pedestrian-safety tests for three current models—the Corolla Fielder, Corolla Axio and Yaris Cross—the transport ministry said Monday.

The findings follow an earlier order by the government for almost 90 manufacturers to reexamine their testing procedures after decades of fraud were uncovered at a pair of Toyota affiliates last year. **BLOOMBERG**

Tax system complexities may force airlines to exit India: Iata DG

Global airlines fear the complexities of India's tax system could drive them away from the world's third-largest aviation market, warned the International Air Transport Association (Iata).

During a roundtable discussion on the sidelines of its 80th annual general meeting (AGM), Iata director general Willie Walsh highlighted concerns over potential withdrawal of international airlines due to tax intricacies, including double taxation risks. "Tax issues and India go hand in hand...we are very concerned that some of the proposals would actually lead to airlines withdrawing from the market because (they would be exposed to) the complexity of tax rules, the extent of taxes, and the risk of double taxation, which most air service agreements set out to avoid," Walsh said.

According to 2022-23 data from Directorate General of Civil Aviation (DGCA), foreign carriers dominated international air traffic to and from India, with a 56% share, while Indian carriers accounted for 44%.

The reporter is in Dubai at the invitation of Iata **ANU SHARMA**

Iata director general Willie Walsh. REUTERS

PNB to sell 10% in Canara HSBC Life

Punjab National Bank (PNB) on Tuesday said it will sell 10% stake in Canara HSBC Life Insurance Company by listing the insurer on the stock exchanges.

Currently, PNB holds 23% in the insurance firm.

Punjab National Bank's board in its meeting held today has accorded its approval for initiating the process of diluting 10% stake of the bank in Canara HSBC Life Insurance Co. Ltd, an associate company of the Bank, by listing the company in stock exchanges (BSE/NSE) through initial public offer (IPO).

The decision is subject to regulatory approval, PNB said in a regulatory filing.

HSBC and public sector Canara Bank are promoters of the life insurance company holding 26% and 51%, respectively.

PNB is a shareholder with 23% stake.

Shares of PNB fell 15.80% to close at ₹115.35 on the BSE. **PTI**

This PMS plans to capitalize on India's growth trajectory

Carnelian Asset Management plans to launch a new AIF with minimum investment of ₹5 cr

Neil Borate &
Sashind Ningthoukhongjam
neil.b@livemint.com

Vikas Khemani, the founder of Carnelian Asset Management, which manages over ₹3,600 crore, is setting his sights high with plans to launch a new venture—the Bharat Amritkal Fund, a category III alternative investment fund (AIF), requiring a minimum investment of ₹5 crore.

With this fund, Khemani, a portfolio management service (PMS) manager, aims to capitalize on India's economic trajectory, betting on sectors expected to undergo substantial growth, including manufacturing, banking, infrastructure, and consumption, as the country targets a $29 trillion gross domestic product (GDP) by 2047, accounting for an estimated 16% of global GDP.

Mint spoke to Khemani in detail about his strategies, and the vision behind the Bharat Amritkal Fund. *Edited excerpts:*

What's the concept behind Bharat Amritkal Fund?

With markets experiencing significant growth, the questions we often receive from clients focus on market sentiment and valuations—*market kitna lagta hai* (What's the mood of the market), how are valuations looking, etc. This led me to adopt a broader perspective, to showcase the potential that lies ahead. By taking a long-term view, we recognize that India is entering a unique phase of development. From our experience, substantial returns are garnered from prolonged investments, but such commitments require strong conviction in the outcomes.

Over the next 25 years, as India progresses towards becoming a developed nation, Carnelian Asset Management plans to invest in companies poised for substantial growth. While we don't necessarily hold every company for 25 years, our strategy is to build a diversified portfolio designed to capitalize on both short-term and long-term trends.

Currently, India's GDP is slightly under $4 trillion. By 2047, at the conclusion of *amrit kal*, we project it to reach between $29 trillion and $30 trillion. Our per capita income is expected to increase from $2,500 to $18,000, positioning India to account for 15-16% of global GDP. This growth is feasible thanks to extensive foundational work, economic reforms, and advancements in digital infrastructure.

Moreover, India has undergone six significant shifts: from incremental to exponential growth; from constrained to unconstrained thinking; shifting away from Western dependency towards indigenous solutions; innovating at scale and low cost; enhanced social welfare; and a more pronounced presence on the global stage.

But that's at a macro level?

Indeed, these are broad megatrends. However, within these, we are identifying specific themes and opportunities. We have organized these into five key sectors: banking & financial services, manufacturing, services, infrastructure, and consumption. Within each sector, there are numerous sub-trends, and the goal of the Bharat Amrit Kal fund is to tap into these nuanced areas. We carefully analyse the macroeconomic environment to pinpoint sectors poised for significant benefits.

Regarding portfolio construction, we aim to include 25 to 30 stocks, with the top 25 receiving 80% of the allocation, while the remainder will comprise 5-6 stocks.

The fund will employ a flexi-cap strategy, maintaining 30-40% in large-caps, with the rest distributed among mid- and small-caps, ensuring no undue concentration in any category. Additionally, our 'shift fund' focuses predominantly on manufacturing and technology sectors.

Another theme that has become popular is quantitative-based investing. How does your approach compare?

I wouldn't say quantitative investing is trending or any such thing. Ultimately, we are right now seeing a good bull run and anything that is growing is working. The way we select companies, you can very well put it into a filter and make it a quantitative thing. Just because we don't call ourselves quantitative funds does not mean they're all very different. For instance, when you look at earnings growth, particularly ROC (return on capital) and debt to equity, etc, we are essentially using numbers and the quantitative guys might be doing the same thing. I don't think there's any fun in doing only quantitative.

The fund will maintain 30-40% in large- caps, with the rest distributed among mid- and small-caps

In a rising bull market, churn is easier and I would like to see what happens when the tide turns. I'm neither for nor against it.

At least for us, our investing style is working very well, it has been tested across time frames and our performance is reasonably enticing, our shift strategy in the last year has delivered for the last four years a 46% CAGR and alpha of 20% per annum, our first multi-cap fund, the Carnelian Compounder Fund has delivered 24.9% CAGR post our expenses vs 16% benchmark returns for 5 years in the multi-cap fund.

You've set a very high threshold of ₹5 crore. Why is that?

The thinking was that we wanted to have a maximum of 1,000 investors and we want to raise ₹5,000 crore.

Incrementally we've seen that it's not a big amount. Plus, our clients are large HNIs and family offices, so there's no issue.

How do you assess valuations in the current market?

Valuation is based on three primary components: yield, growth in yield, and the discounting rate. In India, the RoE stands at 15%, the highest globally, with earnings growth between 15% and 20%. Our discount rates are at historic lows, with only a 1.5% difference between US and Indian 10-year papers, and decreasing risk premiums. A 2% reduction in the discounting rate could enhance equity valuations by approximately 30%.

India doesn't seem to produce innovative tech companies like the US. Are you missing out by focusing only on domestic companies?

Our investment strategy doesn't solely rely on technology stocks. While tech giants in the US, like Nvidia, have shown impressive returns, similar opportunities exist within the Indian market across various sectors.

All about Vikas Khemani's Bharat Amritkaal Fund

Khemani is betting on themes like consumption, infrastructure, manufacturing and services exports

Who

Vikas Khemani, founder, Carnerlian Asset Management

Manages AUM of **₹3,600 crore**

Flagship product: Capital compounders strategy

CAGR (in %)*

Flagship	21.79
Benchmark (BSE 500)	19.5

*CAGR since inception till April 2024
Date of Inception: 15 May 2019
Source: APMI

What

Launching Bharat Amritkaal Fund (Open ended Cat III AIF)

Target corpus is **₹5,000 crore**

Minimum ticket size is **₹5 crore**

25-30 stock portfolio, long only and multi-cap

Macro thesis

India	Current	2047 estimate	Implied growth
GDP	**$3.7 trillion**	**$29 trillion** by 2047	**9.4%** CAGR
Per capita GDP	**$2,600**	**$18,000**	**8.8%** CAGR
World GDP share	**4.20%**	**15.90%**	

Source: Carnelian Asset Management and Advisors

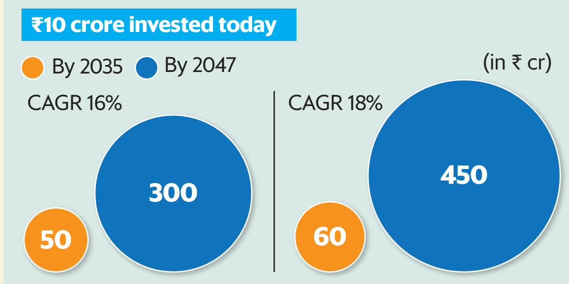
Themes

- Consumption
- Services exports (tourism and education apart from IT)
- Manufacturing (China + 1)
- Banking and finance (market deepening)
- Infrastructure

FY 23-35 Earnings growth %	Nifty 50 Nifty level (20x P-E)
18%	104,991
16%	86,993
14%	71,846

mint

₹10 crore invested today



Source: Carnelian Asset Management and Advisors

AUM: Assets under management
CAGR: Compound annual growth rate
GDP: Gross domestic product

PRANAY BHARDWAJ/MINT

Compare your bank FD rates

Bank fixed deposits (FDs) continue to be popular investment products not just among senior citizens, who are looking for guaranteed income, but also among investors who can't stomach risk. But overexposure to FDs is not good, and you need to assess your asset allocation and goals to decide how much money you should park in them. For instance, saving for your child's higher education that's 15 years away through FDs may not be effective as the post-tax interest rate of an FD may not give you a real return (return that's above the rate of inflation). But if you plan to take a holiday in two years, an FD can help. Before choosing an FD, you should compare the interest rates on offer. Here is a list of banks that offer the highest FD rates for deposits up to ₹1 crore over various tenures.

Interest rates (%) for fixed deposits up to ₹1 crore

	6 months to < 1 year	1 to < 2 years	2 to < 3 years	3 to < 5 years	5 years and above
DCB Bank	6.20-7.25	**7.10-8.05**	7.50-7.55	**7.40-7.75**	7.25-7.65
Axis Bank	5.75-6.00	**6.70-7.20**	7.10	**7.10**	7.00
HDFC Bank	4.50-6.00	**6.60-7.25**	7.00-7.15	**7.00-7.20**	7.00
IndusInd Bank	5.00-6.50	**7.75-7.99**	7.25-7.99	**7.25**	7.00-7.25
IDFC First Bank	4.50-5.75	**6.50-7.90**	7.25-7.75	**7.00-7.25**	7.00
RBL Bank	4.75-6.05	**7.50-8.00**	7.50-8.00	**7.10-7.50**	7.00-7.10
YES Bank	5.00-6.35	**7.25-8.00**	7.25	**7.25**	7.00-7.25
ICICI Bank	4.75-6.00	**6.70-7.20**	7.00-7.20	**7.00**	6.90-7.00
Canara Bank	6.15-6.25	**6.85-7.25**	6.85	**6.80**	6.70
Dhanlaxmi Bank	6.50	**6.75-7.25**	6.50-6.75	**6.50-7.25**	6.60-7.25
Federal Bank	5.00-6.00	**6.80-7.40**	7.05	**7.00**	6.60
Bank of Baroda	5.60-7.10	**6.85-7.15**	7.25	**6.50-7.25**	6.50
Bank of Maharashtra	5.25-6.90	**6.50-7.10**	6.50	**6.50**	6.50
Indian Overseas Bank	5.75	**6.90-7.30**	6.80	**6.50**	6.50
State Bank of India	6.00-6.25	**6.80-7.10**	7.00	**6.75**	6.50
Union Bank of India	4.90-5.75	**6.50-7.25**	6.40-6.50	**6.50**	6.50
Jammu & Kashmir Bank	4.75-6.00	**7.05**	7.00	**6.50**	6.50

Data taken from respective bank's website as on 30 May 2024; Only main entity of the merged banks are taken. Banks which merged with its main entity are removed from the table; The list of 15 banks is based on highest fixed deposit rates available for 5 years and above

Source: www.Bankbazaar.com

Does religious conversion have any impact on inheritance?

Aditya Chopra & Amay Jain

My sister converted to Christianity although my family is Hindu. In the event of my father's or mother's demise, how would the succession of assets happen if they did not create a will?

—Name withheld on request

ISTOCKPHOTO

ASK MINT
ESTATE PLANNING

In the event of the demise of your father or mother without leaving a will, the distribution of their assets would be governed by the Hindu Succession Act, 1956. According to this law, the estate of the deceased is inherited by the legal heirs classified under different categories, with primary preference given to Class I heirs. Class I heirs include the sons, daughters, widow and mother of the deceased, each of whom is entitled to an equal share of the estate. This means that all children, irrespective of their gender, would receive an equal portion of the inheritance, alongside the widow and the mother of the deceased.

When it comes to a situation where one of the children has converted to another religion, Section 26 of the Hindu Succession Act comes into play. This section specifies that a person who has converted from Hinduism to another religion, such as Christianity, is not disqualified from inheriting the property of their Hindu relatives. Therefore, your sister, despite her conversion to Christianity, retains her right to an equal share of the inheritance from your parents' estate.

However, the Act also stipulates that the descendants of the convert (i.e., your sister's children) are disqualified from inheriting the property from their Hindu relatives unless they are Hindus at the time of the succession. This rule ensures that while the converts themselves are not deprived of their inheritance rights, their non-Hindu descendants do not benefit from the Hindu ancestral property.

To illustrate, suppose your father or mother dies without a will. The estate would be divided equally among all surviving Class I heirs. If you and your sister are the only children, each of you along with your mother would be entitled to one-third of the estate. Despite your sister's conversion to Christianity, she would still receive her one-third share. However, her children, if they follow Christianity or any other non-Hindu religion, would not inherit her share if she were to predecease your parents or if succession moves to the next generation.

This approach ensures a balanced consideration of both religious conversion and inheritance rights, reflecting the principles of equality and fairness under the Hindu Succession Act. It is important that families make informed decisions about estate planning and will creation.

Aditya Chopra is managing partner and Amay Jain is senior associate at Victoriam Legalis-Advocates & Solicitors.

Do you have a personal finance query? Send in your queries at **mintmoney@livemint.com** and get them answered by industry experts.

SEBI PROPOSES NEW AUCTION METHOD FOR INVESTMENT FIRMS ON EXCHANGES

POWER POINT

USHA GANAPATHY SUBRAMANIAN & RANJITH KRISHNAN

We welcome your views and comments at
mintmoney@livemint.com

Investment companies and investment holding companies (ICs/IHCs) serve as crucial structures for establishing ownership and control within larger conglomerates. They typically hold investments in a mix of listed and unlisted entities but do not engage in any operating business themselves. This unique position makes the valuation of ICs/IHCs particularly complex and challenging.

Valuing ICs/IHCs involves assessing them as a sum of their parts, which includes both controlling and non-controlling interests across various sectors and companies with differing risk-return profiles. Some of these companies may perform exceptionally well, while others struggle to stay afloat.

The challenge lies in quantifying the value of exerting common control or significant influence over these diverse businesses—a task that is inherently difficult due to the subjective nature of such evaluations.

For public investors, the appeal of listed ICs/IHCs can vary. Those holding investments exclusively in unlisted companies might be attractive as they provide market access to otherwise unavailable assets. Conversely, when ICs/IHCs have holdings in other listed entities, it might be more beneficial for investors to directly purchase shares in those operating companies, where evaluating financial performance, governance, and peer benchmarks is more straightforward and intuitive.

As a result, in the stock market, operating companies typically exhibit higher liquidity compared to investment companies and holding companies (ICs/IHCs). The latter offer an experience akin to investing in equity or hybrid mutual funds but without a publicly defined investment strategy or daily publication of net asset values (NAVs). If mutual funds are comparable to a well-defined mini-tiffin platter or a *thali* curated based on popular choices, then owning ICs/IHC stocks is more like opting for a chef's choice platter, where the dishes may not necessarily match the general palate. Due to these factors, ICs/IHCs often attract fewer investors, which can impede efficient price discovery. At times, the market price of these entities might even fall below the book value, despite the underlying investments holding significant market value.

In response to challenges in valuing investment companies and holding companies (ICs/IHCs), the Securities and Exchange Board of India (Sebi) had floated a consultation paper on 19 April proposing a special call auction without price bands to enhance price discovery.

MINT

Price bands typically help control volatility and prevent market manipulation by limiting how much prices can fluctuate. Unlike continuous trading, a call auction accumulates orders over a specific period before executing them at an equilibrium price, rather than matching orders in real-time.

This special call auction would be conducted annually by stock exchanges, given a seven-day notice. It targets ICs/IHCs that have been listed for at least a year, are fully compliant with listing regulations, hold at least 50% of their total assets in shares of listed entities, and whose six-month volume-weighted average market price (VWAP) falls below 50% of their book value.

Exchanges are required to publicly disclose the book value and investment details of these companies. The newly discovered price will be accepted only if at least five different buyers and sellers participate in the auction, which will continue on subsequent days until a price is established. The conditions regarding the auction's duration, risk management, and the determination of the equilibrium price are expected to align with those used in the pre-open call auction for IPOs and relisted shares. The paper notes that of the 70 listed ICs/IHCs, 28 have investments in other listed companies, and 16 of these have a six-month VWAP that is below their book value.

Exchanges would conduct the special call auction annually with a 7-day notice

While this initiative is praised for potentially benefiting public investors by providing a more accurate reflection of ICs/IHCs' market value, concerns arise about whether having only five unique participants and eliminating price bands could lead to market manipulation and collusion. Moreover, the adequacy of conducting such an auction only once a year in ensuring price continuity also remains a question for further analysis.

Usha Ganapathy Subramanian is a practicing company secretary from Chennai, and Dr. Ranjith Krishnan is a sustainability consultant based in Thane.

OUR VIEW

BLOOMBERG

BJP's vaulting ambition versus coalition reality

Modi's party had aimed for 370 Lok Sabha seats but could not get past the halfway mark. As election results spell the return of coalition rule, India's big victor is arguably the Constitution

The hurly-burly is done. This year's battle for India's Lok Sabha, the world's largest electoral exercise ever, was a story of vaulting ambition even by the high standards of Prime Minister Narendra Modi. In what seemed like an open dare for his Bharatiya Janata Party (BJP), he set for it the target of a two-thirds majority in Parliament: 370 seats. Sufficient not just to make 'anti-incumbency' history, but also emboss our political arena with the BJP's seal of dominance. In Modi's view, this aim of 370 stood for "unity," a reference to Kashmir's integration by scrapping Article 370. In the opposition's view, it reflected a BJP desire to alter the Constitution in line with its saffron ideology. At the end of an election marked by sound and fury over quota carve-ups, minority decoys and other ploys, Modi's party fell short of the halfway mark, winning a likely tally of about 240 seats in the 18th Lok Sabha. This descent from its 303-seat majority of 2019 has left it dependent on allies for power, a slide reflected in a stock-market crash on Tuesday. As reversals go, its significance lay in its surprise. While a BJP ouster from office was always seen as a tail-end possibility at most, few foresaw how BJP losses in Uttar Pradesh (UP)—with only modest gains elsewhere—would loosen its tight grip on power and spell a novel prospect for Modi's party: Its rule will now be subject to compulsions of coalition politics.

The irony for the BJP is that it more or less retained its 2019 vote share of about 37%. Given an expanded base of 642 million voters and Modi's own appeal as a leader, it's valid to argue that he has set yet another record as a vote catcher. Yet, the more dramatic part of this election lay elsewhere, with the BJP's archrival Congress hauling itself up from below a fifth of all votes polled five years ago to about 21% now. Granted, this is more of a claw-back than a revival, but with around 100 seats of its own and a sizeable haul achieved by its INDIA allies, it is back in the reckoning. If it seemed odd that the BJP aimed almost all its attacks at the Congress, it's now clear why. The older party's upswing is a sign of its sustained relevance as a BJP counter-force. The same can be said of the Samajwadi Party in UP, Trinamool in West Bengal and Dravida Munnetra Kazhagam in Tamil Nadu, all of which scored notable wins as voluble voices against the BJP, which must wonder if its quest for a two-thirds majority cost it the support of Hindi-belt voters unsure of its respect for basic rights—to affirmative-action benefits, specifically—assured by the Constitution. While opposition parties joining hands have not been able to dislodge the BJP from power at the Centre, the latter cannot boast of a clear mandate for its agenda either.

What does that imply? Both the Janata Dal-United and Telugu Desam Party, whose support is critical to the BJP, have a glaring record of playing both sides of the political divide and may plausibly want to drive a hard bargain as part of a ruling National Democratic Alliance coalition. Perhaps the Vajpayee era could serve as a model. Back then, to keep allies on board and economic reforms in focus, the BJP kept three controversial aspects of its agenda aside. Two of those, a Ram temple in Ayodhya and the end of Article 370, have already been done. The third concerns a uniform civil code, an idea best kept on hold till we have a proposal worthy of a national consensus. After all, the unacknowledged victor of 2024 has arguably been the Constitution, our bond of citizenship.

MY VIEW | ON THE OTHER HAND

It is the stock market's love for the BJP that has cost it so dearly

Money poured in even as valuations grew frothy and a return to sound share prices will do it good

VIVEK KAUL
is the author of 'Bad Money'.

The stock market has been in love with the idea of the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) comprehensively winning India's 18th Lok Sabha election. And it has been discounting that possibility. While the BJP has turned out to be the single-largest party in the Lok Sabha, the number of seats it has won is nowhere near the number forecast by exit polls or the number it had in the 17th Lok Sabha. So, the stock market has had to tone down its over-optimism. An added factor is the BJP not getting a majority on its own. Given this, the S&P BSE Sensex closed down 5.7% on 4 June. Stocks of public sector units and the Adani Group bore the brunt of the selling.

With election results factored in, what does the immediate future hold? A major reason for stock prices surging in the past few years has been a substantial increase in sales and a massive increase in profits of listed companies. While some of this rise can be attributed to the efforts of companies, a lot of it has been because of factors that are not easily repeatable.

The increasing formalization of the economy after demonetization, the spread of the covid pandemic and weak implementation of GST all hit India's informal sector, but listed firms did well. Further, very low interest rates during the pandemic helped them lower their interest expenses and outstanding borrowings. In September 2019, the government cut the corporate tax rate, boosting profits. Also, import tariffs rose, making the domestic market more attractive for companies.

Further, during the pandemic, global central banks printed money to drive down interest rates, leading to a lot of money coming into Indian stocks in search of higher returns. From April 2020 to 4 June 2024, foreign institutional investors invested a net ₹2,79,369 crore in Indian stocks, though they have net sold stocks April onwards.

Indeed, domestic investors also turned to investing in stocks after covid. The number of demat accounts jumped from 39.4 million in December 2019 to 154.4 million in April 2024.

Further, domestic institutional investors (DIIs), which comprise mutual funds, insurance companies, provident funds, banks, etc, and who invest money collected from retail investors, invested a whopping ₹6,55,262 crore in stocks from April 2020 to 3 June 2024. From April 2024 to 3 June 2024, they have invested a net ₹1,01,833 crore. Also, the rise of smartphone investing apps, fuelled by cheap internet access, has led to higher retail interest.

Nonetheless, the larger point is that the number of new retail investors in stocks can't keep rising at this fast pace. Also, interest rates are no longer low.

So, what does the future hold? Stock prices ultimately are a reflection of the expected earnings of companies. Data from the Centre for Monitoring Indian Economy shows that in 2023-24, the net sales of around 4,800 listed firms rose 6% from 2022-23, considerably lower than the jump in 2022-23 and 2021-22. However, growth in net profit has stayed robust, thanks to expenditure rising at a slower pace than sales. In fact, in 2023-24, the net sales of more than 3,700 listed non-financial services companies grew less than 1%.

So, sales seem to be catching up with the slowdown in private consumption expenditure of the economy. In 2023-24, it grew 8.5% (not adjusted for inflation), the slowest since 2004-05, other than the pandemic year of 2020-21. Consumption growth has slowed down primarily due to a lot of it being financed through household borrowings. Economists Nikhil Gupta and Tanisha Ladha of Motilal Oswal note that in 2023-24, only the second time in history, household debt has "likely crossed 6% of gross domestic product."

Indeed, households cannot endlessly finance consumption through higher borrowing. And that's reflecting in the sales growth slowdown. If this goes on, it'll eventually hurt profit growth.

Finally, stock valuations have been in frothy territory. In 2024-25, the price-to-book (PB) ratio of stocks that make up the BSE 500 index has been the highest since 2007-08. The PB ratio is a valuation measure.

But all this is theory, which hasn't mattered as retail investors have kept pouring money into stocks. Will they continue to do so, or will the realization that valuations have been stretchy set in? Clarity is likely to emerge in a few days. Nonetheless, it's worth remembering what happened on 17 May 2004 when it became clear that the Atal Bihari Vajpayee-led NDA government wouldn't be voted back to power. The market, which was in love with the BJP, fell dramatically, with the Sensex falling by 11.1%. Two days later, it recovered most of the losses upon the realization that governments in India rarely fiddle around with economic policy, and there is usually continuity on that front.

At the time of writing this, the BJP-led NDA looked set to return to power at the Centre, though with a considerably lower majority.

Of course, there are no guarantees in politics, like in investing, and diversification across and within investments remains the best game in investment town, which is something that retail investors who had been in denial have perhaps begun to understand.

10 YEARS AGO

MINT METRIC

by Bibek Debroy

An Indonesian man is in shock,
A wife married in holy wedlock
Turns out to be a man.
Without consummation, away she ran.
A dating site now in the dock.

MY VIEW | ECO SQUARE

Road mobility in India: Both unsustainable and unjust

LEENA SRIVASTAVA

is an independent expert on climate change and clean energy.

That India has made impressive strides in expanding its road infrastructure is undeniable and very visible. Going by historical metrics, one can also possibly justify this expansion. After all, India has a mere 5.13km of road length per 1,000 people, against more than 20km in the US. On the other hand, China has a mere 3.6km of roads per 1,000 population. The annual budgetary allocation of the Union ministry of road transport and highways has been steadily increasing for the last several years, with the last year seeing a 25% jump. At the same time, the ratio between capital and revenue expenditures has changed from about 50:50 in 2014-15 to approximately 90:10 today, implying a greater focus on developing new road infrastructure over maintaining older roads.

The deteriorating quality of existing road infrastructure results in more accidents, lower fuel efficiency and higher pollution. Driving smoothly in a range of 60-80km per hour results in the best fuel efficiency. As it happens, India's intra-city vehicle speed is among the lowest in the world. It has been estimated that the average traffic speed in Delhi was 25kmph in 2017, 18.9kmph in Chennai, 20.7kmph in Mumbai, 19.2kmph in Kolkata, 18.5kmph in Hyderabad and 17.2kmph in Bengaluru. The significantly reduced fuel efficiency at these modest speeds would obviously result in more fossil-fuel burning than otherwise and hence more greenhouse gas and other emissions that constitute air pollution.

The transport sector is a major contributor to global greenhouse gas emissions, at 14% of the total in 2018, as estimated, nearly four-fifths of it from road transport. The sector also accounts for a major proportion of urban air pollution; pollution-related deaths numbered 1.67 million in 2019, according to a new report led by Boston College researchers, and a significant fraction of these would be from air made toxic by the exhaust of vehicular traffic.

The road transport sector also takes a heavy toll in terms of mental stress and anxiety. Of the 30 most polluted cities in the world, 21 were found to be in India in 2019. As per a study based on 2016 data, at least 140 million people in India—largely the poor—breathe air that is 10 times or more over the World Health Organization safe limit and more than half the world's cities with the highest annual levels of air pollution are in India (with a over a quarter of it caused by vehicles). Not much would have changed in the years since then.

In addition to committing the country to achieve net-zero emissions by 2070, India has also committed to reduce its count of road-related accidents—which is among the highest in the world, accounting for 11% of global deaths every year in road mishaps—by about half by 2030.

Climate as well as civic reasons would urge a rethink of the heavy emphasis laid on road infrastructure

A strategy focused on road expansion will not get us there. Increasing capital expenditure is resulting in an 'upgrading' of both intra-city as well as inter-city road infrastructure.

Inadequate attention to the design, engineering and planning for such investment projects, however, is resulting in 'band-aid' fixes that are only likely to shift traffic choke-points, causing congestion elsewhere within cities/regions and enormous environmental and resource impacts at every level. The National Capital Region (NCR) provides a good case study of such outcomes. A little over a decade-and-a-half ago, the Delhi-Gurgaon Expressway was inaugurated began witnessing horrific accidents within months involving pedestrians and smaller vehicles. This project was an example of road infrastructure catering only to fast-moving four-wheelers; its investment plan did not find it necessary to provide any cross-over points for pedestrians or for smaller 2- and 3-wheeled vehicles whose users were often left with no choice but to unsafely access the Expressway. Nor did this project plan for vehicular and pedestrian movement under its flyovers. Today, we see the same mistakes repeated in the newly inaugurated Dwarka Expressway that runs at some distance away.

These projects are also prime examples of shifting choke-points. Commuters between Delhi and Gurgaon still have had to suffer many hours stuck in long traffic jams on the Delhi-Gurgaon Expressway. Earlier, these traffic jams had resulted in the shutting down of a toll plaza between the two cities, adversely impacting project revenues. Now, with the recent opening of the Dwarka Expressway, choke points have shifted to links between the two expressways, with average vehicular speeds of under 20kmph on these fairly long stretches.

Viewed from the point of view of mobility demand management, the above commentary highlights a paradox of road transport. Capacity additions have to happen speedily just to stay in the same place and easing congestion gets harder as demand rises.

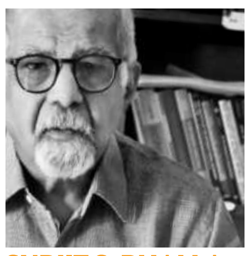
While toll charges for new expressways are a deterrent to trucks using these facilities, climate and air pollution concerns should have been driving these towards public and rail transportation modes.

Similarly, de-bottlenecking attempts like odd-even schemes within cities merely result in higher ownership of vehicles; here too, a focus on demand management would be a much more cost- and environmental-effective way of providing mobility services. Unfortunately, industry and others that can play a large role in demand management continue to get a free pass at the expense of poorer commuters.

MY VIEW | RASHOMON DIARIES

Failure has many mothers: The Indian voter gets it right again

A 'we can do no wrong' attitude seems to have led the BJP to a weakened mandate. We can expect better checks and balances



SURJIT S. BHALLA
is former executive director at the International Monetary Fund and former part-time member of the Prime Minister's Economic Advisory Council.

HT

Failure has many mothers. Explanations will be many over the next few days, if not months, about why the Bharatiya Janata Party (BJP) led by Prime Minister Narendra Modi, someone who has not lost an election to date, lost the 2024 Lok Sabha election. One outstanding reality is that the Bharatiya Janata Party (BJP) will be below the majority mark on its own. There are several corollaries to this conclusion: among them, the rise of the Congress, the survival of Janata Dal-United's Nitish Kumar and the resurgence of Telugu Desam Party's Chandrababu Naidu.

Before we get to the big failure, some important side-stories to consider.

Why did pollsters get this election so wrong? I am an election junkie and have forecast elections even when not asked to. In my book *How We Vote* (with Abhinav Motheram), I had forecast a comfortable victory for Modi. I based my conclusion on the simple proposition that people vote on the basis of improvement in individual economic welfare. The analysis was right, the forecast was wrong. Across the seven seas, there is a parallel phenomenon emerging, and one where the hypothesis 'It's the economy, stupid' originated. By all accounts, Joe Biden is presiding over a very successful US economy, a performance that would have predicted a healthy victory for the Democrats in November 2024. According to many analysts, the Democrats will likely lose 2024.

Most exit polls reached the same conclusion as mine; and the best performing exit poll, by *Dainik Bhaskar*, had the National Democratic Alliance (NDA), which the BJP leads, at 316 seats (+- 34). It had the I.N.D.I.A. alliance at 173 seats (+-28). While credit should be given where due—i.e. by getting the NDA tally approximately right at the low end—there is failure at the upper bound of I.N.D.I.A., which will likely go home with 225+ seats.

In other words, the whole class failed. Why and how? The last time the whole class failed was in the 2015 Bihar assembly election. I was one of the few who got it right. Useful advice to forecasters: Advise people often and always remind them when you are right. But when you do, it is advisable to point out your failures as well!

Three states stand out as performers for the I.N.D.I.A alliance: Uttar Pradesh, West Bengal and Maharashtra. Equally, the NDA should introspect and identify its mistakes. A common feature in all these states was anti-Muslim rhetoric and polarization. About a year ago (before the ODI World Cup), I was surprised by the extreme reaction (arrogance?) of intellectual conservatives to my suggestion of opening the doors to normalization of relations with Pakistan by allowing cricket friendship tours. Remove Article 370, but normalize cricket ties. But the 'conservatives' won.

Introspection is the buzzword post the election. Modi and the BJP have to introspect the most. An open-door policy of welcoming all to a party known for its disciplined intake, the rise of corruption, and a profoundly mistaken belief that polarization works, all these deserve some thought. Underlying all this seemed an arrogance bordering on 'We can do no wrong.'

The BJP was seemingly coasting to victory when a downtick in voter turnouts in the first two phases appears to have convinced the party's 'planners' that anti-Muslim rhetoric and polarization works. There is no evidence that it does, and Karnataka a year ago was an important piece of proof that polarization is counter-productive, and equivalent to '*Apne pair pe apni kulhadi maarna*.' A lose-lose proposition. So, why did the BJP leadership indulge in it? A credible one-word explanation may be arrogance; i.e., a we-can-do-no-wrong attitude. Another pointer from the Karnataka assembly election was that while corruption in India was all pervasive, it was expected that the BJP under Modi would be significantly less corrupt than the rest.

I want to end this column on failures with successes that supersede failure. The Indian voter, ever mindful of pulling the correct lever for the country, has set in motion much-needed checks and balances to policy. To use an analogy from economics, why do monopolies happen? Because of innovation, because of invention and because of thinking big. Why do monopolies fail? Because the monopolist, having tasted profound success, wanders into complacency, and worse, arrogance. The end of arrogance comes from competition.

Significant checks and balances are now likely to invade the BJP policy space. At every opportunity, I hold up my mobile and state, "*Jaago aur jaagte raho—duniya badal gayi hai*" (Stay alert, for the world is changing), followed by the maxim, "There is no place to hide anymore".

In policy terms, we could expect substantially less misuse of Enforcement Directorate powers, less tolerance of sexual offenders (as in the case of wrestlers), and less (or zero?) imprisonment of opposition leaders. Expect less centralization of power in administration—again, monopoly has advantages before laziness in thinking and arrogance of action devour the monopolist. Expect less banning of data, less suppression of information and more freedom of expression.

As I have mentioned often, and will continue to write, no data should be suppressed, however bad its quality. The non-release of the 2017-18 Household Consumer Expenditure Survey set in motion an atmosphere of suspicion and non-acceptance of any data produced by Indian statistical authorities. Why it happened for the first time in India is a question still not answered. Again, the ever-mindful Indian voter will have an effect.

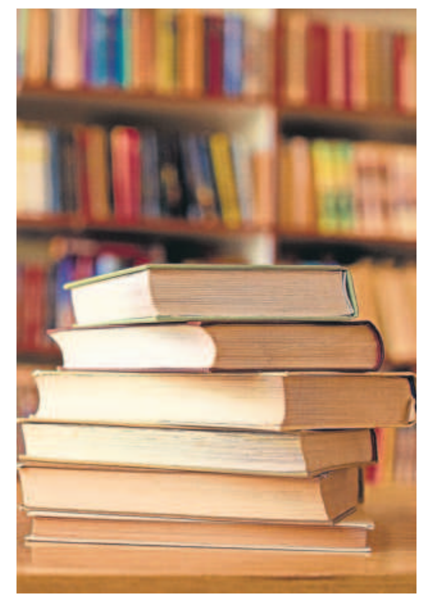
This election, as always, belongs to the Indian voter.

MINT CURATOR

The best business books tend to be about music and sports

These are written by obsessed fans with far fewer ulterior motives

TYLER COWEN
is a Bloomberg Opinion columnist and a professor of economics at George Mason University.



The bookstore test: Which section are you drawn to? ISTOCKPHOTO

Here is a question I once asked myself while browsing in a modest-sized bookstore, which is one of my favourite things to do: If I had to read all the books in the store section by section, which one would I enjoy the most—and which the least?

For me, the second question is easier: I am not a fan of self-help books and business/management books, two genres that have all too much in common. Granted, you can find some good advice in these books. But too often the exhortations are cliched or lacking in context. It is only a matter of time, I predict, before the most popular author in these genres will be ChatGPT.

I thus have a modest proposal for anyone interested in business books: Read books about specific businesses or industries that you already know a lot about. That way, you will have enough contextual knowledge for the book to be meaningful. Of course, many people don't work at a company or industry big or famous enough that there are books about it, so I have a corollary proposition: You will learn the most about management by reading books about sports and musical groups.

Most people have favourite musical artists, athletes or sports teams. Often they have been following these people and institutions for years. That gives them enough context to make sense of the management stories—how the teams were put together, how leaders emerged, how people dealt with setbacks and failures, and so on. All these are business-relevant topics.

I have learnt a great deal about management and group dynamics, for example, by reading books about the Beatles—especially ones that cover their origins, breakup, or both. You can see the importance of a good manager (Brian Epstein, until his death), competitive pressures from other musicians and intragroup rivalries, such as the eventual ascent of Paul over John, due to Paul's superior work ethic. Because I know a lot about the background, the stories make sense to me, and I can ferret out some general principles to apply to other business or small-group settings—such as the importance of getting new projects off the ground, which is something Paul excelled at.

My point is not that you should read about the Beatles. It's to find for yourself what the Beatles are for me. I have also learnt a great deal from reading histories of the Byrds, who were less successful than the Beatles, and the British punk group XTC, who never made much money from their music at all. Failures and lesser successes are also worth studying, but traditional business books tend to focus too much on villains and scandals rather than attempt a sympathetic understanding.

One of my favourite 'business books' is a scintillating autobiography by Alex Ferguson, the famous coach of Manchester United. It was written with Michael Moritz, who used to be a journalist and later became a venture capitalist. It is one of the best books I have read on how to understand and seek out talent.

To understand the concept of team loyalty and how to build it, I have also relied on Jerry Kramer's Green Bay Packers memoir *Instant Replay*. Both Manchester United and the Packers are businesses, of course. Sam Smith's *The Jordan Rules* poses the question of whether a charismatic leader, in this case basketball star Michael Jordan, can push other workers too hard. I look forward to good, detailed biographies of Magnus Carlsen and Steph Curry, two of the most impressive achievers, both obsessed with continual self-improvement.

Many music and sports books are not only written for obsessed fans, but also written by obsessed fans. Traditional business books, in contrast, are frequently written to get consulting work or on to the speaker's circuit. The incentive is not to offend anybody and to put forward some 'least common denominator' insights, rather than say anything truly original that might be complicated to explain. The end result is a bookstore section that would be mind-numbing to have to read.

And which section of the bookstore would I be most keen to read through?

I suppose I should speak up for my profession, but books about economics have too much repetition (how many critiques of 'neoliberalism' must one plough through?) and doomsaying (which sells better than optimism). Instead I would pick the history and biography sections. Those books typically are rich with context and detail, and vary in mood.

Business books can be found almost anywhere in a bookshop these days—once you know where to look. The trick is to know that the very best business books tend not to be written for reasons of... well, business.

MY VIEW | EX MACHINA

AI can empower India's DPI by enabling diverse apps

RAHUL MATTHAN

is a partner at Trilegal and the author of 'The Third Way: India's Revolutionary Approach to Data Governance'. His X (formerly Twitter) handle is @matthan.

Last month, at an event in Bangalore, a select audience was given a glimpse of what the future of artificial intelligence (AI) might look like. In the room were companies from across the AI ecosystem, presenting what they were building and getting to know what else was going on in the space. There were product demonstrations, ecosystem presentations and workshops, all of which were rolled up into a grand vision of what it would take to make India the AI-use-case capital of the world.

I came away with a number of new insights from the event. For instance, I realized that compute does not have to be centralized in a massive data centre, but could instead be distributed across a number of micro data centres accessible over an interoperable protocol. Or that we do not need to wait for a new AI law to come into force if every Indian AI company can pledge to abide by a code-of-conduct that will guide their innovation in this space. But, of all the ideas that were presented that evening, the one that really gave me pause was how AI could radically expand the reach of our digital public infrastructure (DPI).

An essential feature of the DPI playbook is the unbundling of traditional processes so that they can be rebuilt as DPI solutions. This is very often the only way to transform existing services so that they can reach population scale. Standardization, therefore, lies at the heart of effective DPI design. It ensures that the largest cross-section of society can avail these services, and that, regardless of which entity is providing the solution, the underlying service is consistent and reliable. DPI solutions that have been built using standardized protocols are capable of supporting cross-sectoral applications.

The trouble with standardized solutions is that they are unable to account for diversity beyond a point. By optimizing for scale, the DPI approach has sacrificed variability. To compensate for that, we let the private sector access and leverage DPI, trusting that market forces would encourage them to innovate in order to meet the diverse requirements of their customers. While there are numerous examples of how private innovation has enhanced DPI solutions, AI can exponentially accelerate this.

Unlike traditional systems that do not easily adapt to the needs of a richly varied population, AI can dynamically adjust to individual preferences and contexts, progressively making the delivery of public services more responsive and user-centric. Rather than forcing users to learn how to use new technology systems, AI can learn people's preferred modes of engagement and adapt. It can address linguistic and cultural diversity by adapting to suit local contexts, rather than forcing users to upgrade their digital skills.

AI technology can provide the ability to engage multitudes and give our scale focused DPI what it lacked

To illustrate the potential of how AI can enhance existing DPI, Setu, a financial services company, demonstrated an AI-enhanced personal financial management (PFM) app. The app it showcased was built entirely inside a WhatsApp bot, presenting a familiar environment within which users could interact through a conversational interface. The way it works is that it first uses the Account Aggregator system to pull whatever information it needs to analyse the user's financial behaviour. Having identified sources of income, current lending history and individual spending patterns, it can assess the user's discretionary spending capacity. Having calibrated this baseline, the chatbot is ready to offer the user advice on purchase decisions.

For instance, if the user wants to buy a refrigerator, the app can integrate with the APIs of various popular e-commerce sites to identify the best available deal. It can then trawl through the full range of financing options available to the user and identify the most favourable. Finally, it can crunch all this data and present the user with 4-5 options that are best suited to her individual financial circumstances.

As impressive as this might seem, none of it is particularly novel. There are already a number of services that provide users with similar financial management services which, once they have been integrated into the Account Aggregator ecosystem, will be able to achieve similar outcomes. What differentiated this from anything I had seen so far was the intuitive and conversational manner in which users are able to interact with it. Even for the most financially savvy, PFM is a daunting subject. What the demo showed was that it is possible to navigate complex issues like this relatively easily if people are engaged using a friendly chat interface within a familiar online environment.

This is what has been missing from our DPI playbook so far. While we have successfully scaled our DPI solutions to reach the entire population, we have struggled to do so in a way that adequately addresses the diversity of our population. As useful as it has been to allow private parties to innovate on the edge, we have found that they still struggle to serve users with low resources and low capacity to deal with digital services.

AI can bring variety to a DPI approach that has so far been optimized for standardization. It can do so by dynamically adjusting to individual contexts while still remaining scalable. As more and more of our companies start to integrate AI into the DPI solutions they provide, we will finally be able to bring diversity to the solutions we scaled through standardization.

It is only once we do this that our digital public infrastructure approach will truly be of benefit to every citizen.

SMS pings back to life to cut out digital noise

WhatsApp fatigue has made many smartphone users return to SMS, and with inter-platform connectivity improving, their numbers may go up

Nitin Sreedhar
nitin.s@htlive.com


ISTOCKPHOTO

"Yes! I only use SMS," Gautam John, CEO of Rohini Nilekani Philanthropies, says when I ask him on SMS if he is indeed not on WhatsApp, one of the most popular messaging platforms in India with more than 500 million monthly active users.

The 45-year-old based in Bengaluru says SMS, email and Signal are his primary modes of communication. Most of his personal and professional contacts know that sending him an SMS will fetch a quick response. "I am organized and have a good email workflow," John says during a phone interview. "My appeal (to still use SMS) is protection of mind space and time. I don't like this hyperconnected, always-on universe."

Rishi Alwani, 38, a Mumbai-based video games consultant and analyst, has always used SMS actively and stayed away from WhatsApp. "It's become a habit," says Alwani. "A big disadvantage (of SMS) used to be the character limit and everyone typing 'lyk dis'. Now it's more about the recipient checking actual texts between the deluge of OTPs and spam," says Alwani. How does he ensure he doesn't miss an important SMS? "I have notifications on for text messages and filter out OTPs to keep it clean via settings."

Despite the overwhelming popularity of WhatsApp and other instant messaging apps, there are those who continue to use SMS as a texting tool because they prefer a slower pace of communication and are keen to avoid the high noise-to-signal ratio of most messaging apps, especially on group chats.

Since the rise of these apps, the SMS inbox has largely become a repository of one-time passwords (OTPs) and spam for most of us, but that does not mean you can write it off. According to data from SMSEagle, a Poland-based company that makes hardware and software solutions to send and receive SMS messages, SMS open rates remained impressive worldwide in 2023, with nine in 10 individuals opening their SMS messages. Many users continue to use it as their primary mode of messaging.

The growth of RCS is also a testimony to the enduring appeal of SMS. RCS or Rich Communication Services is a communication protocol between mobile telephone carriers and between phone and carrier; at the user level, think of it as the updated avatar of SMS with a richer interface and multimedia support. With Apple aiming to bring in RCS support later this year, the messaging experience between iOS and Android is expected to improve further.

MESSAGING IS FUN AGAIN

Over the last few weeks, I've been having seamless conversations with at least two acquaintances (one who uses iOS and the other on Android) via traditional text messaging thanks to Google Messages, the RCS app on Android.

Between two Android devices, RCS messages are sent over the internet. However, currently, conversations between someone with Google's RCS chats and a user on Apple iMessage are sent through SMS and MMS. RCS support will change that, offering a better interoperability experience as compared to SMS and MMS.

There are additional features that RCS brings, which takes the messaging experience close to what you see on other third-party messaging apps.

For instance, RCS chats show when someone is typing or has read your message, and vice versa. RCS also allows users to share files and high-resolution photos. Messages sent through RCS are also end-to-end encrypted. You can send GIFs and stickers, share your location and even send voice memos, complete with noise-cancellation and hands-free recording. Users can add custom bubbles and backgrounds to their chats. In some cases, you can even use AI with Google Messages to have a conversation with the Gemini chatbot. Another handy RCS feature that Google is slowly rolling out is the ability to edit messages. Users can turn on RCS chat in the Google Messages settings.

During my conversations, the user interface on Google Messages has been fluid and minimal. Other apps are adding support for SMS too. Microsoft recently updated its Outlook Lite to introduce an SMS feature, which will let users manage emails and text messages under one app.

Apple's entry into the market is further expected to drive the interest in RCS messaging. According to a January report by the UK-based Juniper Research, which specializes in market intelligence data on telecommunications and the Internet of Things, the number of active RCS users is expected to reach 2.1 billion globally by 2025. Currently, that number stands at around 1.2 billion.

The report also shows that RCS will become a key technology for operators in the business messaging ecosystem, given the high levels of fraud in the SMS business messaging sector.

The use of SMS—and now RCS—in the era of third-party instant messaging apps is another chance to look at how individual users manage their digital overload.

The *Internet in India Report 2023* report by not-for-profit industry body Internet and Mobile Association of India (IAMAI) showed that internet users in India have crossed the 800 million mark. Ninety per cent of them use the internet daily, spending an average of 1.5 hours. Apart from consuming OTT content, communication remains one of the top activities done on the internet in India.

A recent study by the Boston Consultancy Group revealed that 50% Indian users reach out for their smartphone unintentionally, without any clear action or choice of app. A telling stat, given how many of us have made a habit of looking at our phones for notifications.

Amitabh Kumar, founder and director, Social & Media Matters, a Delhi-based non-profit that works on tech public policy, online safety and digital parenting, says that while there's a lot of discussion in the tech industry about smartphone notifications it's clear that they are a huge distraction. "In the mind, and there are multiple theories about this, it's just like somebody calling out your name," he adds.

On some users still sticking to SMS, he says: "This reminds me of the book *Thinking, Fast and Slow* by Daniel Kahneman. The context: what are the choices we make? For the slow thinkers, SMS and emails are the way to go," he adds. "For fast thinkers, that might be too slow. They want the blue ticks; they want to see you typing," he explains.

COUNTERING DIGITAL OVERLOAD

John, who briefly tried WhatsApp on a second number but gave up using it, says he finds the intermingling of personal and professional communication on messaging services difficult to manage. "There's also this pressure to be on every group. It keeps drawing you back to your phone," he adds.

There's still a long way to go before traditional messaging matches the experience of, say, WhatsApp or Telegram. The growing popularity of RCS is a step in that direction. A big challenge would be to keep track of personal SMS messages amid the hundreds of transactional messages we all receive daily.

Back in the 2010s, Android smartphones were still slowly finding ground in the Indian market. Messaging apps like WhatsApp were only a year old. SMS was still a popular way to be in touch. For those who couldn't afford big tariff packages, a limit of 100 daily messages or more was the norm. Every message was typed thoughtfully and concisely.

In a hyper-connected world where instant messaging and rapid-fire communication rule, traditional messaging may work as a counterbalance to our digital overload.

STAYING IN TOUCH

GIVE THESE SMS APPS A SHOT

Beeper: Universal chat app that brings messages from all your chat networks under one app.

SMS Organizer from Microsoft: Organizes your inbox and helps set smart reminders.

Chomp SMS: Comes with loads of customizable features.

SMS VERSUS RCS

SMS: No support for rich media but links lead to landing pages. Users are more susceptible to spoofing, phishing and fraud.

RCS: Support for media, including GIFs, images and videos. End-to-end encryption. Brand verification helps safeguard against fraud.


Packages at an Amazon Fulfillment Center in California. AP

AI TRACKER

Intel, AMD try to catch Nvidia in AI chip race

At Computex 2024, Intel and AMD unveiled more AI-related updates

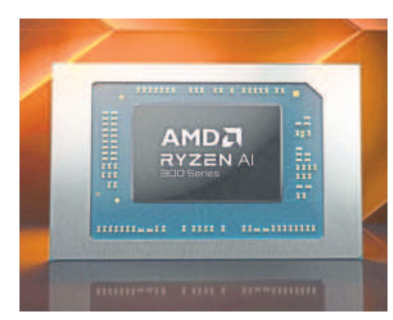
Team Mint
feedback@livemint.com

DETECTING DAMAGED GOODS

Amazon has implemented Project PI (or private investigator)—a combination of generative AI and computer vision technologies—across its fulfilment centres in north America that can spot issues such as damaged products or wrong colour or size before products reach customers. Before an item ships, it travels through an imaging tunnel, where Project PI uses computer vision to scan the product and evaluate the images to detect any defects, an Amazon blog post explains. According to the company, this not only improves customer experience but also reduces packaging waste.

INTEL, AMD RAISE THE STAKES

The chip wars are heating up. At the ongoing Computex 2024 tech event, Intel and AMD introduced new chip technology to try to catch up with Nvidia. AMD unveiled the Ryzen AI 300 Series, which promises to deliver new AI experiences on Windows CoPilot+ PCs. According to the company, the Ryzen AI 300 processors come with the world's most powerful neural processing unit for next-gen AI PCs and are built on the new "Zen 5" architecture. Intel, meanwhile, launched its Xeon 6 processors, while also revealing prices for its Gaudi 3 and Gaudi 2 AI accelerator kits. According to Intel, the combination of Xeon processors with Gaudi AI accelerators in a system would offer a solution for making AI faster, cheaper and more accessible.



ALL SET FOR APPLE'S NEXT WWDC

All eyes are Apple's next Worldwide Developers Conference (WWDC) on 10 June, where the company is expected to announce a deeper push into AI, with more AI-powered tools, including an overhaul to its Siri smart assistant and a host of AI features in the upcoming iOS18 update. Unlike earlier iterations, this version of the WWDC is expected to be more software heavy. Multiple reports this week have suggested that Apple is also closing in on a deal with ChatGPT-maker OpenAI to introduce ChatGPT feature in iOS.

AI Tracker follows trends and developments in the world of artificial intelligence.

REVIEW | SONY BRAVIA THEATRE QUAD

A home theatre system that makes all the right noise

The Bravia Theatre Quad has big audio shoes to fill. Can it make a dent in the premium, mid-range home theatre segment?

Tushar Kanwar

Not all living rooms and entertainment spaces are created equal. Often, modern living spaces can just about accommodate furniture pointed at the TV. Things get trickier when you try to fit a home theatre setup into the same space to make up for the TV's anaemic audio.

Sony solved this problem a couple of years ago with its flagship HT-A9 wireless home theatre system, which factored in the room height and size along with the speaker distance and relative location to create an Atmos-like audio bubble.

Its successor—the Sony Bravia Theatre Quad (₹1,99,999)—has not one, but two massive shoes to fill: to live up to the high standards set by the HT-A9, and to truly earn the Bravia branding under which Sony has unified its TV and soundbar/home theatre lineup.

DESIGN AND SETUP

Don't let the name confuse you—this is still very much a four wireless speaker setup that connects to a control box and pairs up with Sony's optional SW3 or SW5 wireless subwoofers.

Gone are the huge cylindrical speakers, giving way to a sleeker, flatter square-shaped design that's just 55mm in depth on each of the four satellite speakers, which can be wall mounted or placed around the room wherever there's space.

Inside each of the four speakers are four drivers—a dedicated tweeter, mid and bass, all of which face forward, along with a full-range upward-firing driver to handle the simulated Dolby Atmos surround sound. While the full complement of drivers does mean that the Theatre Quad is a full-range system, the difference the optional subwoofer makes to the low end is appreciable enough for you to consider picking up either of the two subwoofers as part of the initial purchase (₹2,25,980/₹2,52,980 with the SW3/SW5).

Tying all of them together is the Apple TV-shaped and sized control hub, which connects to a single source over HDMI and to your TV over HDMI with ARC/eARC support. While the hub supports passing through signals up to 8K HDR and 4K 120 fps, including variable refresh rate content from gaming consoles, the number of HDMI ports are limited, and there are no analogue or optical inputs whatsoever. You do get Ethernet and WiFi connectivity, along with Bluetooth 5.2 and AirPlay 2 support.

And while the speakers connect to the hub wirelessly, they do still need a power connection, so all you need to do is place two of the speakers on either side of your TV and the other two behind your listening position, with the subwoofer tucked away out of sight. Just ensure that each of the speakers point in your direction.

Setup is handled via the Bravia Connect app, which simplifies Sony's 360 Spatial Sound mapping feature into a series of steps, some of which use your phone microphone to listen to and calibrate the speaker output to the listening position of your choice.

Depending on your room, Sony's spatial mapping tech creates up to 12 'phantom' speakers notionally placed around the space by bouncing sound off your ceiling and walls, to immerse you in an acoustic bubble that's far more enveloping than what four standard speakers ever could.

Once set up, you can use the bundled but rather basic remote or your TV remote to control the Theatre Quad, although the app offers more options.

PERFORMANCE

Putting the system through a bunch of cinematic movie scenes, like the flight sequences in *Top Gun: Maverick*, the Theatre Quad almost immediately pulled ahead of the Atmos soundbars I've tested due to the significantly wider soundstage and stereo separation the quad of speakers can deliver.

Even though the Theatre Quad lacks a centre channel (unless you have a compatible Sony TV), it more than makes up with a terrific phantom centre created by the front two speakers, one which has excellent clarity and presence. For these sorts of big scenes, the quad speakers by themselves lack the bass one would expect, which is where the subwoofer steps in and pushes the Theatre Quad right up there with the best home theatre systems in the premium mid-range budget.

Dialogue gets a much-needed boost with the 'dialog mode'. Switching to music and a few of my favourite Hans Zimmer tracks, the neutral sonic signature of the quads peppered with the low-end of the SW5 subwoofer and the rounding out from the rear channels meant that the Theatre Quad can do justice to easy listening music and large, orchestral tracks as well. What I missed was the ability to have more granular adjustments to the subwoofer volume.

VERDICT

For most people, the Bravia Theatre Quad represents—budget willing—peak home theatre, without the hassle of running extra wires or moving your furniture around for optimal surround sound. The Quad truly raises expectations from what we can expect from a home theatre in a box.


The Bravia Theatre Quad has four sleek satellite speakers. SONY

SONY BRAVIA THEATRE QUAD
Features: 360 spatial sound mapping, app support, with WiFi, Bluetooth
Price: ₹1,99,999

Write to us at businessoflife@livemint.com