

Monday, June 10, 2024

mint

Think Ahead. Think Growth.

mint primer

Are we running out of landline, mobile numbers?

BY GULVEEN AULAKH

India's National Numbering Plan was overhauled in 2003 when 750 million numbers were allocated looking ahead 30 years. It's now being reviewed by the Telecom Regulatory Authority of India (Trai). Last week, it issued a consultation paper. *Mint* explains:



1 Why is Trai looking at revising the plan?

With the advent of 5G, ultra-high speed networks will be used by not only people owing mobile phones but also by internet of things (IoT), devices that will talk to each other, better known as machine-to-machine communication. And sooner rather than later satellite communications will come directly to our phones. With this backdrop, having spare capacity of telecommunication identifier (TI) resources is crucial for meeting any requirement that could come up in the years ahead. Therefore, the regulator asked stakeholders if they anticipate any shortage in these resources or numbers for mobiles or landlines.

2 What are the elements of number planning?

Trai is examining all aspects impacting allocation and utilization of numbering resources. It can also propose modification to its mechanism of fixing the numbering scheme and devise strategies for managing constraints in allocation policies. It is examining if fixed lines should be allotted 10-digit numbers like mobiles. Further, fixed line numbers allocated to some telcos remain unused; should these be reallocated? To be sure, any changes to the numbering plan will involve substantial adjustments and expenses in network infrastructure by service providers.

3 How do services work in numbering plans?

The 10-digit mobile number begins with 9,8,7 or 6; six-to-eight-digit landlines with 2,4,6 et al. Other series are used for trunk, emergency, toll-free etc. There are 2.54 billion numbers for mobiles. Of these, 219 million are suspended pending disconnection and 188 million remain suspended for over six months. Trai data suggests there's no shortage in mobile nos.

4 Why does fixed line face a shortage?

While Trai had laid down guidelines for suspending mobile phone connections, it doesn't have any rule for fixed lines. So, a fixed line cannot be disconnected by the service provider even if it has been unused for years. That number remains with the subscriber despite not being used and hence does not get recycled or redeployed. Trai has, in fact, asked telecom service providers whether there is a need to introduce an appropriate definition for 'inactive connections' for fixed-line services.

5 What about charging for number allocation?

Trai says telcos sell 'vanity numbers' that are auctioned at prices starting at ₹4,000, going up to ₹50,000. This can lead to hoarding of numbering resources by the service providers. So, Trai has said in its consultation paper that maybe an annual recurring charge can be levied on each number allocation. Further, central government auctions the vanity numbers. But it has asked telcos whether charges for allocation and penalties for hoarding numbers should be levied.

QUICK EDIT

Case for optimism

Now that Narendra Modi of the Bharatiya Janata Party (BJP) has taken oath as Prime Minister of India for the third time, virtually every move of his new government will be studied for clues of an imprint left by the Telugu Desam Party (TDP) and Janata Dal-United (JDU), allies on which the regime will depend for a majority in Parliament henceforth. Signs of cohesion are likely to cheer the stock market, and the key to coalition success lies in recognizing that politics need not be a zero-sum game, but political constraints can't be ignored. Even as the TDP and JDU seem to get disproportionate leverage, they would want to keep their brand identities set apart in electorate perception to reduce the risk of their vote base being weaned away by the BJP. If they diverge on the politics of identity, however, they could converge on an economic agenda, given a common interest in a similar model of development. Unless coalition dynamics go awry, we can plausibly expect a pursuit of Pareto-like optimality on national matters, even as Andhra Pradesh and Bihar are first among equals on operative federalism. All said, India's new power matrix could serve the economy's emergence well.

MINT METRIC

by Bibek Debroy

At a Helsinki library,
A borrowed book almost marked a century.
Returned after 84 years,
Arthur Conan Doyle's book, one fears—
Was not meant for a reader unwary.

QUOTE OF THE DAY

The alliance is to bring the partners together to provide a unique value proposition... It is all about more choices, options and for a market size of India that is the very best thing.

THEO PANAGIOTOULIAS
CEO, STAR ALLIANCE



THE WEEK AHEAD

- 10 JUN MUMBAI COASTAL ROAD**
Phase two of the Mumbai coastal road, a stretch from Marine Drive to Haji Ali, to be inaugurated.
- 12 JUN US FOMC MEET**
US Federal Open Market Committee (FOMC) to announce policy interest rates.
- 10 JUN APPLE MARQUEE EVENT**
Apple to kick off its five-day Worldwide Developers Conference.
- 14 JUN MODI AT G7**
PM Narendra Modi to visit Italy to participate in G7 summit on invitation from his Italian counterpart.
- 10 JUN IXIGO IPO**
Travel booking portal ixigo's parent Le Travenues Technology to open its IPO.
- 14 JUN EURO 2024 STARTS**
Germany face off against Scotland in the first match of the prestigious football tournament.
- 12 JUN INFLATION DATA**
Statistics ministry to release India's retail inflation data for May; inflation was 4.8% in April.
- 15 JUN LOK SABHA SESSION**
Newly elected 18th Lok Sabha likely to meet for its first session, according to PTL.



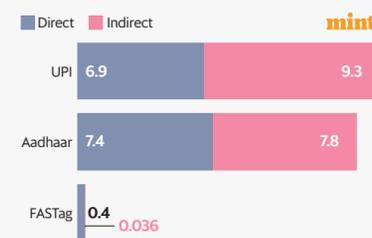
What's next for govt's tech agenda: In charts

BY HOWINDIALIVES.COM

In its previous two terms—2014-19 and 2019-24—the National Democratic Alliance (NDA) government positioned itself as tech-savvy and pushed many initiatives—some started by the previous government—with great vigour. It bolstered digital identity platform Aadhaar and introduced payments system UPI, and set big targets for semiconductors. NDA is set to return to power, but BJP's dependence on coalition partners this time means the government's priorities are set to change, too, with a greater focus on jobs, inequality, and welfare. All these will shape the tech agenda in the coming years.

Aadhaar, UPI and FASTag gave India a \$32-billion GDP boost in 2022

Estimated impact of India's digital public infrastructure on GDP (\$ billion), 2022



Source: Nasscom, Arthur D Little

1 Digital Infrastructure Rollout

LAST YEAR, India scored a win in technology diplomacy when the digital-economy ministers of G20 agreed on a definition, framework and working principles for digital public infrastructure (DPI), that is, technology systems that allow governments and private companies to deliver digital services. DPI started with Aadhaar, gained momentum with UPI, and has expanded to include FASTag.

In a report in February, Nasscom and Arthur D. Little estimated the collective impact of Aadhaar, UPI, and FASTag on India's 2022 GDP at \$32 billion. More systems are being rolled out, and it's a work in progress. The report said DPI adoption faces challenges, including "a lack of interconnectedness among government ministries, lack of real-time data availability, limited language expansion for users to access in preferred languages, and future partnerships beyond government services".

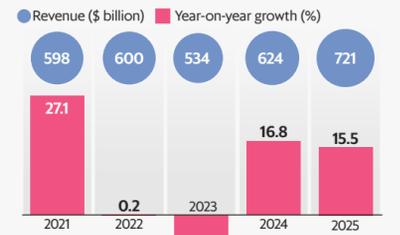
2 Chip Challenges

IN ITS second term, the BJP government allotted a nearly \$10-billion incentive package for semiconductor projects by firms such as the Tatas, and Micron. The package, one of the world's biggest, is part of a plan to make India a global semiconductor manufacturing hub. However, it has faced criticism. Former Reserve Bank of India (RBI) governor Raghuram Rajan wrote recently that the "heavy subsidies to manufacturing take away resources that could be better utilized elsewhere", pointing out the government gave \$2 billion in capital subsidies to Micron's chip plant, which was estimated to create only 5,000 jobs.

The new government is expected to prioritize job-creation and labour-intensive industries, and some are concerned the government could divert resources away from chips. Semiconductors are of huge strategic importance, and India has a limited window of opportunity as global companies look to diversify their supply chains beyond China.

Globally, semiconductors are poised for brisk growth

Size of semiconductor business globally



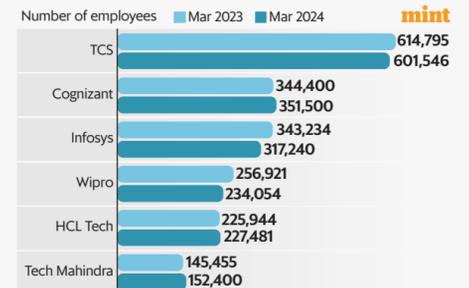
Estimates used for 2024 and 2025.

Source: Gartner

3 IT Jobs Crisis

INDIAN IT services companies have created jobs for engineers for decades. The headcount of Tata Consultancy Services alone increased by 339,000 in the 10 years to FY23. However, in FY24 its employee count shrank by about 13,000, reflecting a broader trend in the industry. Cutbacks and hiring freezes are now common. The gloom is due to muted demand in the US and Europe, the top two markets for the Indian outsourcing sector. The job market is expected to pick up as the economy improves. Some workers could be absorbed by global capability centres, as some businesses have shown a preference for setting up operations in India rather than outsourcing. However, in the medium term, some jobs are likely to be replaced by artificial intelligence, while others could expand. The challenge is to identify new growth areas.

Headcount at some of the topmost IT services firms fell in 2023-24



Source: Companies' financial statements

Venture capital investments in India dropped by over 62% in 2023



Source: India Venture Capital Report 2024, Bain & Co

4 Funding Winter

STARTUPS HAVE traditionally been better at identifying growth areas and creating new jobs. In India, startup funding has hit a rough patch. In 2023, venture-capital funds invested \$9.6 billion in India, down from \$25.7 billion in 2022, according to Bain & Co., which attributed the dip to contractionary monetary policy, higher interest rates and lower consumption.

In 2016, the BJP government launched a fund-of-funds scheme for startups through the Small Industries Development Bank of India (SIDBI). The scheme has committed about ₹10,000 crore to 129 alternative investment funds, aiding fund managers looking at startup investments. Meanwhile, startups have raised concerns about "angel tax", introduced in 2012 as a way to prevent money laundering. It has hurt them during the funding winter. Some startups have also come under scrutiny for their treatment of gig workers. Balancing innovation, growth, employment and welfare will remain a challenge.

5 Combating Fraud

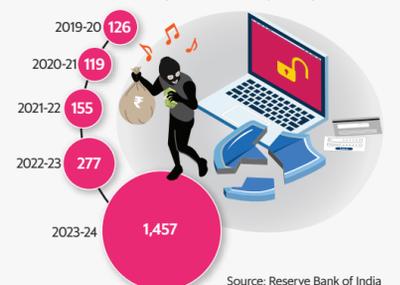
AN ATTEMPT to balance some of these factors came to the fore in the Paytm case earlier this year, when RBI imposed curbs on Paytm Payments Bank over its failure to comply with KYC norms and other lapses. The action also conveyed that RBI was serious about customer safety, even as digitization by companies such as Paytm improved convenience.

The digital payments boom has also nurtured fraud. In FY24, such frauds amounted to ₹1,457 crore—a fivefold jump from FY23, RBI said. The National Cybercrime Reporting Portal recorded over 1.1 million complaints last year. The authorities have tried to improve monitoring, to respond faster, and to educate customers. On Friday, RBI said it is setting up a digital payments intelligence platform to safeguard consumer interest. But security will remain a cat-and-mouse game.

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

Card- and internet-related frauds up fivefold in terms of value in 2023-24

Amount involved in card/internet frauds (₹ crore)



Source: Reserve Bank of India

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz



Monday, June 10, 2024

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Where tickets cost an arm, and popcorn, a leg ▶ P10



India's energy use to grow 90% by 2050: Rosneft's Sechin ▶ P2

SENSEX 76,693.38 ↕ 0.00 NIFTY 23,290.15 ↕ 0.00 DOLLAR ₹83.38 ↕ ₹0.00 EURO ₹90.82 ↕ ₹0.00 OIL \$79.03 ↓ \$1.02 POUND ₹106.69 ↕ ₹0.00

Modi 3.0 cabinet: Bigwigs stay on, allies bag 5 posts

19 of 30 ministers from last cabinet; JD(U), TDP, JD(S), LJP, HAM secure berths

Rituraj Baruah, Manas Pimpalkhare & Subhash Narayan

NEW DELHI

Prime Minister Narendra Modi chose continuity over radical change on Sunday, placing his trust in top lieutenants Amit Shah, Nirmala Sitharaman, Rajnath Singh, Nitin Gadkari, S. Jaishankar and Piyush Goyal for the Union cabinet. Key allies Telugu Desam Party (TDP) and Janata Dal (United) secured one cabinet post each, as Modi took charge as prime minister for a third consecutive time, where he will head a coalition government.

Apart from TDP and JD(U), other allies in the National Democratic Alliance who have secured cabinet posts include TDP, JD(U), Janata Dal (Secular), Hindustani Awam Morcha (Secular) and Lok Janshakti Party.

Nearly 9,000 people were estimated to be present at the forecourts of the Rashtrapati Bhavan for Sunday's event, attended by politicians, businessmen, and celebrities. Those present on the occasion included vice-president Jagdeep Dhankhar, Chief Justice of India D.Y. Chandrachud, TDP



THIRD COMING

TOP PICKS

NADDA back after 5 years; Khattar, Shivraj Singh new faces

JD(U)'s Lalan Singh, TDP's Ram Mohan Naidu ministers

30 cabinet ministers, 5 MoS (independent charge), 36 MoS

president Chandrababu Naidu and JD(U) chief Nitish Kumar.

Among top ministers who continue in the cabinet, Goyal contested and won for the first time from the Mumbai (North) constituency, while Sitharaman and Jaishankar did not contest the election and are members of the

Rajya Sabha.

Two of the party's former chief ministers—Shivraj Singh Chauhan of Madhya Pradesh and Manohar Lal Khattar of Haryana—also lend firepower to the new cabinet, which sees the return of BJP president J.P. Nadda as well. Nadda's new role also opens up the post for

a new president for Bharatiya Janata Party, still the country's largest party despite losing its majority in the latest Lok Sabha election.

The cabinet has 30 ministers, excluding the prime minister. Further, five ministers of state (independent charge) and 36 ministers of state took oath on Sunday.

In the new cabinet, 19 were part of the previous government. Dharmendra Pradhan, Hardeep Singh Puri, Mansukh Mandaviya, Sarbajit Chatterjee, Virendra Kumar, Pralhad Joshi, Ashwini Vaishnav, Jyotiraditya Scindia, Bhupendra Yadav, Gajendra Singh Shekhawat, Kiren Rijju, G. Kishan Reddy and Annapurna Devi have made it to cabinet.

Among them, Puri and Vaishnav are members of the Upper House and held the petroleum and natural gas, housing and urban affairs and railways, telecom and IT ministries respectively in the previous government.

Jual Oram of BJP, who was Union minister for tribal affairs in the first Modi government, has returned to the cabinet; with his induction, there are three new faces from Odisha, along with Pradhan and Vaishnav, where BJP

Leela eyes \$2.5 bn value in rebound from bankruptcy

Anirudh Laskar, Dipti Sharma & Ranjani Raghavan

MUMBAI

The Leela Palaces, Hotels and Resorts will seek a valuation of at least \$2.5 billion (approximately ₹21,000 crore) in a public listing likely in nine months, two people familiar with its plans said, in a remarkable turnaround for the luxury chain that changed hands under crushing debt and defaults five years ago.

Promoter Brookfield has tapped JM Financial and Bank of America to be investment bankers, the people said on condition of anonymity, adding the Canadian investor plans to sell 15% to the public initially, and another 10% over the next three years. The IPO may be worth around ₹3,150 crore, making it the biggest in India's hospitality space.

"The Leela has not only emerged stronger than ever from its old worrisome debt issues but is also seeing a steady year-on-year rise in valuations on the back of higher margins. From a bankruptcy situation a few years ago, today, The Leela is commanding a \$2.5-3 billion valuation," said the first person, adding the IPO is planned



The IPO may be worth around ₹3,150 cr, making it the biggest in India's hospitality space.

within nine months.

While listed rivals Indian Hotels Co. Ltd and East India Hotels Ltd are worth ₹83,228 crore and ₹27,384 crore, respectively, ITC Hotels has been estimated at ₹10,000 crore. IHCL and EIH operate the Taj and Oberoi brands, respectively.

A Bank of America spokesperson declined to comment, while emails sent to JM Financial, The Leela and Brookfield Asset management remained unanswered.

"While the hospitality business is generally buoyant currently, international demand for

DON'T MISS



Hotels in the hills make hay as the sun scorches the plains

As the sweltering summer heat intensifies, hotels in the hills are experiencing a boom, with several companies reporting a 30% increase in occupancy and soaring revenues. Many five-star hotels are fully booked, as summer vacations start. ▶ P7

About 80% medical colleges fail on standards set by regulator

Nearly 80% of Indian medical colleges do not meet even the minimum standards laid down by the National Medical Commission. During inspections at grad schools, officials noticed issues such as absenteeism among faculty and poor infrastructure. ▶ P2

Cult.fit's e-commerce arm to drive growth, profitability

Fitness startup Cult.fit expects its direct-to-consumer e-commerce vertical, Cultsport, to outpace its core gym business, and achieve profitability within a year, chief executive Naresh Krishnaswamy said. ▶ P3

Foreign investment surge fuels spectacular rally

Small-cap stocks had a spectacular rally the previous fiscal, much of it driven by foreign portfolio investors (FPIs) betting on smaller Indian companies even as the surge sparked fears of a bubble caused in part by some murky transactions. ▶ P5

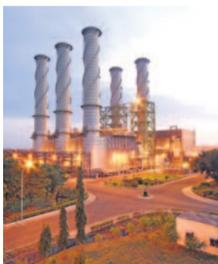
NTPC looks beyond power in capex play

Rituraj Baruah rituraj.baruah@livemint.com NEW DELHI

State-run NTPC Ltd is planning capital expenditure of \$50 billion (₹4.17 trillion) over the next 10 years to become a true energy company from just a generator of power, according to two people aware of the company's plans.

The people said that India's biggest power generation company will spend \$5 billion each year over 10 years to foray into production of various clean fuels and also towards increasing its power generation capacity.

"The company is looking at a diversified role where NTPC may (metaphorically) stand for 'national transport, power and chemicals'," the first person cited above said on condition of anonymity. "There are



NTPC will spend \$5 bn each year over 10 years to foray into production of clean fuels.

major plans for methanol, ethanol, green hydrogen for transportation and also sustainable aviation fuel (SAF), for which it is already in talks with some airlines."

NTPC will undertake these activities itself with no plans for

TURN TO PAGE 6

Stake sale in 3 cos before RBI action

Varun Sood varun.sood@livemint.com BENGALURU

Three large investors sold big chunks of Edelweiss Financial Services Ltd, IIFL Finance Ltd and Paytm weeks before regulatory action slammed their stocks, exchange data showed.

Between January and May, the Reserve Bank of India (RBI) slapped business curbs on the three financial companies after spotting various malpractices, including evergreening of loans, inadequate KYC checks and governance issues. Ahead of the regulatory action, Mohanish Pabrai, Prem Watsa and Softbank sold a significant percentage of shares in Edelweiss, IIFL and Paytm respectively.

While there is no clear link between the regulatory action and the share sales, one proxy



The banking regulator slapped business curbs on the firms between Jan and May. HT

advisor termed it as "odd", and another said the market regulator should find out why they sold their shares.

Pabrai, a seasoned India-born American investor, owned 7.08% stake in Edelweiss at the end of December

TURN TO PAGE 6

Savvy small investors score quiet poll win

Ram Sahgal ram.sahgal@livemint.com MUMBAI

Retail investors, who buy and sell shares directly, are getting smarter. In a rare instance, they outsmarted domestic and foreign investors in trading strategy in the run-up to and on election results day on 4 June. Retail investors include individuals, Hindu undivided family, NRIs, proprietorship and partnership firms, and limited liability partnership firms.

When the exit polls on Saturday, 1 June predicted a landslide victory for the BJP-led NDA, the markets closed higher by 3.25% on Monday 3 June, fuelled by foreign portfolio investor or FPI inflows of ₹6,617.32 crore and mutual fund purchases of ₹3,072.85 crore, NSE data reveals.

However, retail investors net sold shares worth ₹8,587.5

crore on 3 June instead of their usual practice of buying on the rise.

The next day, when the actual counting showed the BJP unable to secure a simple majority, the market tanked almost 6% to 21,884.50, and FPIs and MFs net sold shares worth a combined ₹18,760 crore.

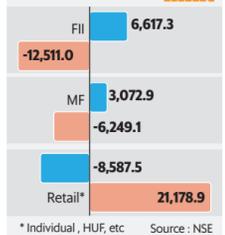
Again, retail net purchased shares worth ₹21,178.94 crore, the data shows, staying true to the adage of buying on a low.

"Direct retail tends to enter last and exit first, so this is a sea change to see them execute a smart strategy, outplaying MFs and FPIs," said S.K. Joshi, executive director of Khambatta Securities.

Agreed Alok Churiwala, managing director, Churiwala Securities, who said that retail investors now included "a smarter and younger lot who are more adept at investing than the typical retail investor of the

David versus Goliath Retail investors were net buyers of ₹47,180 crore worth of shares in FY24.

Net share purchases, by client category (in ₹ crore)



* Individual, HUF, etc Source: NSE

previous decade and earlier". On smaller rival BSE, too, direct retail purchased a net ₹1,656.53 crore on Tuesday and sold ₹2,245 crore over the next three days.

It is well known that markets recovered from Wednesday as it became clear that Narendra

Modi would lead the national democratic alliance (NDA), which had won 290 seats, to form the new coalition government at the centre.

The Nifty has rallied 6.4% to a new closing high of 23,290.5 from Tuesday through Friday, potentially giving stellar returns to retail investors.

The category-wise turnover for 5-7 June was unavailable on NSE at the time of writing, but analysts believe that retail investors could be sitting on significant profits if the shares they purchased multiplied by value.

Churiwala said that data release by the exchanges would reveal whether retail investors had booked profits in the rest of the week when markets rose on fresh buying and short covering of derivatives bets by FIIs.

Retail investors were net buyers of ₹47,180 crore worth of shares in FY24 and ₹49,206 crore in FY23, NSE data shows.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



STRAIGHT
FORWARD
SHASHI SHEKHAR

Respond to this column at
feedback@livemint.com

Revamped Rashtriya Gokul Mission may get Cabinet nod

The Cabinet may also accord approval to two other schemes as part of the 100-day action plan

Puja Das
puja.das@livemint.com
NEW DELHI

The new Cabinet is likely to approve a 100-day action plan for animal health, dairy and conservation. It will include the launch of a revamped Rashtriya Gokul Mission (RGM), Animal Health System Support for One Health (AHSSOH) and a convergence framework for the National Fodder Mission.

The aim is to address low availability of feed and fodder especially during the summer, poor livestock health weighing on milk productivity and indigenous breeds falling short due to climate change and attract more farmers to dairy farming, a senior official said.

The launch of these three schemes will involve nearly ₹8,000 crore. The convergence plan for the National Fodder Mission will be launched by bringing agriculture and rural development ministries on board. It will focus on production, storage and processing for increased availability of dry and green feed and fodder by an additional 10,500 hectares.

Similarly, AHSSOH, part of the animal health initiative, will focus on animal health and to prevent anti-microbial resistance.

The revamped RGM scheme will bolster development and conservation of indigenous bovine breeds, making milk



The launch of these three schemes will involve nearly ₹8,000 crore. ISTOCKPHOTO

production more remunerative to farmers.

"In our 100-day agenda, there will be policy continuity. We will be doing what we anyway had to do. In the next 100 days, the first thing planned is the launch of revamped Rashtriya Gokul Mission, which is dedicated to breed improvement for cows and buffalos. This time, indigenous breed improvement will be in focus; one breeder association each in every state and Union territory will be formed with greater participation of more private sectors. Breeder farms will be created and through these artificial insemination and embryos transfer will take place. Earlier, only the government was involved and now breed improvement will be done through the private sector," the official said.

Through the revamped RGM, AHSSOH proposes genetic upgradation through in-vitro fertilization, sex sorted semen, genomic selection using genomic chip for enhanced productivity, aiming at making milk production more remunerative to farmers. The budget outlay could be ₹600 crore and cabinet approval is required.

"The second thing is the National

Fodder Mission. Under this, the action points are preparation and launch of a convergence framework to pull the resources of everybody. Whatever resources are lying with the government and private will be converged so that the impact is felt more at the ground level. Agriculture, rural development ministries and state governments are working separately on increasing fodder availability through seed development, feed, green fodder and dry fodder. Instead of doing it separately, we as nodal are planning to converge and work together," the official quoted above said.

The National Fodder Mission convergence framework will be implemented as a component of the government's existing National Livestock Mission. This will increase fodder cultivation on 10,500 hectares more of non-forest, non-arable land with the potential to produce 52,500 tonnes of fodder. Not only will assistance for production of quality fodder seeds be provided but also availability of fodder storage and processing facilities will be augmented with ₹300 crore.

"The third and final thing is animal health system support for One Health. In this, the focus is AMR (anti-microbial resistance)...The focus is to understand [AMR] through research, find medicines and counter medicines. We will be bringing something that has antibiotic value, yet bacteria fail to create resistance," the official said.

₹600 cr
Budget outlay for the revamped RGM scheme

₹300 cr
Sum to augment fodder processing, storage facilities

A BALANCING ACT IN THE OFFING FOR BJP IN ITS THIRD TERM

Narendra Modi has taken the oath of office as prime minister of India for the third time. He is only the second prime minister in the country's history, after Jawaharlal Nehru, to be chosen for a third term. However, unlike in his previous two terms, Modi's Bharatiya Janata Party (BJP) does not hold even a simple majority this time. He heads the National Democratic Alliance (NDA) only because the alliance has secured the most seats in the Lok Sabha. The pressing question now is whether this change will hinder his working style and future plans.

Before answering the question, consider this: While releasing the Telugu Desam Party manifesto in Amaravati, the party's leader Chandrababu Naidu said: "We will preserve the 4% reservations for Muslims and provide ₹5,000 in financial assistance every month for mosque maintenance in the state." Naidu has also offered women in Andhra Pradesh a monthly allowance of ₹1,500, free bus travel, and ₹3,000 a month for the unemployed. The Andhra Pradesh government will need a large sum to implement these recommendations, which it cannot raise on its own.

According to the Reserve Bank of India, Andhra Pradesh is one of the most indebted states. Despite this, Naidu intends to radically transform the state's capital, Amaravati. It will require a separate investment of ₹3.5 trillion. During Modi's first term, Naidu had clashed with the Centre over such issues. Today when TDP is the NDA's largest partner, with 16 seats, we should remember that Naidu is renowned for his bargaining skills.

NDA's second-largest partner is Janata Dal (U). Its leader Nitish Kumar has defied NDA twice over the last 10 years. In 2013, he openly opposed Modi's candidature for prime ministership. Like Naidu, he, too, seeks special status for his state, Bihar. Besides, his views on matters such as the uniform civil code and agniveer scheme diverge from the BJP's declared stand.

There is one other thing: Almost all the current allies of BJP, including TDP, were part of the United Progressive Alliance (now INDIA bloc) one way or the other. Also, Nitish has been described as an ideal candidate for prime ministership from time to time by his party.

Is this a good or bad omen?

The oppositions in states continue to remind these regional leaders of their pledges. In Bihar, Tejashwi Yadav said after Nitish's decision to go with NDA: "Chacha is in the role of king-maker, so now he should get special status for the state and be able to get a caste census conducted across the country." Be it Naidu or Nitish, Chirag Paswan or Ajit Pawar, Eknath Shinde or Jayant Chaudhary, everyone has regional demands. Modi cannot ignore these. Power in politics entails obligations. Every political leader must balance the interests of her/his constituents with the benefits of power. For this, all constituent parties will strive to secure the highest number of posts and key departments in the council of ministers.

Every leader must balance interests of her/his constituents with benefits of power

How will Modi and his associates handle this? The answer is not particularly difficult. Take a look at Modi's career. He rose to his current heights through hard work. Before he became chief minister of Gujarat in 2001, Modi had worked for the Rashtriya Swayamsevak Sangh and then BJP in various capacities. He played a significant role in establishing BJP in Hariana and Madhya Pradesh.

People who understand politics know the basic distinction between government and organization. When someone is in government, the baton of power is in their hands. In an organization, it is important to keep everyone united without the power of government. Modi has done both really well. This time, his party has clearly stumbled, but it would be premature to attribute this to the Prime Minister's personal failure.

Another attribute that distinguishes Modi from his predecessors is his extensive experience as a chief minister. BJP had stints in power and the opposition when Modi was Gujarat CM. Regardless of the political landscape, Modi consistently delivered exceptional results for Gujarat. His ability to navigate these complexities demonstrates his adeptness at walking a tightrope in the political arena.

In keeping with the Indian tradition of wishing everyone good luck for their new endeavours, let us extend our congratulations to the entire cabinet of Modi's third government and believe they will meet the expectations of voters. NDA will, hopefully, work responsibly over the next five years. History is watching them.

Shashi Shekhar is editor-in-chief, Hindustan. Views are personal.

Social transfers cut consumption gap

Gireesh Chandra Prasad, & Rhik Kundu

NEW DELHI

Welfare measures by central and state governments have helped narrow the urban-rural gap in per capita monthly consumption expenditure of households—a measure of living standard—showed a survey released by the statistics ministry.

The household consumption expenditure survey for 2022-23 showed that when the imputed value of welfare schemes are taken into account, per capita household consumption expenditure has improved, most notably on food.

This is particularly visible in spending on cereals and cereal substitutes, notably among rural households, although urban households also gained. Welfare schemes on education and health are excluded while imputing the value of social

transfers owing to practical difficulties, the survey said. It showed that rural households' monthly per capita consumption spending improved from ₹3,773 to ₹3,860 in 2022-23, when the imputed value of social transfers are factored in. For urban households, it rose from ₹6,459 to ₹6,521.

The impact of social transfers is particularly visible in the case of cereals and cereal substitutes. The monthly per capita spending in rural households in this case jumped from ₹185 to ₹267. In the case of urban households, too, it increased from ₹235 to ₹294.

For overall food, monthly per capita consumption expenditure in rural areas is ₹1,750, which goes up to ₹1,832 after the value of benefits are added. The same for urban households goes up from ₹2,530 to ₹2,589 after the value of benefits are included.

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For overall food, the monthly per capita consumption expenditure in rural areas is ₹1,750

'India's energy use to grow 90% by 2050'

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NEW DELHI

With a growing economy, India's energy consumption is likely to nearly double by 2050, one of the fastest growth rates in the world, said Igor Sechin, CEO of Rosneft, one of Russia's largest oil producers.

Addressing global business and political leaders at the 27th St. Petersburg International Economic Forum (SPIEF), he also talked up fossil fuel and hit out at what he called a "green agenda".

Sechin, whose firm is controlled by a Russian holding company predicted the Indian economy would overtake that of the US by 2050. "Over the next five years, India is projected to continue its strong economic momentum and become one of the top three largest economies in the world with a GDP of \$5 trillion, and by 2050 will overtake the US in terms of the size of the economy," a statement by Rosneft quoted him as saying. As per the statement, Sechin said India's end-use energy consumption is set to grow by 90% by 2050, one of the fastest growth rates in the world.



Igor Sechin, CEO, Rosneft. REUTERS

He said developing countries will be the main drivers of oil consumption in the coming decades. By 2030, demand growth in this group of countries is expected to account for 95% of global consumption growth. The highest growth in oil demand is expected in Asian countries, which are Russia's main trading partners, Sechin said.

Talking of energy transition, the Rosneft CEO said that although hydrogen is consid-

ered a promising clean fuel, there are limitations in production technology, logistics and market readiness.

He noted that while renewable energy accounts for less than 5% of global energy production and electric vehicles only make up around 3%, consumption of oil, gas, and coal continue to rise. Sechin was of the view that the lack of profitability in green energy initiatives is leading to diversions from the traditional energy

The highest growth in oil demand is expected in Asian countries, which are Russia's main trading partners

sector, exacerbating the challenge of transitioning to sustainable energy sources.

Observing that energy transition should be well-balanced and focused on addressing the interests of developing countries, the Rosneft CEO said that to achieve energy security, it is necessary to ensure sufficiency, affordability and reliability of energy sources.

"Aggressive promotion" of the "green agenda" actually means declaring an energy war on the majority of the world's population, and overcoming energy inequality is impossible without reliable supplies of oil and gas, said the Rosneft CEO, according to the statement.

Rosneft is a major partner of Indian energy companies.

Russia has emerged as the top suppliers of oil to India in the past two years as the sanctions-hit country offered deep discounts to Indian oil refiners.

According to the Indian ministry of commerce, India imported crude worth \$46.48 billion from Russia in FY24, about 50% more than in FY23.

The share of imports from Russia was one-third of the total oil import bill in value terms.

Four in five medical colleges fail minimum standards set by regulator

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NEW DELHI

Nearly 80% of Indian medical colleges do not meet even the minimum standards laid down by the medical education regulator. During inspections at grad schools, officials of the regulator, the National Medical Commission (NMC), have found absenteeism among faculty, inadequate and poor infrastructure, and student grievances such as ragging, inadequate hostels, and poor student-teacher relationship. "We have started imposing

penalties on the medical colleges. About 80% of colleges are not following rules set by NMC and have been found to be defaulters in terms of poor infrastructure, absence of faculty during teaching hours, faculty not marking their attendance on the system, the lack of equipment, deficiency in clinical material and non-compliance with minimum standards of requirements including number of classrooms required per 100 students," said an official aware of the matter.

Consequently, NMC has imposed penalties ranging from ₹10 lakh to ₹50 lakh, which may even go up to ₹1 crore. In case these colleges don't improve on these metrics, the regulator plans to



NMC has imposed penalties ranging from ₹10 lakh to ₹50 lakh, which may even go up to ₹1 crore. AFP

reduce the number of seats in these colleges.

"Depending on the quantum of deficiencies being

found in medical colleges, we are imposing the penalties. This is the first stage. Even after this, if medical schools do not improve themselves, we will start reducing the number of seats," added the official cited earlier.

Inspections will also be carried out in postgraduate institutions.

India has about 700 NMC-approved government and private medical colleges offering undergraduate and postgraduate courses. Last year, NMC issued a new regulation called the Maintenance of Minimum Standards of Medical Education Regulations,

Attendance System to keep a tab on attendance of faculty and students.

"Everything is being evaluated and when we see shortcomings, we issue notices and call them for appeal. Over 500 colleges have been found to be defaulters and inspection is ongoing. We are having a video meeting with the college authorities to discuss the current situation and still we find significant shortages, then we are putting monetary fine on them," said a second official requesting anonymity. The official added that colleges have been given two months to rectify their deficiencies.

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THE MONDAY QUIZ

- 1) **WHAT** is the name of TCS's newly launched aggregated generative AI platform?
- 2) **WHICH** senior executive of Unacademy stepped down from the edtech startup last week?
- 3) **WHICH** Indian IT firm signed a five-year deal worth \$500 million with a US communication service provider?
- 4) **WHICH** Indian IT firm declared last week that it has earmarked \$200 mn for a semiconductor fab?
- 5) **META** Verified, launched in India, aims to bring ease of doing business to which platform?

Cult.fit's e-commerce arm to drive growth, profitability

In FY23, the firm's core gym business revenue tripled to ₹445 crore, while losses fell by 20%

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BENGALURU



Launched in 2019, Cultsport seeks to expand its footprint in India.

Fitness startup Cult.fit expects its direct-to-consumer e-commerce vertical, Cultsport, to outpace its core gym business, and achieve Ebitda profitability within a year, chief executive Naresh Krishnaswamy said in an interview.

Ebitda, or earnings before interest, taxes, depreciation and amortization, is a measure of a company's financial performance, focusing on operating profitability, excluding non-operational expenses.

While Cultsport currently generates 30% of the firm's revenue, Krishnaswamy expects it to rise to 50% within 2-3 years, driven by brand credibility. The brand is growing well and maturing faster than expected, he added.

"We are already seeing great customer acceptance and improving market share. Cult's brand is lending credibility, which is helping penetrate the top cities quickly."

Founded by Mynt's Mukesh Bansal in 2016, Cult.fit, formerly Curefit, expanded rapidly in metro areas through a mix of owned gyms and franchises. In FY23, the gym business' revenue tripled from a year ago to ₹445 crore, while losses declined by 20% to ₹51 crore. Backed by marquee investors such as Temasek, Chiratare Ventures and Kalara Capital, it has raised over \$670 million to date, including a \$10 million round led by existing investor Valecha Investments in February.

Launched in 2019, Cultsport seeks to expand its footprint in India. According to a growth-stage investor, seeking anonymity, Cult.fit's foray is a smart call, potentially creating an entire ecosystem of fitness products and services.

In recent years, India's booming fitness products sector has witnessed the launch of several brands offering athleisure wear, at-home workout equipment, and fitness trackers such as weighing scales and smartwatches.

robust investor interest in fitness-centric brands.

Cashing in on the trend, Cult has also been on a massive expansion spree following the launch of its first offline store in Bengaluru in December. It aims to

health-conscious consumers. "People attribute Cult's brand to its products, which helps improve acceptance."

The growth-stage investor cited above echoed similar views. "Cult.fit has a bigger advantage in terms of audience as compared to any other brand. Cult.fit's gyms have created strong enough brand recall value."

"However, despite the advantages, scaling a direct-to-consumer brand has its own set of challenges, especially in controlling marketing costs while retaining customers in a competitive market," he added.

According to Krishnaswamy, Cultsport has a strong presence in the hard-line category, which includes treadmills, spin bikes and outdoor cycles, and contributes a "sizeable" portion to its revenue. The vertical is expected to grow by 40-50% year-on-year, he added.

EXPANSION SPREE

- CEO** Krishnaswamy expects revenue from e-commerce arm to rise to 50% within 2-3 years
- THE** brand is growing and maturing faster than expected, says Krishnaswamy
- POST** the launch of its first offline store in Bengaluru, Cult has been on an expansion spree
- CULT'S** hardline category is expected to grow by 40-50% year-on-year

Celebrity-led brands including actor Virat Kohli's HRX and cricketer Virat Kohli's one8 have added to the appeal, making it aspirational for consumers. Recently, companies like Blissclub, Portal and Fitrr have secured early-stage funding recently on ten back of

open 20 more outlets by the end of this financial year, Krishnaswamy said.

According to Krishnaswamy, the e-commerce offering is a natural extension of Cult.fit's gym business, which benefitted from the company's network of over 500 fitness centers in attracting

ITI Group makes first close of 2nd VC fund

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NEW DELHI

The Investment Trust of India (ITI), backed by Sun Pharmaceutical Industries' director Sudhir Valia, has closed its second venture capital fund, ITI Growth Opportunities Fund II.

The investor, that invested in ventures like Bolt.Earth and Cureskin, has raised ₹80 crore so far for this fund, said Mohit Gulati, managing general partner of the fund. While the fund focuses on seed to pre-Series A funding, it co-invests in Series A stages selectively. Its average ticket size stands at \$100,000 to \$500,000, and helps startups with strategic insights and industry connections.

The ITI Growth Opportunities Fund, launched in 2018, had a target corpus of ₹100 crore, with greenshoe option of ₹50 crore.

The first fund clocked internal rate of return of 34%, Gulati said. To be sure, VC funds in India typically chase an IRR of 20-30% in rupee terms.

The fund's portfolio firms include shoe brand Redwing, fintech Getpay.in, snacking brand Evolve Snacks, HRtech platform Coffee.io, agritech firms Fasal and Grow Better, accounting software platform Refrens, podcast hosting service provider Hubhopper, ready to drink mocktail maker Cravova Food and Beverages, petcare firm Papa Pawsome, SaaS platform for salons Glamplus, AI solutions provider Vicara, healthcare startup Medys-eva and documentation provider Subtl.ai.

VCCIRCLE

GLOSSARY

Self-preferencing: A platform giving priority to its products or services over those offered by third-party companies is referred to as self-preferencing. It is seen with online marketplaces and search engines. Experts say that self-preferencing by Big Tech platforms harms competition, often leaving competitors at the mercy of these platforms by limiting their visibility and reach.



Fog computing: A decentralized computing structure, fog computing extends the cloud capabilities to the edge of an enterprise network. It facilitates short-term analytics at the edge, while the cloud performs resource-intensive analytics. It is not to be

confused with edge computing—which brings data processing closer to devices—while fog computing involves processing data on intermediary nodes placed at the network's edge.

SupTech: Supervisory technology, or SupTech, is the use of AI and data analytics, for overseeing and managing financial institutions. It helps supervisors monitor whether the firms are compliant with the regulations, through efficient data collection, detailed data analysis and accessibility.

Value stream mapping: Value stream mapping (VSM) is a lean manufacturing technique that helps organizations visualize and analyse the process of product or service delivery. VSM considers the entire flow of activities, from raw materials to finished product delivery or from initial idea to completed service delivery.

- THE MONDAY QUIZ ANSWERS:
- 1) WisdomNext 2) Hemesh Singh 3) Wipro 4) Zoho 5) WhatsApp

The \$25 bn footnote in the Tesla pay package vote

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If Tesla wins shareholder support for reviving Elon Musk's 2018 pay package at its annual meeting this week, it raises a \$25 billion question: Will the company's profit take a big hit?

Tesla says no. The electric-car manufacturer already booked the cost of the original award, so it argues that reinstating the same pay package shouldn't add any expense.

Others say that approach doesn't reflect the facts: A court found the original award was adopted improperly, and any reinstatement amounts to giving Musk the stock options anew—a far costlier proposition given the run-up in Tesla's shares.

The price tag on any re-evaluation of the award could surpass \$25 billion, at least on paper. That amount is 10 times what Tesla originally reported and more than the company's last two years of pretax profits combined, said Shivaram Rajgopal, a Columbia University accounting professor who studies executive pay.

"Tesla will have to book that number as compensation expense," Rajgopal said.

How the accounting plays out might depend on a little-tested corner of Delaware corporate law, and on how Delaware courts view a shareholder vote to reapprove the package: Is it a fix going forward, or a do-over that reaches back in time?

Tesla's eventual accounting for Musk's pay package—and the potential for a significant one-time, noncash charge—is another factor for shareholders to consider as they prepare to vote on the proposal this week.

Across nearly 200 pages of securities disclosures on the vote, Tesla argues a yes vote would be beneficial to the company.

Tesla says voting with the board would let the company avoid \$25 billion or more in compensation expense from adopting a new pay package of similar size.



The cost of re-evaluating Elon Musk's pay package could surpass \$25 billion.

"The notion that a new accounting change would be required with ratification misunderstands what ratification is," Robyn Denholm, Tesla's board chair and the head of its audit committee, said in a statement. "The company has already taken the expense for these options, and the reality is that ratification saves stockholders from a new charge for a new compensation plan."

The pay package at issue, dating to 2018, gave Musk the opportunity to receive options on about 303 million shares (adjusted for subsequent stock splits) if Tesla's market value and measures of sales and profit hit a series of targets over the following decade.

At the time, Tesla valued the options at \$2.3 billion—to this day the richest pay package reported for a CEO of a U.S. publicly traded company, according to compensation-data firm Equilar. Baked into that figure were projections of how likely Tesla was to meet the targets, and when.

By last year—after leading the electric-vehicle boom—the company had hit all the marks. The options had vested, becoming fully Musk's property, with the underlying stock valued multiple times the initial figure.

At about \$23 a share to exercise the options, converting

them into stock, Musk could have received more than \$50 billion before taxes in shares earlier this year. He exercised none, and today they would net closer to \$47 billion, after a retreat in Tesla's share price.

In January, Chancellor Kathleen McCormick of Delaware's Chancery Court threw out the pay package in a lawsuit brought by a shareholder. She found the board was insufficiently independent and Tesla failed to adequately disclose important details of the pay package to shareholders.

Tesla has promised an appeal. In late April, it also asked shareholder to vote to reapprove the pay package at its June 13 annual meeting. Doing so, the company said in securities filings, would ensure Musk keeps the options and doesn't go unpaid for six years of success at the company.

Rajgopal says reapproving the award won't leave things as they seemed to be previously by unwinding the court's ruling.

Rather, Tesla would likely have to book the cost of issuing the options to Musk as if they were new, offset by the \$2.3 billion in compensation expense booked since 2018, or as a modification of the original.

Either would carry a hefty accounting cost. Paying an executive with vested, in-the-

money stock options—ones that would generate a gain if exercised immediately—incurs compensation expense at or near the "intrinsic" value of the award: what the recipient could realize by exercising immediately.

That expense is particularly big when the cost to exercise the options is well below the current share price, as it is for Musk. He must hold the resulting shares for at least five years, but the figure likely lies between \$25 billion and the options' value when the judge invalidated them, or about \$51 billion, Rajgopal estimates.

Some experts say such an accounting charge could be necessary, but might depend on the interplay between accounting and Delaware law.

If Delaware courts treat majority support from Tesla's shareholders as fixing the company's disclosure problems going forward—but leaving the January court decision intact—Tesla likely would have to book billions in new compensation expense for reinstating the old options, said Mary Ellen Carter, a Boston College accounting professor.

"If you take those 300 million shares and you grant them with the original strike price of \$23 and the stock is now worth \$175—that valuation blows up into crazy, ridiculous amounts," Carter said.

If, instead, the court

reverses its previous decision, finding that shareholder reapproval cures the original flaws retroactively, it might amount to turning back the clock and avoiding an accounting hit, she said. "I think it's a legal question as to what the yes vote could mean."

The company says two elements of Delaware corporate law give it avenues to retroactively fix problems with the 2018 shareholder vote by holding a new ballot, while also leaving the door open to other, unspecified routes.

There is no precedent under those provisions for resolving something so significant with a shareholder vote, said Eric Talley, a Columbia University law professor who specializes in corporate governance and finance.

One provision Tesla cites was adopted to fix technical errors, though nothing in the language restricts it to that use, said Talley, who holds Tesla shares and plans to attend the annual meeting online to cast his votes. "It's certainly not what the section was intended to do."

The other element of Delaware corporate law likely depends on persuading the courts that the board deserves a second chance, even though it was responsible for the failures in the first vote, Talley said. That argument is tough but not impossible.

"They've got a fighting chance," Talley said of Tesla's overall approach. "It's a kind of a thread-the-needle strategy."

Stock analysts and investors routinely ignore one-off adjustments of financial results, even big ones, when assessing a company's underlying health and prospects.

"The accounting for stock compensation is all about: What were these things worth when they were granted?" said David Zion, a longtime accounting and tax analyst who heads Zion Research Group. "As an investor what I care about is: What are these people actually paid? The accounting here I don't think changes the economics."

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Funding value sees slight uptick

Priyal Mahтта & K. Amoghavarsha

BENGALURU

Despite a sharp drop in the number of deals the value of venture capital and private equity funding saw a modest increase in the week ended 7 June, driven by one large-ticket transaction.

While startups raised about \$342 million, a shade higher than the \$322 million secured in the previous week the number of deals fell from 32 to 13.

In last week's largest transaction, omnichannel eyewear retailer Lenskart raised about \$200 million from Singapore state's investment firm Temasek and American asset manager Fidelity Management and Research. While reports said it was a purely secondary transaction, Lenskart's valuation is believed to have risen from about \$4.5 billion to \$5 billion.

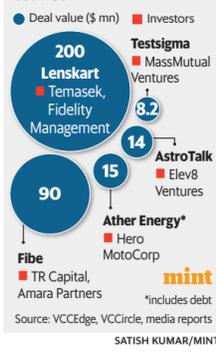
This was followed by a \$90 million (₹750 crore) fundraising by fintech lending startup Fibe (formerly EarlySalary) in a Series E round comprising both primary and secondary transactions.

The funding was led by private equity firms TR Capital and Amara Partners. Trifecta Capital also participated in the round.

In a key mid-sized deal, HeroMoto Corp, the largest share-

PE/VC deals

Companies raised \$342 mn last week



holder in Ather Energy, doubled down on its investment in the Bengaluru-based electric two-wheeler company.

HeroMoto Corp picked up an additional 2.2% stake by infusing about ₹124 crore into the company at a valuation of ₹5,636 crore, up from its

December valuation of ₹4,666 crore. The two-wheeler major held a 40% stake in Ather Energy prior to this investment.

Astrology services platform AstroTalk secured \$14 million this week in a funding round led by domestic venture capital firm Elev8 Venture Partners in a mix of primary and secondary investments. Ben-

galuru-based Elev8 invested \$7 million in the company, and New York-based Left Lane Capital, which is an existing investor, also participated in the round.

Activity in the mergers and acquisitions space was upbeat with five deals closing during this period.

Last week, Tata Motors said its vehicle financing unit will be merged with non-banking financial company Tata Capital in a share swap deal. Tata Motors Finance's shareholders will receive 37 Tata Capital shares for every 100 shares they hold, while Tata Motors will hold a 4.7% stake in the merged entity after the deal is completed.

In another strategic move, the parent company of Sports-keeda.com, Absolute Sports, acquired US-based entertainment content platform SoapCentral.com for \$1.4 million. The transaction will likely be closed within 30 days.

In a third strategic acquisition, Amazon announced its plans to acquire Times Internet-owned MX Player.

For now, the e-commerce giant acquired a few assets owned by MX Player at an undisclosed valuation. Currently, Amazon offers video streaming content via its platforms Prime Video and miniTV. priyal.mahтта@livemint.com

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S&P BSE Sensex			Nifty 50			Nifty 500			Nifty Next 50			Nifty 100			S&P BSE Mid-cap			S&P BSE Small Cap		
CLOSE	76693.36	1-WEEK CHANGE (%) 3.80	CLOSE	23290.15	1-WEEK CHANGE (%) 3.56	CLOSE	21764.15	1-WEEK CHANGE (%) 3.45	CLOSE	69222.25	1-WEEK CHANGE (%) 2.76	CLOSE	24266.05	1-WEEK CHANGE (%) 3.40	CLOSE	44111.44	1-WEEK CHANGE (%) 3.00	CLOSE	48731.55	1-WEEK CHANGE (%) 3.88
1-MONTH CHANGE (%)	4.32	3-MONTH CHANGE (%) 3.47	1-MONTH CHANGE (%)	4.43	3-MONTH CHANGE (%) 3.54	1-MONTH CHANGE (%)	5.47	3-MONTH CHANGE (%) 6.51	1-MONTH CHANGE (%)	8.26	3-MONTH CHANGE (%) 14.75	1-MONTH CHANGE (%)	5.03	3-MONTH CHANGE (%) 5.33	1-MONTH CHANGE (%)	7.03	3-MONTH CHANGE (%) 10.68	1-MONTH CHANGE (%)	6.12	3-MONTH CHANGE (%) 9.13
6-MONTH CHANGE (%)	10.31	1-YEAR CHANGE (%) 21.46	6-MONTH CHANGE (%)	11.43	1-YEAR CHANGE (%) 24.37	6-MONTH CHANGE (%)	16.36	1-YEAR CHANGE (%) 35.96	6-MONTH CHANGE (%)	35.94	1-YEAR CHANGE (%) 61.00	6-MONTH CHANGE (%)	15.13	1-YEAR CHANGE (%) 30.05	6-MONTH CHANGE (%)	24.80	1-YEAR CHANGE (%) 58.95	6-MONTH CHANGE (%)	18.00	1-YEAR CHANGE (%) 54.53

MINT SHORTS

Will PSUs lose their thunder?

EM traders flock to local debt as poll shocks upend FX bets

Emerging-market investors are turning to local bonds and relative-value currency trades in the aftermath of poll shocks that crushed long-standing bets in some of the largest emerging economies. Ashmore Plc and Ninety One are among those adding to positions in local debt. Others are recommending currencies like the Polish zloty, seen as insulated from political turbulence after volatility roiled popular carry trades like the Mexican peso. Turkish assets are also emerging as a favoured bet. "We've been increasing the frontier risk, through both local bonds and FX derivatives," said Christine Reed, a portfolio manager at Ninety One. "We like the story in Egypt, we like some of the stories in smaller Latin American names. We're trying to diversify and not load up" where positioning is heavy, she added. Reed is also paying more attention to Turkey amid what she called "a constructive outlook."

BLOOMBERG



Heavy downpours in the UK played a part in last year's recession. BLOOMBERG

UK's frequent rainy spells make economy data harder to read

Climate change in Britain is delivering more rainy and extreme weather, turning a national stereotype into a headache for economists trying to predict retail and growth data. The UK had the wettest spring since 1986 and some of the most rainy months since 1836. A recent study found a global rise in temperatures made storm rainfall over this past winter about 20% worse, damaging crops, causing power cuts and flooding about 7,000 homes and businesses. That's made rain a constant feature of recent UK economic releases. Heavy downpours played a part in last year's recession, when one of the most rainy Octobers on record dragged down construction, retail, pubs and tourism. Retail sales data in particular are becoming "exceptionally choppy," according to Edward Allenby, UK economist at Oxford Economics, with shoppers swinging from rebound to restraint in gloomier months when rain makes people reluctant to visit high streets. "The unusually warm but wet weather in February to April this year has likely contributed to volatility in retail figures," said Tera Allas, director of research and economics at McKinsey.

BLOOMBERG

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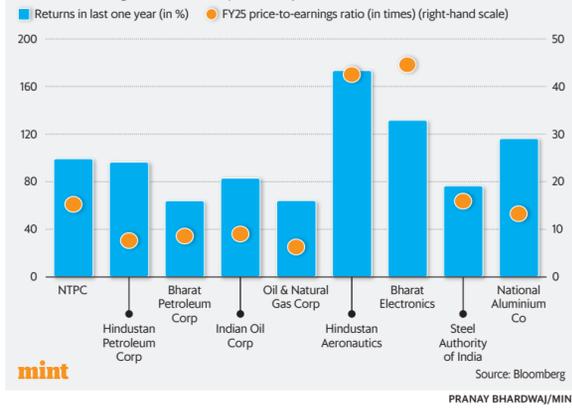
The shares of various public sector undertakings (PSUs) grabbed investor attention fuelled by the government's reforms. In the last one year, the S&P BSE PSU index zoomed by 94%, beating the benchmark index Nifty 50's 22% returns. But the Bharatiya Janata Party (BJP) failed to secure a majority on its own in the 2024 general elections.

So, formation of a coalition government exposes PSU stocks to certain risks. Coalition members would have some say in politically sensitive sectors like fuel and power that affect most of the population. Prominent PSUs in these sectors like Hindustan Petroleum Corp. Ltd (HPCL), Bharat Petroleum Corp. Ltd (BPCL), Indian Oil Corp. Ltd (IOC), Oil and Natural Gas Corp. (ONGC) and National Thermal Power Corp. (NTPC) are susceptible to populist policies that do not allow a fair return on capital with policy interference.

Fuel prices especially petrol, diesel and LPG play a crucial role in politics. The BJP government was conscious of allowing the oil marketing companies (OMCs) to recover their past losses cau-

In the limelight

The shares of public sector undertakings across industries have fetched mouth-watering returns in the past one year



mint

Source: Bloomberg
PRANAY BHARDWAJ/MINT

sed by absorption of the surging crude oil price. Hence, it did not ask OMCs to reduce fuel prices despite a fall in the average Brent crude oil prices in FY24 to \$82 per barrel from \$95 in FY23. As BJP had a majority of its own, it could do so. But now, there could be friction with partners to keep the fuel prices low irre-

spective of international crude oil price and OMC financial health.

Any negative for HPCL also impacts ONGC as the former is an ONGC subsidiary. As it is, upstream companies like ONGC are already not being allowed to benefit from higher crude oil prices owing to the windfall tax. It may be

asked to share some more burden of OMC if the need arises. The windfall tax was \$10 per barrel for ONGC when gross realization was \$82 per barrel in FY24.

JD(U), a key coalition party headed by Nitish Kumar, has state assembly elections in 2025. Kumar has been demanding electricity at subsidized rates from NTPC and other central producers. There could also be a demand for free agricultural power like Andhra Pradesh, under the control of TDP, also a coalition partner.

Even if NTPC is not going to directly offer the discounted power as the subsidy burden is generally borne by the state electricity boards (SEB) or distribution companies (Discoms), the financial health of Discom might be hit leading to overdue receivables for NTPC.

Before the Modi-led government came to power in 2014, SEB or Discom suffered financial distress with losses of over ₹3 trillion and debt burden of over ₹2 trillion. It was because of inefficiencies, high transmission and distribution losses, and financial mismanagement. The reforms saw the introduction of

several initiatives to address the financial and operational inefficiencies in the power sector, like Ujwal Discom Assurance Yojana (UDAY) scheme. The reforms could again get disarrayed.

Meanwhile, the PSUs in the defence sector are at a low risk of policy interference. Some companies like Hindustan Aeronautics Ltd (HAL), Bharat Electronics Ltd (BEL) are sitting on high order books of ₹94,000 crore and ₹76,000 crore. Based on FY24 revenue, the book-to-bill ratio i.e. order book to annual sales ratio of these two companies is almost at 3x and 4x that gives revenue visibility for the foreseeable future. The risk in these companies is timely execution and rich valuation multiple. Further, metal PSUs like SAIL and Nalco are immune from pol-

icy changes by the government as their product prices are not as politically sensitive as fuel and power prices.

To conclude, notwithstanding the high dividend yield and low valuation of some of the PSU stocks, especially OMCs, risk averse investors may steer clear of them, for now.

BALANCING OUT

COALITION MPs would have at least some say in sectors such as fuel and power

THERE could be potential friction with alliance partners to keep fuel prices low

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

Fed 'dot plot' set to offer glimpse of rate-cut resolve

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Investors may glean more on the Federal Reserve's resolve to ease monetary policy when US policymakers update their forecasts for interest rates Wednesday for the first time in three months.

The central bank—led by chair Jerome Powell—is widely expected to hold borrowing costs steady for a seventh consecutive meeting, but there's less certainty on officials' rate projections.

A 41% plurality of economists expect the Fed to signal two cuts in the closely watched "dot

plot," while an equal number expect the forecasts to show just one or no cuts at all, according to the median estimate in a Bloomberg survey.

After raising their benchmark federal funds rate more than five percentage points starting in March 2022, the Federal Open Market Committee has held borrowing costs at a two-decade high since July.

A host of Fed leaders have suggested in recent weeks they see no rush to cut rates, with inflation more persistent and the outlook for growth staying solid.

"The June FOMC meeting will be one of the most pivotal



The central bank, led by chair Jerome Powell, is widely expected to hold borrowing costs steady for a seventh consecutive meeting. AP

this year as Powell may provide the clearest hint yet to the rate-cut timetable.

"The new dot plot likely will

indicate two 25-basis-point cuts this year, compared with three in the March version.

With growth indicators con-

sistently surprising to the downside since the 30 April-1 May meeting—even as inflation data have met expectations—we expect Powell to sound relatively dovish in his news conference," said Anna Wong, chief US economist.

Inflation by the Fed's preferred measure was 2.7% in the year ended April, compared to the central bank's 2% target. Data released Friday showed a surge in payrolls last month as well as accelerating wages, prompting traders to dial back expectations on rate cuts this year.

"The Fed will opt to keep rates steady for longer," said

Thomas Simons, senior US economist at Jefferies.

"They will want to see a renewed run of more favourable data in line with an inflation trend closer to 2% before they feel comfortable cutting rates."

In Canada, fresh from becoming the first central banker in the Group of Seven to launch into an easing cycle, Bank of Canada Governor Tiff Macklem will speak at a conference in Montreal.

Elsewhere, a Bank of Japan decision that may pare back bond buying, inflation data from China to Sweden, and crucial UK wage numbers will be among the week's highlights.

'Market valuation restricts upside over the short term'

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Indian markets, valued at 21 times FY25 earnings, are trading at one of the highest multiples in the past two decades and might see limited upside in the short term, with most of the positives priced in. However, backed by solid macros and earnings growth outlook and stable local inflows, the market looks good to invest in from a three-to-five year perspective, according to Pratik Gupta, CEO & co-head, Kotak Institutional Equities. Valuations in "narrative" stocks in defence, railways and power sectors, where stocks are more than pricing in the best-case scenario, worry Gupta, who finds better value in large caps, in general.

He expects the Union government to achieve a lower fiscal deficit of 5% in FY25. Even if there are some minor concessions made to accommodate coalition partners' demands, and some shortfall from divestments, there is adequate cushion from the larger-than-expected RBI's surplus transfer of ₹2.1 trillion. Edited excerpts:

Are you altering your view on the market from what you held before the general-election results?

We believe the new coalition government implies broad continuity and stability in policy making and overall economic development.

Any compromises may perhaps be on the political or social agenda, but less so on the economic agenda—

although it may become tougher to push through controversial economic reforms like privatization or land/labour/farm reforms. We expect fiscal consolidation and focus on manufacturing, in particular, to continue. Our view ahead of the elections was that the market was somewhat expensive, with the Nifty trading at 21x FY25 P/E. The market is now back to the same level as pre-election results, so that view doesn't change. We see limited upside in the short term, although our 3-year view remains positive.

What are the sectors you're bullish on now and why?

We like the banks and non-banking financial companies (NBFCs) which are still reasonably valued compared to most other large sectors—the worst of the net interest margin (NIM) pressures are behind us, credit costs are under control and loan growth should accelerate.

We also like the residential real estate, hotel, and hospital sectors where we believe the demand-supply gap will persist, government policies will remain supportive and there is potential for earnings upgrades. We believe the capital goods, defence and infrastructure plays also offer strong earnings growth prospects, but we find limited upside at current expensive valuations, which are pricing in all the good news.

Do you think the fiscal deficit issue will crop up as the Bharatiya Janata Party



(BJP) changes its stance on prudence given the state elections in Maharashtra and other compulsions?

We expect the Union government to achieve a lower fiscal deficit of 5% in FY25. Even if there are some minor concessions made to accommodate coalition partners' demands, and some shortfall from divestments, there is adequate cushion from the larger-than-expected RBI's surplus transfer of ₹2.1 trillion. In addition, with real economic growth of 7% this year and strong GST/direct tax collections, as well as the likelihood of a good monsoon and stable global oil prices, we don't see the risk of a fiscal slippage.

How will bond yields (inflation) and currency movement play out in the short to medium term?

The US market is now expecting only one to two Federal Reserve rate cuts later this year, so we expect the Reserve Bank of India (RBI) to follow through as well in 2HFY25—especially as India's inflation is on a downward trajectory and the government's fiscal deficit is also coming down. We expect the repo rate to fall by 50 basis points (bps) to end FY25 at 6% and accordingly the 10-year bond yields also to soften a bit. The current account deficit will likely increase slightly to 1.1% in FY25, but we also expect strong passive inflows from global bond index funds to support the rupee and RBI intervention to manage the currency volatility, hence we expect the INR/USD to remain stable at around the 83-level in FY25.

Indian stock valuations (one-year forward PE) are well above the long-term

average. Does that worry you in the current environment?

India's Nifty is trading at 21x FY25 P/E, which is one of the highest multiples in the last 20 years.

It is also expensive versus other emerging markets India's premium to the MSCI EM Index is now -70% versus the historical range of 20-90% and the earnings-bond yield gap is not attractive. However, this is supported by a very solid macro and corporate earnings growth outlook, with steady local inflows. Nonetheless,

we are worried about expensive valuations in some "narrative" stocks in the defence, railways, and power sector where stocks are more than pricing in the best-case scenario. We find better value in large caps in general.

What is your view on corporate earnings? Any change in forecast after the general-election results?

We expect the Nifty's earnings (excluding one-offs) to grow at a 14% compound annual growth rate (CAGR) in FY25-26, and there is no change to this forecast after the election results.

We expect relatively stronger growth in the capital goods, cement, hospitals, metals, NBFC, and telecom sectors. Weaker growth is expected from the autos, con-

sumer staples, chemicals, and the oil & gas sectors.

Do you think local investor flows into mutual fund (MF) will continue apace?

Yes, we believe the (SIP) flows will continue given that equity as an asset still offers one of the best post-tax returns over long periods of time.

The attractiveness vis-à-vis debt has further increased after the higher taxes on debt last year.

Lumpsum flows tend to be relatively more volatile but given the strong growth outlook for the economy and for corporate earnings, we believe that will also continue. The main risk to such flows is that of any adverse changes in the capital gains tax structure for equities.

What is your overall advice to investors in the current environment?

Equity is not a risk-free asset class and there will always be some volatility in the short term, hence investors should ideally invest only with a long-term horizon of at least three to five years. Volatility due to nervousness around the new government should not worry long-term investors. Equities' post-tax returns should beat fixed income returns in the long term so one should figure out the right asset allocation with the help of an advisor and stay invested in the market.

Big Technology is driving the S&P rally

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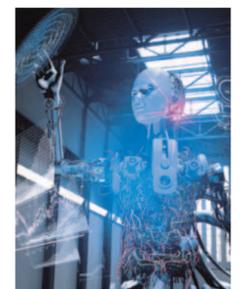
The unceasing growth of Big Tech has been an article of faith for investors since the latest stock market rally began in October 2022.

But with an uninspiring earnings outlook for the rest of '24, other parts of the market will likely be needed if share prices are to keep soaring.

"To have a similar return for the market in the second half, you'd need to see broader participation," said Keith Lerner, co-chief investment officer and chief market strategist at Truist Advisory Services.

That looks like it may happen. While Big Tech's profit growth is expected to slow dramatically from here, industries like materials and health care are expected to see roughly 25% profit growth by the fourth quarter after posting contractions of 20% or more in the first quarter.

"I think those sectors are starting to look pretty interesting, and I'm talking about energy, materials, consumer discretionary, industrials, financials," said Ohsung Kwon, equity and quantitative strategist at Bank of America. "I think all those cyclical sectors are going to do better in the second half of the year."



Big Tech growth to slow down now. ISTOCKPHOTO

biggest client inflows went to the consumer discretionary sector, which is up 1.9% this year, making it the second worst performer in S&P 500.

"Discretionary is traditionally a huge driver of S&P 500 earnings and a place that typically picks up the slack," said Michael Casper, equity strategist at Bloomberg Intelligence.

None of this is to say investors will, or should, give up on Big Tech. The S&P 500 is up 12% this year, and its five biggest stocks—Microsoft Corp., Apple Inc., Nvidia Corp., Alphabet Inc. and Amazon.com Inc.—are responsible for over half that gain with markets captivated by the artificial intelligence boom.

In the process, those five companies have added a combined \$2.9 trillion in market value in 2024. That's helped make information technology by far the biggest sector in the S&P 500, with a 31% weighting. The next closest groups are financials and health care at around 12%.

Foreign investment surge fuels spectacular rally

In FY24, 35% of ₹2.08 trillion FPI investments were in top 100 cos of BSE Smallcap index

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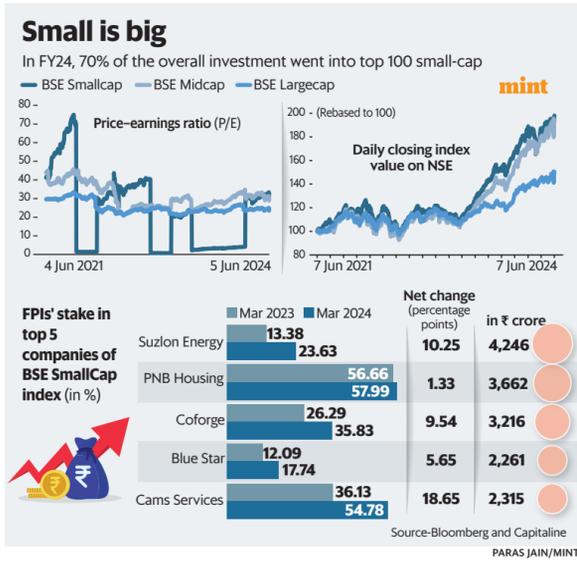
Small-cap stocks had a spectacular rally the previous fiscal, much of it driven by foreign portfolio investors (FPIs) betting on smaller Indian companies even as the surge sparked fears of a bubble caused in part by some murky transactions.

In the financial year 2023-24 (FY24), about 35% of the total ₹2.08 trillion of FPI equity investments in India were channelled into the top 100 companies of the BSE Smallcap index, totalling ₹71,631 crore and making up 70% of the overall investment into small-caps, according to BSE shareholding data analysed by *Mint*. This influx of investments contributed to both the Nifty Smallcap 250 and the BSE SmallCap index, which comprises 946 companies, outpacing returns from the benchmark Nifty and Sensex indices last year.

And while the shareholding data for the first quarter of the current fiscal won't be available before 30 June, the BSE SmallCap has already outperformed the Sensex by over 6% since 1 April 2024, with a return of 9.6%, compared to Sensex returns of 3.6%.

However, the rapid rise has not gone unnoticed by regulators. In March, Madhabi Puri Buch, chair of the Securities and Exchange Board of India, warned of "pockets of froth" in the overheated small-cap and mid-cap markets.

Mint previously reported about the potential involvement of Dubai-based hawala operator Hari Shankar Tibrewala in funneling illegal proceeds from the Mahadev online betting scandal into Indian small-cap stocks. Nevertheless, the surge of foreign investors into India's small-cap market has provided a semblance of stability. "FPIs could continue to invest in fundamen-



tally sound small caps which are reasonably valued," said S.K. Joshi, executive director at Khambatta Securities. "If the market on the whole pulls back, it might be a good opportunity to invest in quality small caps for the long-

term investor." Similarly, Kranthi Bathini, director of equity strategy at Wealth Mills Securities, highlighted the importance of a discerning approach to small-cap investments, underscoring the need to assess individual stocks based on their specific

CLEAR FAVOURITES			
IN March, Madhabi Puri Buch, Sebi chair, warned of "pockets of froth" in small-cap, mid-cap markets	FPI investments into top 100 small-cap companies rose 54% in FY22, 27% in FY23, and 25% in FY24	FPIs showed a distinct preference for stocks in banking and financials (28%), capital goods (16%)	SUZLON Energy emerged as the leader in attracting foreign investment during FY24

merits. "While some fund managers will invest in small-caps, a one-size-fits-all approach won't work. Certain pockets of the small-cap market show signs of frothiness with stretched valuations. However, other pockets present inter-

esting opportunities with clear earnings visibility. We need to analyze these stocks on an individual basis," Bathini said. The FPI surge into small-cap stocks in FY24 underscores a steady rise from three years earlier, when only 10% of FPIs' equity investments targeted small-

cap companies. FPI investments into the top 100 small-cap companies rose 54% in FY22, 27% in FY23, and 25% in FY24. Despite FPIs being net sellers in the broader equity markets during FY22 and FY23, with outflows of ₹1.4 trillion and ₹37,632 crore, the top 100 small-caps saw net FPI buying of ₹44,913 crore and ₹57,044 crore, respectively.

For this analysis, *Mint* chose the top 100 companies from the BSE SmallCap index. In contrast, the picture for mid-caps is more volatile. While FPI investments in the BSE MidCap index reached ₹98,320 crore in FY24, this represents a 10.5% decline compared to FY23. Note that mid-cap investments surged 203% in FY23 compared to FY22, followed by a 17.3% year-on-year decline in FY22.

In FY24, within the small-cap segment, FPIs showed a distinct preference for stocks in banking and financials (28%), capital goods (16%), information technology (11.3%), and consumer durables (8%). Five companies—Suzlon Energy, PNB Housing Finance, Coforge, Blue Star, and Computer Age Management Services—received ₹15,700 crore, making up 22% of the total FPI investment in the BSE Smallcap in FY24.

Suzlon Energy emerged as the leader in attracting foreign investment during FY24. Foreign institutional investors (FIIs) significantly increased their stake in the company, jumping from 13.4% in FY23 to 23.6% in FY24, translating to an investment of ₹4,246 crore and a substantial rise of 10.25 percentage points in their holdings. Other notable FII holding increases include PNB Housing, where foreign investor holdings climbed from 56.7% to 58%, representing an additional investment of ₹3,662 crore. In Coforge, FII stake surged from 26.3% to 35.8%, valued at ₹3,216 crore. In Blue Star, FII stake witnessed a significant rise from 12.1% to 17.7%, valued at ₹2,260.6 crore.

Brokerages predict FMCG stock gains with BJP's return

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The new Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) government at the Centre is likely to roll out more "pro-consumption initiatives", benefitting consumption as well as stock valuations of fast moving consumer goods (FMCG) firms, brokerages said in an analysis after the general elections.

The BJP returned to power on 4 June with a slimmer majority, bagging 240 seats, while its alliance partners ratcheted up another 52 seats to secure an absolute majority in the 543-member Lok Sabha.

Analysts expect the government's focus on pro-consumption measures, and the expectations of normal monsoons, to contribute to a potential uptick in demand in the near term.

Market expectations prior to elections was on pro-infrastructure measures, which were perceived to benefit consumption, again with a lag. Emkay Securities analysts said in a note on 4 June. "We now believe that the current majority will keep the government on its toes with pro-consumption initiatives being key. In this light, we see tailwinds for the sector, which will aid overall valuations."

Over the past two years, FMCG growth was primarily driven by price hikes due to high inflation, denting volume growth. Consequently, FMCG companies witnessed a "slow and volatile" phase due to controlled populist measures from the Union government and persistent macroeconomic headwinds. However, with inflation cooling, a revival in consumption is likely, analysts added. Overall, Emkay maintained its forecast of high-single digit growth for the FMCG sector in FY25. "FMCG sector



Over the past two years, FMCG growth was primarily driven by price hikes due to high inflation, denting volume growth.

valuation is likely to see a re-rating with the emergence of tailwinds that align well with the enhancement in company execution. From the near-term perspective, the full Union Budget could likely boost consumption prospects."

The positive outlook for the FMCG sector is underscored by various factors, including improvement in key economic indicators, a normal monsoon benefiting agriculture, and significant investments by FMCG companies in expanding their distribution networks, according to the report.

"This aligns well with the turnaround in rural growth and expectations of above-normal monsoon for FY25 (expected to be 106% of the long-period average, as per the India Meteorological Department)," the analysts said.

"We also see structural benefits arising from central government schemes like the Ujjwala scheme, Jal Jeevan mission, Swachh Bharat Abhiyan, and Housing for All initiatives. In Q4, the management of most FMCGs had noted action plans regarding enhancing prospect with distribution

expansion." The forecast is in line with the findings of consumer intelligence firm NielsenIQ (NIQ), which reported that rural FMCG demand had outpaced urban markets for the first time in 15 months in the March quarter, although urban shoppers more than made up with increased spending on packaged items.

Meanwhile, in their March quarter earnings commentary several large companies maintained a positive outlook on demand for the ongoing fiscal year. Britannia Industries, for instance, said it is eyeing double-digit volume growth in FY25, while Dabur projected mid-to-high single-digit

volume growth. Motilal Oswal Financial Services Ltd analysts pegged FMCG value growth in high single-digits for FY25 and FY26. Consumer stocks have also rallied after the general election results. "We believe this rally in staple stocks is driven by not only its 'defensive sector' tag but also the underlying excitement, which was triggered by strong post-Q4 management commentary," analysts said.

analysts said. "We believe this rally in staple stocks is driven by not only its 'defensive sector' tag but also the underlying excitement, which was triggered by strong post-Q4 management commentary," analysts said.

An exploration of the Indian startup ecosystem in the Crafting Bharat - A Startup Podcast Series

Vinayak Bhavnani, CTO and co-founder of *Chalo* on his entrepreneurial journey—building bus transport technology and trends in the mobility industry

Over the last decade, India has emerged as the world's third largest startup ecosystem. Startups play an active role in promoting innovation and job creation in India. The pandemic not only exposed the flip side of every sector, but also accelerated digitisation globally—even more so in India.

The *Crafting Bharat - A Startup Podcast Series*—powered by AWS, and an initiative by NewsReach, in association with VCCircle—unlocks the secrets behind the successful journey of these entrepreneurs,

journey: building a bus transport technology company and trends in the mobility industry.

THE INCUBATOR
The preference for public transport in India is reduced by reliability issues. Take us through the phase where customers started to see the benefits of using *Chalo* in terms of reliability and convenience. What did they really like?

From a customer's standpoint there are two key value propositions that we offer. The first being live tracking. Bus passengers on average end up waiting for 15-20 minutes per bus ride, leading to 40 minutes of time wasted everyday. Our live tracking solution has brought this time down to less than 2 minutes, which is a massive delight. The second value proposition, is that back in 2018-19 a couple of years after demonetisation, we introduced tap-to-pay payments and we saw another surge of customer delight. I think these are some of the 'unlocks' we were able to leverage.

Digitising and transforming

India's rapid population growth and urbanisation is creating blind spots for innovation, but curious and passionate founder, Vinayak Bhavnani, CTO and co-founder of *Chalo*, is digitising the public transport system in India. In this first episode of the *Crafting Bharat Podcast Series*, Bhavnani talks about his entrepreneurial



Vinayak Bhavnani, CTO and co-founder of *Chalo* discusses his entrepreneurial journey in the mobility industry with host Gautam Srinivasan

public transportation—the gaps are significant. So, why do you believe the challenge of urban public transportation has persisted without a satisfactory solution? A lot has happened including digital payments, digital infrastructure, consumer awareness, consumer habits have changed, but those gaps still exist. Your thoughts?

This is a great question, and one that needs a lot more reflection. As a matter of fact, the

majority of our cities are built for cars and not for public transport. We got it wrong by prioritising private vehicles over public transport.

Beyond this, there are 3 more reasons I can think of:

1. Lack of focus on this category. Most companies would rather build for the top of the pyramid, for the more affluent high LTV users. So we have products for air travel, inter-city luxury bus travel but not as many for intra-city bus
2. Most people think that buses are run only by governments, and usually there is hesitation to build a business completely dependent on the government. But beyond our metros, most buses serving daily commuters are run by small private operators.
3. People logistics is complex and already underserved,

hence it will take both time and massive innovation.

You operate in more than 50 cities across India and are present in 5 international locations. All together a lot of scaling up and your cloud ops are powered by AWS. Take us through the cost savings and operational efficiencies unlocked for *Chalo* with AWS?

Our vision is to solve end-to-end mobility, we want to make

Focusing on maximising value and finding optimal solutions instead of fixating on familiar paths leads to better outcomes

Vinayak Bhavnani
CTO and co-founder, *Chalo*

Your views on traffic in Mumbai versus Bengaluru?

That's a controversial question. But traffic is on the rise in all the cities—Bengaluru, Delhi and Mumbai. If you look at the number of cars on the road in all these cities in the last decade, it has ramped up. For example, 50% of road space is consumed by cars in Mumbai. And Bengaluru has seen a 2 times increase in the number of vehicles on the road over the last decade, with almost no increase in the number of buses. So traffic is a nightmare everywhere. We need to solve this. None of us deserve to lose our time and well-being in the middle of congested roads. I'm hopeful that this will be solved. The startup ecosystem in India has been growing by leaps and bounds with exceptional innovations by visionary entrepreneurs. The increasing adoption of digitisation across sectors has created avenues for various budding startups.

THE ACCELERATOR

Technical founders need to know when to take off their developer hats and when to put on their business hats. Your thoughts?

I follow this one principle, which I also preach a lot, and that is to maximise the value that you create. Every time you look at a problem or an opportunity, think about what's the best way

of solving it, and not necessarily the best tech way of solving. In simpler words, we are biased towards using our own tools versus the best possible solution. So one always needs to see things from a founder's perspective versus a tech perspective. Tech is a subset – it's a means and not the end.



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Scan the QR code to watch the full episode

Stay tuned to the *Crafting Bharat Podcast Series* as Gautam Srinivasan unlocks the secrets behind the journeys of these successful entrepreneurs

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Modi 3.0 cabinet: Bigwigs stay on, allies bag 5 posts

FROM PAGE 1

swept elections for the first time, and is also set to form the government after decimating the Biju Janata Dal which governed the state for around 25 years.

JD(U)'s Rajiv Ranjan Singh alias Lallan Singh, who was chairman of the parliamentary standing committee on energy in the 17 Lok Sabha, took oath as a cabinet minister on Sunday. TDP's Kinjarapu Ram Mohan Naidu, MP from Srikakulam, has also been inducted as a cabinet minister. Naidu, 36, is the son of former Cabinet minister K. Yerran Naidu.

Chirag Paswan, national president of Lok Janshakti Party which put up a robust performance in the Lok Sabha election, winning all the five seats it contested, also joined as a cabinet minister. Chirag Paswan is the son of the former cabinet minister Ram Vilas Paswan and founder of the LJP.

Jitan Ram Manjhi, leader of Hindustani Awam Morcha (Secular), which won one seat in this general election, also bagged a cabinet berth. So did H.D. Kumaraswamy of Janata Dal (Secular).

The latest Modi cabinet is much larger compared to the previous two NDA cabinets to accommodate the allies who are expected to play a bigger role in this NDA government given that BJP has been unable to cross the majority mark on its own.

With the new government in place, work would now start on the policy and on framing a full-fledged Union budget for FY25. With a weaker NDA govern-



PM Modi signs documents after taking his oath. REUTERS

ment returning to power and no majority for the Narendra Modi-led Bharatiya Janata Party on its own, some of the ambitious major reform measures of the government may move to the slow lane.

However, given the record of the NDA over the past 10 years, some of the next-generation structural reforms are expected to continue, and along with it welfare economics may receive a new focus, in a bid to cater to the demand of the allies.

Finance minister Nirmala Sitharaman had said that the Modi government, if voted back of 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 expected to take in its first few months. However, given the compulsion of a coalition government, the pace of these reform measures will have to be watched.

Some of the ambitious major reform measures of the Modi government may move to the slow lane

Foreigners grab 'majority' of share offering: Aramco

The secondary offering was expected to provide a short-term boost to Saudi Arabia's finances

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RIYADH

Oil giant Saudi Aramco said Sunday that international investors had snatched up the bulk of shares sold in its latest offering, which was set to raise \$11.2 billion.

The secondary offering was expected to provide a short-term boost to Saudi Arabia's finances as the Gulf kingdom builds large-scale projects including resorts and stadiums, part of a reform drive to prepare for an eventual post-oil future.

"The majority of the shares constituting the institutional tranche of the Offering was allocated to investors located outside of the Kingdom," the company said in a statement before the Saudi bourse reopened on Sunday.

Aramco ended trading on Sunday at 28.60 Saudi riyals (\$7.63) per share, after opening at 27.95 riyals, giving it a market capitalization of around \$1.85 trillion.

Sources close to the situation told AFP that around 58% of shares were allocated to international investors, up from around 23% for the company's initial public offering (IPO) in 2019 which was the biggest flotation in history.

The sources, speaking on condition of anonymity to discuss the private information, said around 70% of orders outside the local market came from the European Union and the United States, while others came from Japan, Hong Kong and Australia.

Aramco, the mostly state-owned jewel of the Saudi economy, announced on 30 May that it would sell 1.545 billion shares, or approximately 0.64% of its issued shares, on the Saudi stock exchange.

It was widely seen as a test of foreign



Aramco ended trading on Sunday at 28.60 Saudi riyals (\$7.63) per share, after opening at 27.95 riyals. BLOOMBERG

investor interest more than halfway through the kingdom's campaign known as Vision 2030, whose ambitions are reflected in so-called mega-projects such as NEOM, a planned futuristic megacity in the desert.

On Friday Aramco said it would price

subscribers, Aramco said on Friday.

One source close to the situation told AFP that retail coverage was 3.7 times and that total demand from institutional and retail investors was worth over \$65 billion. "The whole deal would have been covered a number of times by

(Europe, Middle East and Africa) region since 2000, the largest equity capital market transaction globally since 2021, and the largest offering in the Middle East since Aramco's IPO, which ultimately raised \$29.4 billion.

Aramco announced last year it would start paying a performance-based dividend in addition to its base dividend. Last month the firm announced base dividend payouts for the first quarter totalling \$20.3 billion and a performance-linked dividend distribution of \$10.8 billion to be paid in the second quarter.

"It is no surprise that eligible traders wanted to buy shares, especially after seeing how the dividend payments have gone out regardless of how much money the company made," said Ellen Wald, senior fellow at the Atlantic Council and author of a history of Aramco.

PUTTING A BET

AROUND 58% of the company shares were allocated to international investors

70% of orders outside the local market came from the European Union and the US

ABOUT 10% of the shares were offered to retail investors, drawing 1.3 million subscribers

TOTAL demand from institutional and retail investors was worth over \$65 billion

its secondary offering at 27.25 Saudi riyals per share, at the low end of the range of 26.70 to 29 Saudi riyals announced on 30 May 30.

About 10% of the shares were offered to retail investors, drawing 1.3 million

international demand. It was a lot stronger at this stage than it was at the IPO," the source said, referring to the 2019 offering.

The source said it appeared to be the largest secondary offering in the EMEA

\$2.5 bn IPO value: Leela's turnaround

FROM PAGE 1

the Leela Palaces in India is particularly doing better than others. Occupancy rates and tariffs are both increasing for India's hotels and hospitality services, especially in those properties which offer appropriate wellness services. And The Leela Palaces particularly has an edge over others in that space," the person cited above said.

Brookfield had acquired four assets of The Leela from JM Financial Asset Reconstruction Co. (JMARC) for ₹3,950 crore in 2019. To be sure, the IPO excludes The Leela Mumbai, the first Leela founded by Capt. C.P. Krishnan Nair, which is promoted by HLV Ltd and is already listed.

"It will be the largest issue in the hotel space," said the second person. "It is in the discussion stage. They might have to restructure some holdings and all those things before the IPO."

The founder transferred the erstwhile Hotel Leela Ventures Ltd to his sons Vivek Nair and Dinesh Nair in 2013, and passed away soon after. Unlike rivals Marriott, Intercontinental and Hyatt, The Leela had raised debt to build new properties rather than running hotels



The Leela has significant expansion plans as well.

through management contracts. This swelled its interest costs and deepened losses.

The company had a debt of around ₹5,000 crore in FY14. Its finance costs ballooned, margins shrank and a corporate debt restructuring plan failed in 2014. The company transferred loans from 14-odd creditors to JM ARC.

In September 2017, the company converted its debt to equity by allocating over 160 million shares worth around ₹275 crore to JM ARC. The

business did not recover, and it began defaulting on interest payments on debentures to Life Insurance Corp. in 2018.

In 2019, JM Financial took The Leela to insolvency court, where Brookfield bought four of its five key hotel assets for ₹3,950 crore—the largest deal in the hotel space then—and also changed The Leela's business

model from ownership-led to management-led. Brookfield has been infusing capital into the company over the past five years, expanding

The Leela's turnaround may be attributed partly to sharp rebound in the hospitality sector after covid

the number of The Leela properties in India to 15 now, with plans to increase it to 20 soon.

The Leela's turnaround may partly be attributed to the sharp rebound in the hospitality industry after the end of the covid pandemic.

While IHCL and ITC's hotels have been posting record growth, about 80% of the new deals in India are in the luxury and premium space for Marriott International.

According to an *Economic Times* report citing JLL data, in 2023, hotel investments in India touched \$401 million, a record fourfold rise compared to 2022. The report said the first quarter of 2024 has seen an 80% year-on-year rise in deals at \$78 million. In 2023 alone, around 25,176 keys were signed and 12,647 keys were opened, says the report.

In February, Juniper Hotels, jointly promoted by the Saraf Group and Hyatt Hotels, went public. Also, Apeejay Surrendra Park Hotels debuted on exchanges in a ₹920-crore IPO in the same month. With at least 1,836 keys, Juniper Hotels is the largest owner of Hyatt-affiliated hotels in India.

The Leela has significant expansion plans as well.

NTPC looks beyond power, to produce a variety of clean fuels

FROM PAGE 1

a subsidiary currently, although green hydrogen would be produced through its existing subsidiary NTPC Green Energy Ltd.

Queries sent to NTPC remained unanswered till press time.

Sustainable aviation fuel has been a focus area for energy companies with the government announcing an indicative target of 1% SAF blending in jet fuel by 2027, which may gradually be increased to 2% by 2028 for international flights.

Already, oil refining and marketing companies such as Indian Oil Corporation Ltd (IOCL) and Bharat Petroleum Corporation Ltd (BPCL) have forayed into the space with research underway for various modes of SAF production.

For the production and adoption of methanol as a clean fuel, NTPC is in talks with several shipping lines, the people cited above said.

Its first methanol plant is being constructed at the Vindhya Thermal Power Plant in Madhya Pradesh, by Jackson



NTPC's first methanol plant likely to be completed by July.

Green, which deals in engineering, procurement and construction (EPC), and operations and management of new energy assets including solar, utility-scale, energy projects, among other green energy projects.

The plant, with a capacity of 10 tonnes per day, is likely to be completed by July, according to the second person cited above.

Thereafter, NTPC plans to set up another methanol plant with a capacity of 100,000 tonnes per year or nearly 274 tonnes per day. "NTPC is planning to set up another methanol plant

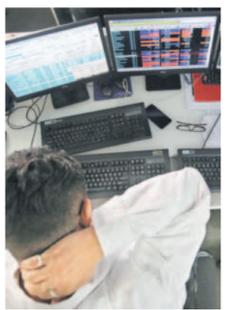
with a capex of about ₹5,000-6,000 crore. The capacity will be lakh tonnes per year," the second person said.

NTPC's diversification comes at a time when the country is aiming to achieve net-zero carbon emission by 2070.

The company already aims to install cumulative renewable energy capacity of 60 GW by 2032 through its subsidiary NTPC Green Energy (NGEL), which is expected to go public in the current fiscal with an aim to raise about ₹8,000 crore. The proceeds would be used for the green energy subsidiary's energy transition projects including in green hydrogen and energy storage.

NTPC also plans to foray into nuclear power generation on its own with a target of about 10 GW in the next few years.

To be sure, NTPC is gearing up to meet growing demand for power in the country. Noting that thermal power is expected to remain the mainstay for the next few years, the first person said that the company would set up about 26 GW of the targeted 80 GW additional coal-fired capacity by 2032.



Options trading has soared in India in the past 5 years. REUTERS

Sebi proposes tighter rules for F&O trading

Reuters
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MUMBAI

The markets regulator has proposed tighter rules on trading in individual stock derivatives, arguing the rules were needed to avert risks of market manipulation after recent explosive growth particularly in options trading.

The move comes after two sources familiar with the matter told *Reuters* in April that India's top financial regulators would form a committee to assess stability risks emerging from a surge in derivatives markets.

Options trading has soared in India in the last five years, fuelled mainly by retail investors so that the notional value of index options traded more than doubled in 2023-24 to \$907.09 trillion from the year before, exchange operator NSE has said.

A discussion paper published on Sunday on the website of the Securities and Exchange Board of India (Sebi) said derivatives contracts on individual stocks should have sufficient liquidity and trading interest from market participants—currently a requirement only for contracts on indexes.

"Without sufficient depth in the underlying cash market and appropriate position limits around leveraged derivatives, there can be higher risks of market manipulation, increased volatility, and compromised investor protection," Sebi said.

Under the proposed rules, for a stock to be considered for futures and options (F&O) trading, it should have traded for 75% of trading days, Sebi said, without specifying over what period.

Also 15% of active derivatives traders should have traded the stock; average premium daily turnover should be ₹150 crore (\$18 million); average daily turnover must be between ₹500-1,500 crore; and the maximum number of open F&O contracts permitted for the underlying stock must be ₹1,250-1,750 crore. Sebi said, again without specifying any time periods.

The regulatory scrutiny comes after India's top stock exchanges have been luring investors with new products and lower fees as they battle for a share of the burgeoning derivatives market, in turn fuelling a surge in trading activity.

Share sale by large investors in three companies before RBI rap

FROM PAGE 1

2023. Between 8 February and 3 April, he sold 3.83% at an average price of ₹72.03 a share for ₹261 crore, according to a *Mint* analysis.

Less than seven weeks after Pabrai cut his Edelweiss holding by half, RBI on 29 May restricted businesses of its lending and asset reconstruction arms, citing concerns about its lending and accounting practices.

Edelweiss shares plunged 11.8% to close at ₹68.35 on 30 May, a day after the regulatory action. The shares are down 10.34% as of 7 June.

Pabrai, who now owns 3.24% of Edelweiss, said he was una-

ware of any regulatory action before undertaking the transaction. "We were not aware of the RBI action until we read it in the media, and we have no further comment," said a spokesperson for Pabrai, when asked if he anticipated any regulatory challenges.

The sale of IIFL shares by Prem Watsa, founder of Fairfax Financial Holdings, the Toronto-based financial services firm, and whose net worth is pegged at \$1.9 billion by Forbes, also coincided with the regulatory action.

Fairfax India Holding's wholly owned subsidiary FIH Mauritius Investment owned 20.18% of IIFL Finance until 21 December 2023. On 22 Decem-

ber, FIH Mauritius sold 5.66% shares at an average price of ₹554.6 a share, translating to about ₹1,200 crore, according to an analysis by *Mint*.

On 4 March, RBI barred IIFL Finance from sanctioning and disbursing gold loans, after its audit found material concerns in the non-banking finance firm's gold loan lending business. The next day, shares of IIFL Finance tumbled 20%. From the end of trading on 4 March and 7 June, IIFL shares are down 18.5%.

An email sent to Watsa, who owns 15.12% in IIFL Finance, went unanswered.

To be sure, immediately after the RBI action, Watsa had announced that he would



On 31 January, RBI directed Paytm Payments Bank to stop all forms of banking services within a month. BLOOMBERG

invest up to \$200 million in the company, as the largest investor tried to assuage investor concerns on liquidity concerns. In addition to IIFL and Edel-

weiss, One97 Communications Ltd, which runs Paytm, and JM Financial Ltd had faced RBI's ire in 2024.

On 31 January, RBI directed

Paytm Payments Bank, the wholly-owned subsidiary of One97 Communications, to stop all forms of banking services within a month.

Between 19 December and 20 January, Softbank, the third-largest investor in One97, sold 2% of its holding, at an average price of ₹680.38, with the Japanese tech investor earning ₹865 crore. Softbank sold another 2.17% worth ₹1085 crore between 23 January and 26 February.

Shares of Paytm are down 49.9% since the regulatory

action on 31 January.

Softbank declined to offer a comment. However, an executive privy to its decision said on condition of anonymity that

the investor's approach is to sell shares within three years of a company going public, and its stake sale in Paytm over the last few months was not triggered by regulatory action.

At least two proxy advisory firms find the share sale by the largest investors in three of the four companies odd.

"Is it odd? Sure. But let's understand it better. All com-

munication RBI has with these companies is confidential. It's only when RBI discloses the regulatory action it has taken that the investors get to know. That leads to volatility and there is a sharp drop in share price. This entire thing can be avoided if there is a communication or disclosure made the first time a regulator starts communicating with a company," said Amit Tandon, founder and managing director at proxy advisory firm Institutional Investor Advisory Services India Ltd (IIAS).

"A parallel is what happens between the pharma companies and the US Food and Drug Administration (FDA). That allows shareholders to factor in all the risks," said Tandon.

PV exports up by 268,000 units in last four years

Hotels in the hills rejoice as tourists flee sweltering heat

Many five-star hotels are fully booked as summer vacations commence across the country

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NEW DELHI

Passenger vehicle (PV) exports from India rose by 268,000 units in the last four financial years with Maruti Suzuki India accounting for nearly 70% of the incremental shipments during the period.

As per the industry data, passenger vehicle exports in the 2020-21 fiscal stood at 404,397 units. It rose to 577,875 units in the 2021-22 fiscal year and to 662,703 units in 2022-23 financial year.

Last fiscal, exports stood at 672,105 units, an increase of 267,708 units since 2020-21. In the last three fiscal years, Maruti Suzuki has accounted for 70% of the incremental 267,708 units across the industry which were shipped to overseas markets. The auto major's export shipment increased by 185,774 units between FY21 and FY24.

When contacted, Maruti Suzuki India executive officer corporate affairs Rahul Bharti said that factors like addition of more models, adherence to global production standards and tie-up with Toyota have helped in ramping up the exports' volume.

He noted that the company is currently exporting models to around 100 nations across the globe. Top overseas markets for the company currently are South Africa, Saudi Arabia, Chile and Mexico.

Other major markets include the Philippines, Indonesia and Ivory Coast.

As per data from the Society of Indian Automobile Manufacturers, overall PV exports stood at 672,105 units in FY24, an increase of 1.4% over 662,703 units in FY23.

As the sweltering summer heat intensifies, hotels in the hills are experiencing a boom, travel firms said, with several companies reporting a 30% increase in occupancy and soaring revenues.

Many five-star hotels are fully booked, as summer vacations commence across the country. For the entire month of June, the uber-luxury Oberoi-run Wildflower Hall in Shimla is charging ₹41,000-45,000 per night for a regular room, roughly 50-60% higher than the usual rates in June, with at least three nights already sold out. The top suite at the same hotel is priced at approximately ₹1.9 lakh per night. Similarly, the Six Senses Vana in Dehradun is retailing for ₹95,000 per night, including taxes.

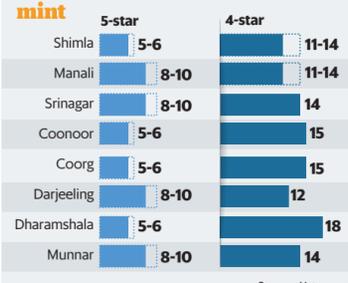
Popular destinations include Kashmir, Leh-Ladakh, Uttarakhand, Himachal Pradesh, the northeast, Coorg, Munnar, Coonoor, and Wayanad. This surge in demand is also driving up airfares, even though many travellers prefer driving. For instance, Delhi outbound airfares to destinations like Darjeeling have increased by 7-25% compared to year 2023. Bagdogra fares have risen by 25%, Dharamshala, Shimla, Manali, and Srinagar by 16-17%, and Coonoor, Coorg, and Munnar via Coimbatore by about 8%, data from Thomas Cook India showed, while online travel agency Yatra Online Ltd. has seen an uptick of 10-15% in airfares to nearby airports serving hill stations like Shimla, Manali, Coorg, Munnar and others.

Daniel D'Souza, president, and country head for holidays at SOTC

Chasing the chill

Several hotel companies have reported a 30% increase in occupancy with soaring revenues

Price increase (%) in hotels in FY24, as compared to FY23



PARAS JAIN/MINT

Travel, said, "Our online searches for hill station hotels have jumped by over 50% compared to last year for locations such as Shimla, Manali, Coorg, Darjeeling, and Gangtok. This travel demand has significantly increased hotel occupancy by approximately 30%, with room tariffs rising 8-15%."

The company noted that hotel prices have increased in areas such as Darjeeling (10-14%), Coonoor, Coorg, and Munnar (5-14%), and Dharamshala, Shimla, and Manali (8-12%). Srinagar also saw a similar 12% increase for both 4 and 5-star properties. There is strong demand from young professionals, with a surge in last-minute and impulse bookings, and a high interest in outdoor-adventure experiences among couples, DINKs (double income, no kids couples), groups of friends, millennials, and Gen Zs.

Thomas Cook India is also seeing a significant demand surge of over 30% for cooler destinations due to the

intense heatwave in Delhi-NCR and surrounding regions. The company has reported increased interest in short breaks and weekend getaways of 2-3 nights, as well as longer stays of 7-15 days or more. With most travellers starting their holidays later this year due to voting in their constituencies and the extreme weather, the company expects this demand to continue through mid-August.

Nikhil Sharma, managing director and area senior vice president for South Asia at the Radisson Hotel Group, said that amid the current heatwave, many travellers are opting for quick road trips to hill stations. Radisson hotels in Dharamshala, Pahalgam, Kufri, Sonmarg, Srinagar, Manali, and Mussoorie have seen a 15% year-on-year growth in occupancy, with average daily rates rising to ₹18,000 or more per night. "Travellers generally prefer a mix of luxury and mid-segment accommodation for their 3-5 day stays,

engaging in activities both within and outside the hotels," Sharma noted.

A spokesperson for Marriott International told *Mint* that their current trends are positive, with hill resorts experiencing a 7% increase in average daily rates over last year and a 10% rise in revenue per available room (RevPAR). The company's travel trends, and pace are "favourable" compared to last year, with occupancies exceeding 75%, and the increased demand is being optimized by the company.

Sarovar Hotels & Resorts reported an occupancy growth of 10-15% for June at its hill properties compared to last year, with an average increase of 12-15% in average daily rates across its properties in May. Projections for June indicate a similar growth, with increased business in Bhimtal, Dalhousie, Manali, Shimla, and Srinagar. Similarly, Lemon Tree Hotels has seen an uptick in bookings for hotels and resorts in Jammu & Kashmir for May, with higher average room rates and occupancies than last year, a trend expected to continue into June. Their Gangtok hotel has also reported better occupancies than last year, and the company has recently opened hotels in Manali, Mcleodganj, Sonmarg, and Kasauli.

The hills' gain has been a loss for warmer locations. While hotel rates have shot up in cooler climates, cities in Rajasthan, for instance, are seeing a huge drop in hotel rates.

Brands like Radisson, Devi Ratn, Jaipur - IHCL SeleQtions, Intercontinental in Jaipur for instance, are between 18-55% lower than their regular room rates. Even regions in Uttar Pradesh, like Agra, have seen a big drop in rates and some cancellations from travellers. The Oberoi Amarvilas, for instance, is quoting 20-30% lower than its usual hotel rates.

15%
y-o-y occupancy growth seen by Radisson hotels

10-15%
occupancy growth posted by Sarovar Hotels for June



Gajanan Gandhe, country head and vice-president, Dana India.

Electric biz takes off in off-highway hubs

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NEW DELHI

Off-highway heavy machinery like forklifts in factories and trucks in mines, tractors on farms and cement haulers and mixers on construction sites are almost entirely powered by diesel engines, emitting large amounts of greenhouse gases and toxic smoke.

However, that could change, as electrification of these machinery gathers pace.

Dana India, a subsidiary of America's Dana Incorporated, and one of the country's largest suppliers of components such as synchronizers, axles, and torque hubs for off-highway machinery, expects that the segment will see as much as 10% electrification in the next five years.

Gajanan Gandhe, country head and vice-president, Dana India, said that unlike passenger vehicles and buses, the segment will not need a regulatory push to move towards electrification, favouring clear economic and climate benefits.

"One of the areas electrification is really catching up in is the off-highway segment, like golf carts and stationary machinery which requires diesel. We see these being replaced with electric machinery in terms of boom lifts, scissor lifts etc," Gandhe told *Mint* in an interview. Close to 40% of Dana India's production in India is exported for global trucks and off-highway equipment markets. Nearly 10% of these exports cater to the electrification of these segments, he said.

40% of Dana India's production is exported for global trucks and off-highway equipment markets

"We are expecting our EV business to be at least 20% of our total business in India in the next 3 to 5 years," Gandhe said, adding that the growth will be driven by fulfilment of its OEM clients' electric bus orders, as well as rapid electrification of the off-highway market.

Further, growth in electrification of the three-wheeler and high-performance motorcycle segment is also expected to help Dana grow its EV business. The company's electric vehicles business currently accounts for 5% of its overall turnover.

Volvo shifting EV production to Belgium

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Volvo Car AB has started to shift manufacturing of Chinese-made electric vehicles to Belgium as the European Union (EU) prepares to impose tariffs on China-made EVs, *The Times* reported.

On top of transferring production of Volvo's EX30 and EX90 models to Belgium, the carmaker may also move assembly of some Volvo models bound for the UK, the report said, citing unidentified people. Volvo, which is owned by Zhejiang Geely Holding Group Co., is seen as the most exposed among western automakers to the potential tariffs,



Volvo is seen as the most exposed among western automakers to potential EU tariffs on China-made EVs.

The Times said. Trade frictions between the EU and China have led to a barrage of anti-dumping probes against Beijing amid allegations of unfair subsidies. The EU is expected to tell EV

makers in China as early as next week whether it will impose provisional tariffs from July 4 that would boost import duties above the current level of 10%. China last week accused the EU of working to

"suppress" Chinese companies and said it will take action to safeguard its interests.

The accusations of unfair competition against China are completely unfounded, *Xinhua News Agency* reported, citing earlier comments from commerce minister Wang Wentao.

Wang said he hoped the EU would abandon trade protectionism and return to the path of dialog and cooperation, according to *Xinhua News Agency*.

In a separate dispute, Chinese dairy companies are preparing to ask Beijing to open an anti-dumping investigation against the imports from the EU, *Global Times* reported without providing details.

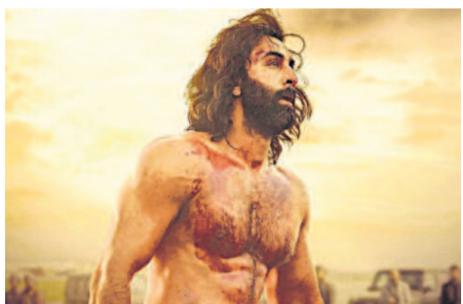
Film producers clash over IP, revenue

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NEW DELHI

Several Indian film producers have been involved in legal disputes with each other lately with differences arising over final IP (intellectual property) rights, commercial disagreements and breach of revenue-sharing arrangements.

Many of these stem from poorly drafted co-production agreements, or commercial understandings that have not been recorded in writing, often leading to ambiguity and potential for disputes.

Earlier this year, Super Cassettes Industries Pvt. Ltd (SCIPL), also known as T-Series, wanted to halt the release of *Amar Singh Chamkila*, that is streaming on Netflix, claiming a stake in the film's revenue owing to a loan agreement SCIPL had signed with Reliance Entertainment, producers of the movie. Prior to that, the OTT release of T-Series' own film *Animal* had run into trouble with Cine 1 Studios claiming entitlement to a profit share and intellectual property



The OTT release of the T-Series film *Animal* had run into trouble with Cine 1 Studios over a profit-share dispute.

rights. Producers of upcoming Ranbir Kapoor-starrer *Ramyaana*, too, are embroiled in copyright infringement disputes.

"We have observed a surge in legal disputes among co-producers in the Indian film industry recently. These typically revolve around specific intellectual property rights, commercial disagreements, distribution rights, and creative differences. Many of these issues stem from contracts that are either inadequately drafted or lack specificity. Additionally, the absence of comprehensive

legal guidance during the formation of these agreements often leads to grey areas and subsequent conflicts," Dhiraj Mhetre, partner, Khaitan Legal Associates, said.

It has been observed in the past that legal proceedings are filed a day or two prior to the release as a tactic to put pressure for settling, since the delay in release amounts to huge financial losses, said Ruby Singh Ahuja, senior partner at Karanjawala & Co, adding that cases are filed mostly alleging violation of copyright or defamation.

Legal disputes between co-producers can commonly take the form of royalty disagreements which arise due to misuse of the intellectual property without proper authorization or original author acknowledgement by the other party.

"Unfair credit dispute causes many common altercations. It is the feeling of not being adequately credited or if there is disagreement over payment or royalty. Breach of contract is one of the common areas of disputes as well. This happens knowingly and unknowingly, most commonly with respect to deadlines, deliverables, and the scope of work," Amit Panigrahi, partner designate at Luthra and Luthra Law Offices India, said. To be sure, legal experts say typical repercussions of a dispute between producers include delays in the release or even restrictions on the screening and distribution of such content.

These frequently lead to prolonged legal battles, resulting in the blocking of both the producers' and investors' capital with no returns for extended periods.

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No. RCD/F/Pur/F.(Pkg./CFP Items)/2024/10802-37 Dated :- 07 June, 2024

NOTICE INVITING BIDS

Single Stage Two Parts unconditional e-Tender/Bids are invited by Rajasthan Co-operative Dairy Federation Ltd., Jaipur for the procurement of "Milk Plastic HDPE Crate 1.5 kg, ISI type of 168 MM height & Milk Plastic HDPE Crate 1.5 kg, ISI type of 168 MM height (Under buy back system) (UBN No. CDF2425GLRC00050), ISI Marked Metal Tins for 15 kg. Ghee Packing (UBN No. CDF2425GLRC00051), Tins as per ISI Specifications for 5 Litre Ghee packing (Ghee Tin 5 Litre as per ISI Specifications) (UBN No. CDF2425GLRC00053), PP Woven Sack (Tubular Type) White, Yellow and Red Pigmented Bag for Packing Cattle Feed (UBN No. CDF2425GLRC00054), Vitamin AD2 for Milk Fortification (UBN No. CDF2425GLRC00055), Vitamin AD3 for Cattle Feed Use (UBN No. CDF2425GLRC00056), Vitamin-E for Cattle Feed Use (UBN No. CDF2425GLRC00057), Corrugated Fibre Board Cartons (CFC) for Packing 15 kg. Ghee Tin (UBN No. CDF2425GLRC00058), Corrugated Fibre Board Box for 1 kg. SMP Pouches Packing (5 Pouches of 1 kg SMP in 1 CFC) (UBN No. CDF2425GLRC00059), Food Grade Three Layer Metallised Aluminium Polyester Film Roll for SMP 1 kg. Packing (UBN No. CDF2425GLRC00060) and ISI Marked Di-Calcium Phosphate Animal Feed Grade for Animal Feeding Only Conforming to IS 5470:2002 (DCP) (UBN No. CDF2425GLRC00061)" from eligible bonafide manufacturers or their authorized suppliers as per details given in the respective bid document.

The Complete Bidding Documents can be visited and downloaded from our website www.sarasmilkfed.rajasthan.gov.in, www.eproc.rajasthan.gov.in and www.sppp.rajasthan.gov.in. E-Bids shall be submitted only on http://eproc.rajasthan.gov.in.

Raj.Samwad/C/24/372 General Manager (Purchase)

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AUCTION OF STATE GOVERNMENT SECURITIES

The following State Governments have offered to sell stock by way of auction, for an aggregate amount of ₹7,750-crore (Face Value).

Sr. No.	State/UT	Amount to be raised (₹ cr)	Additional borrowing (Greenhouse) option (₹ cr)	Tenure (in years)	(Type of auction)
1.	Andhra Pradesh	500	-	15	Yield based
		500	-	19	Yield based
		1,000	-	21	Yield based
2.	Haryana	1,000	-	10	Yield based
3.	Jammu and Kashmir	500	-	25	Yield based
4.	Puducherry	150	-	6	Yield based
		100	-	14	Yield based
5.	Punjab	1,500	-	10	Yield based
6.	Tamil Nadu	2,000	-	8	Yield based
7.	Uttarakhand	500	-	6	Yield based
Total		7,750			

The auction will be conducted on Reserve Bank of India Core Banking Solution (E-Kuber) in multiple-price format on June 11, 2024 (Tuesday). Individual investors can also place bids as per the non-competitive scheme through the Retail Direct portal (<https://rbidirect.org.in>). For further details please refer to RBI press release dated June 07, 2024 (Friday) on RBI website www.rbi.org.in

"Don't get cheated by E-mails/SMSs/Calls promising you money"

For diamonds, who De Beers hooks up with next matters

Carol Ryan
feedback@livemint.com



Whoever buys the diamond producer has to be as sharp at marketing as mining. BLOOMBERG

Is it more romantic to buy a diamond that formed in the bowels of the earth than one grown in a lab? Young American couples don't think so.

That is awkward for diamond miner De Beers, especially now that it is looking for a new owner. Mining conglomerate Anglo American, which has been a top shareholder in the world's best-known diamond producer for almost a century, wants to sell or separately list it as part of a radical breakup plan.

The diamond industry is going through a rough patch, so the timing isn't great. Jewelry sales boomed in 2022 as consumers splurged on luxury goods, but last year they pulled back. Weak demand has sent diamond prices to 2003 levels, says Liberum analyst Ben Davis.

Moreover, traditional diamonds are increasingly being challenged by lab-grown ones, which cost a fifth of the price. In April, 45% of all engagement rings sold in the U.S. had a synthetic stone, according to Edahn Golan Diamond Research & Data. It is impossible to tell whether a diamond is natural or lab-grown with the naked eye, and they have the same chemical makeup.

Some thrifty grooms may be buying lab-grown stones and passing them off as the real deal. Yet the trend also reflects the different spending priorities of a new generation of couples. The average federal student-loan debt is more than \$37,000, according to the Education Data Initiative. After a run-up in

house values, a 10% down payment on a median-priced home has risen 45% to \$43,000 compared with the end of 2019. Some couples are choosing to scrimp on the ring to splurge on a memorable honeymoon instead.

Even without this upheaval, De Beers would be a difficult business to sell because of its mix of assets. It has huge mining operations, producing a quarter of global diamond supply by volume. But it also runs 40 high-end jewelry stores and is one of the most famous luxury brands in the world. De Beers has been associated with romance since its 1947 "a diamond is forever" marketing campaign.

No buyer is an obvious fit for all these different skills. Diamond industry analyst Edahn Golan says De Beers could attract a trophy-hunting private buyer from the Middle East or a sovereign-wealth fund, but they wouldn't necessarily have mining expertise. The government of Botswana, which jointly owns some diamond mines with De Beers, is another possibility, as is a consortium of Indian diamond buyers.

Ideally for the diamond

industry, a luxury goods company would buy it and use its marketing flair to make the mined stones shine to young consumers again. Cartier's owner, Richemont, has already ruled out a bid. The world's biggest luxury company, LVMH, wants to push into fine jewelry and splashed out \$16 billion on Tiffany & Co. in 2021. But luxury companies will be reluctant to get their hands and reputations dirty in mining pits.

The worst outcome for the industry would be for De Beers to be sold to a buyer that wants to extract profit rather than invest in the long-term appeal of diamonds. "It would be a fundamental change for the industry if De Beers was no longer the steward of natural diamonds," says market analyst Paul Zimnisky.

If De Beers opts for an initial public offering, coming up with a realistic valuation will be a challenge. The diamond miner is valued at \$7.6 billion on Anglo American's books, but outside estimates range anywhere from \$600 million to \$4 billion.

De Beers might try to pitch itself as a luxury brand rather than as an old-school miner. The company plans to more than double its number of stores worldwide to shine a brighter spotlight on its jewelry business. The two industries fetch dramatically different valuations: Miners BHP and Anglo American trade at enterprise values equivalent to roughly six times earnings before interest, taxes, depreciation and amortization, compared with 13 times for Richemont. But De Beers doesn't have the high margins or earnings consistency of the best European luxury companies. Its Ebitda rose 29% in 2022 before plunging 95% to \$72 million last year. No one is quite sure where its finances will settle, with the diamond industry in a funk and U.S. consumers abandoning natural stones.

Assets like De Beers don't come up for sale often. Minus the mines, cash-rich luxury tycoons might snap it up for the power of the brand alone. Perhaps the company should be broken apart, just like its owner Anglo American. Natural diamonds won't necessarily be forever unless De Beers makes a good match.

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Nvidia's sales booster: global push for local AI champions

To control AI destinies amid U.S., China dominance, countries are building their own computing infrastructure

Asa Fitch, Sam Schechner

Global governments are leaping into the AI spending boom.

Countries in Asia, the Middle East, Europe and the Americas are pouring billions of dollars into new domestic computing facilities for artificial intelligence, opening up a fast-growing source of sales for Nvidia and other tech companies.

Governments are boosting their budgets and brandishing other incentives to encourage local companies and multinationals to build new data centers and refit old ones with specialized computer chips, mostly from Nvidia. The goal: to develop AI locally and train large language models in their native languages, based on their own citizens' data.

Driving the investments is a quest for more strategic self-reliance amid rising tensions between the U.S. and China that center on technology.

Some countries are also seeking to safeguard their local culture—and their national security—in an AI-centric world after feeling they had been also-rans in the mobile-phone and cloud-computing revolutions.

Nvidia last month said so-called sovereign AI efforts are expected to bring in almost \$10 billion this year, from nothing last year.

The company reported \$26 billion in quarterly revenue, nearly half of which came from big cloud-computing companies that are renting access to its chips.

"There is a tremendous amount of anxiety among some governments about how the generative AI revolution



Nvidia made half of its quarterly revenue from cloud-computing firms. REUTERS

is going to impact their economies," said Pablo Chavez, a former Google and Microsoft policy executive who is now at the Center for a New American Security. "They want to have a little bit more influence and control this time around."

Those efforts are turning into a windfall for Nvidia, as well as U.S. tech companies that help build and operate data centers and are looking for new sources of growth as private-sector demand for AI tools threatens to slow.

Nvidia Chief Executive Jensen Huang has traveled the world in recent months to push investments in AI from governments and state-

linked telecommunications and utility companies that often oversee national computing infrastructure. He met Indian Prime Minister Narendra Modi in September, followed by the prime ministers of Japan and Singapore in December and officials in the United Arab Emirates and Canada early this year.

Huang went to Taiwan for a computing conference this month. "You own your own data. You therefore must take that data, refine that data and own your own national intelligence. You cannot allow that to be done by other people," Huang told an audience in Dubai in February. Among the biggest spenders on

sovereign AI is Singapore, whose national supercomputing center is being upgraded with Nvidia's latest AI chips and where state-owned telecom Singtel is pushing an expansion of its data center footprint in Southeast Asia in collaboration with Nvidia. The country is also spearheading a large language model that is trained on Southeast Asian languages.

Other big projects are taking place in Canada, which last month pledged \$1.5 billion as part of a sovereign computing strategy for the country's startups and researchers, and Japan, which said it is investing about \$740 million to build up domestic AI computing power this year following a visit from Huang.

Similar pushes are spreading across Europe, including those in France and Italy, where telecom companies are building AI supercomputers with Nvidia's chips to develop local-language large language models.

French President Emmanuel Macron last month called on Europe to create public-private partnerships to buy more graphics processing units, or the core chips used to train AI, to push its share of those deployed globally from 3% currently to 20% by 2030 or 2035.

Kenya last month signed a deal with Microsoft and the United Arab Emirates-backed AI company G42 to build a \$1 billion data center in the country—and to use the country's geothermal power to train a model directly in Swahili and English.

"Governments now want sovereign clouds for their AI infrastructure and sensitive data, and U.S.-based tech companies are eager to build

those for them," said Nu Wexler, a former policy communications staffer at Google, Meta and Twitter, now known as X.

"It's an enormous growth opportunity for chip manufacturers and cloud providers, but they still have to navigate a minefield of export controls and political rivalries."

China is also playing a role in the sovereign AI push. It is selling data centers and AI capabilities to African countries including Egypt.

But China's domestically produced AI chips don't currently perform as well as those from the U.S., often making the U.S. a preferred supplier—despite export licensing restrictions the U.S. has placed on sending the most-advanced technology to certain countries.

For Nvidia, national pride in sovereign computing might provide a welcome counterbalance if buying by its core group of tech-company customers such as Microsoft, Amazon.com and Alphabet's Google cools off, analysts say.

The growth in the company's sales has decelerated in recent quarters, although analysts forecast its revenue will continue to go up.

The trajectory of climbing sales to cloud-computing giants "clearly cannot be sustained," said Angelo Zino, an analyst at CFRA Research, but there are other ways Nvidia could continue to profit from the AI boom.

"The question has been, how can they continue this momentum?" he said. "Sovereign AI is a new lever out there in terms of generating higher revenue."

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Nvidia's chief executive Jensen Huang finds celebrity status

Liza Lin, Joyu Wang & Yang Jie
TAIPEI

An enthusiastic female fan seeking an autograph on her chest. Thousands braving torrential rains to catch a glimpse of their idol. Admirers clamoring for selfies the moment he appears in public.

As Nvidia's market cap hit \$3 trillion, CEO Jensen Huang received a hero's welcome during a visit to his birth land of Taiwan to attend an industry event. His personal star—and his company's—has never flown higher.

Over the past week, the Taiwanese public and media clung to the leather-jacketed Huang's every move in Taipei, where the 61-year-old is viewed as a homegrown icon.

"He is Taiwan's pride," said Ollie Lin, a magazine editor who watched Huang deliver a 90-minute speech at a college auditorium as heavy rains poured down outside. She had hoisted a sign that said "Taiwan hearts you" next to

Huang's photo. "Seeing him under the spotlight, yet so connected to Taiwan," she said, "just brings him closer to us."

Taiwan, where most of the world's advanced semiconductors are made, has played a crucial role in Nvidia's success. TSMC—short for Taiwan Semiconductor Manufacturing Co.—makes many of the chips that Nvidia designs at its fabrication plants on this island roughly the same geographic size as Maryland.

Many Nvidia customers are also based in Taiwan, which has a population of roughly 23 million people.

Some said Huang may be flying too close to the sun, as he attracted online backlash for some of his behavior. In one interview with a local-media outlet, Huang called Taiwan a "country" that sits at the center of the world's electronics industry.

China's Communist government claims the democratically self-ruled island as its own despite never ruling here. The Nvidia CEO's comment



As Nvidia's market cap hit \$3 trillion, CEO Jensen Huang received a hero's welcome during a visit to Taiwan. BLOOMBERG

prompted scathing remarks from social-media users across China, where access to Nvidia chips has been increasingly limited due to U.S. export restrictions.

Nvidia declined to comment on Huang's description of Taiwan.

Born Jen-Hsun Huang in Taipei in 1963, Huang moved to Thailand at the age of five. He stayed there for roughly four years before heading to Tacoma, Wash. He is an Amer-

ican citizen.

During his two-week stay in Taiwan, Huang received wall-to-wall news coverage, dominating the discourse on social media and on the streets

where one could easily hear Huang's

Chinese name mentioned. His dining choices, from beef noodles to pork knuckles, got curated into viral lists online. Even Huang's wife and adult children got mobbed for fan photos and interviews.

Beneath the calm market, stocks are going haywire

James Mackintosh
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It is easy to look at the piddling daily moves in the S&P 500 and think the market has been oh-so-boring recently. There hasn't been a 2% move since February and the VIX gauge of expected volatility is only up a bit from the postpandemic low reached last month.

Under the calm surface, however,

there is furious paddling. Only once in the past 25 years have stocks swung about like this while the overall market stayed so placid. Traders in the options markets are betting on its continuing: Prices indicate the biggest swings in stocks for at least 10 years relative to the prevailing calm for the S&P 500.

One way to think about this

is that, at a high level, investors think not a lot is going on. But when they look at particular stocks, the impact of the two-speed economy and excitement about artificial intelligence matter hugely. The result is far more stocks with 10% swings in a day over the past three months than at almost any other time when the market can barely get above an average move of 0.5%.

Investors widely agree that the big but

of inflation is over, so the economy will be neither so hot nor so cold that the Federal Reserve will have to make major changes, and that wars in the Middle East and Ukraine are contained.

"Not only is [the consensus among investors] stronger than usual, what everyone's talking about is things like, is inflation going to be 0.3% or 0.4%?" said

Guy Miller, chief market strategist at Zurich Insurance.

Naturally, the S&P is serene. At the same time, investors are trying to pick the winners and losers from higher-for-longer interest rates and AI. There are enough stocks that do well or badly from interest rates to move share prices around a lot, but they largely cancel out at the index level. This shows up in stock options that are priced for very low correlation between them—the lowest for the year ahead since at least 2006.

As for AI, the bet so far is about who the winners will be, with little evidence yet of who will lose. But hopes for AI have led to huge gains for the AI leaders, especially chip maker Nvidia, which has powered away from the rest of the market to become the second-biggest company by value. As a result, even when stocks are up, some are up far more than oth-



Prices indicate the biggest swings in stocks for at least 10 years relative to the prevailing calm for the S&P 500. STOCKPHOTO

ers. This leads to a high level of what traders call dispersion, a measure of how much individual stocks move versus each other.

The implied dispersion of stocks within the S&P over the next 30 days is at its highest since data began in 2014 com-

pared with the VIX, according to Cboe's dispersion index. Stocks have moved around far more in the past, but only because the market as a whole was moving around more.

This shows up particularly in huge reactions to corporate results, even without including the silliness of the meme-stock

jumps (GameStop and the like aren't in the S&P).

Some of the most recent notable moves: Software group Salesforce plunged 20% and HP soared 17% on the same day at the end of last month, and Hewlett Packard Enterprise, a spinout from HP, jumped 11% last week.

Earnings season ought to deliver news, but usually moves like these happen alongside larger day-to-day moves in markets. Not this year.

"There's a sense in which the balance of risk in U.S. equities has really changed," says Tim Edwards, head of index investment strategy at S&P Dow Jones Indices. "It's not so much about market risk any more, and there's a lot more idiosyncratic risk."

This ought to be a great environment for good stock pickers. Active fund managers make this claim almost every year, and are almost always wrong. But when individual stocks move a lot and the index doesn't, it is actually true that there are bigger rewards for those who get it right.

The flip side is that it reveals the main flaw of stock picking: Half those who try will fail—and in this market—underperform even more than usual. Stock pickers also tend to avoid the biggest stocks, which has hurt this year.

A risk some worry about is that index volatility might be suppressed by a mix of excessive optimism and structured products.

In early 2018, such a combination ended with "Volmaged-

don," a spike in the VIX that destroyed the most extreme of the structures and tanked the market.

I'm not particularly concerned about a repeat soon, as the VIX back then was much lower, individual stocks were moving more closely together and even 1% moves in the market had become rare. The longest stretch this year without a 1% move in the S&P was 15 trading days, while Volmageddon ended a 93-day stretch of tranquility.

The bigger risk I see is that investors get too comfortable with the idea that there are no imminent threats. It means any surprise—whether on the economy, the AI theme, the Fed or geopolitics—will hit hard.

Sure, trade those individual stocks, but don't get complacent about the big dangers out there.

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NEWS NUMBERS

80%
THE SHARE of Indian medical colleges that did not meet the minimum criteria laid down by the National Medical Commission, as per an inspection

90%
THE GROWTH that India's end-use energy consumption is set to witness by 2050, one of the fastest in the world, according to the CEO of Rosneft

\$56 bn
THE SIZE of Elon Musk's pay package, which is up for a shareholder vote this week. If shareholders reject it, Musk may leave Tesla, its chairperson warned

45 days
THE DURATION of ban imposed by Israel on Al Jazeera's operations in the country citing national security following an initial 35-day ban that ended on Saturday

₹7k cr
THE AMOUNT Bajaj Housing Finance plans to raise through an IPO to meet future capital requirements and business development.

HOWINDIALIVES.COM

Star Alliance bullish on Indian aviation

India is a big aviation market and a stronger partnership between Air India and Lufthansa is good, as efforts of the Star Alliance are to bring the partners together to provide a unique value proposition for the passengers, the airline grouping's CEO Theo Panagiotoulas has said. Air India and Lufthansa are part of the Star Alliance, whose 26 member airlines come together at more than 50 global hubs to offer smooth connections across a global network. A management company, based in Frankfurt and Singapore, coordinates Star Alliance projects and activities. It includes airport co-location, digital infrastructure, frequent flyer integration and joint business lounge projects to improve the travel experience. Talking to PTI on the sidelines of Iata annual general meeting in Dubai this week, Panagiotoulas was bullish about the prospects in the Indian market that offers "so much of opportunities".

PTI



The airline has a fleet of 24 planes and has more than 4,000 employees.

'Akasa Air on path to profitability'

Akasa Air is well on the path to profitability and will fly to more international destinations, including in South Asia and Southeast Asia, said its co-founder Aditya Ghosh. In less than two years of taking to the skies, Akasa Air has a fleet of 24 planes and has more than 4,000 employees. Ghosh said that airlines are becoming more of a consumption story in India. "I think at Akasa we are on track to profitability... We are steadfastly focused on it... we have seen greater operational reliability, best on time, lowest customer complaints, highest load factors, lowest cancellations..." he said. "We will increasingly see it as consumer-focused businesses where the earnings which are there from e-commerce companies will help us address the needs and behaviour of consumers better in the transportation business," he said. When a customer-focused and employee-centric organisation is being built, it is also important to build a financially sustainable business, Ghosh said.

PTI

Open access solar installation doubles

Open access solar installations rose two-fold in India to 1.8 gigawatts (GW) during January-March, supported by several factors, including reduced module cost, US-based Mercom Capital has said. Solar power through open access is an arrangement where a power producer establishes a solar power plant to supply green energy to consumers. India added over 1.8 GW solar open access capacity in the first quarter of the calendar year of 2024, posting a two-fold increase from 909.3 megawatts (MW) in Q4 2023, a report titled 'Mercom India Solar Open Access Market' said. As of March 2024, the cumulative installed solar open access capacity stood at 14.3 GW. Solar open access developers benefited from lower Chinese module prices and the suspension of the Approved List of Models and Manufacturers order for projects commissioned through March 2024. Lower power purchase agreement prices, due to reduced project costs, further incentivized consumers to adopt solar open access.

PTI

Canada intel chief made unannounced India visits twice this yr

Canada's intelligence agency chief David Vigneault paid two quiet visits to India in February and March to apprise Indian officials of the case relating to the killing of Khalistani extremist Hardeep Singh Nijjar, people familiar with the matter said. Vigneault, the director of the Canadian Security Intelligence Service, is learnt to have shared information that emerged during Ottawa's probe into the killing. The ties between India and Canada came under severe strain following Canadian Prime Minister Justin Trudeau's allegations last year of the "potential" involvement of Indian agents in the killing of Nijjar. New Delhi had rejected his charges as "absurd". Vigneault's unannounced visits to India came weeks before Canada arrested three Indian nationals—Karanpreet Singh, Kamalpreet Singh and Karan Brar—on charges of involvement in the killing. Subsequently, a fourth Indian, Amandeep Singh, was arrested. Nijjar, who was declared a terrorist by India, was shot dead outside a gurdwara in British Columbia in Surrey on June 18 last year.

PTI



Ties were strained after Canada blamed India for Nijjar's murder.

WET AND WATCH



A waterlogged street in Solapur, Maharashtra, on Sunday. The southwest monsoon reached the state on 6 June after it made its onset over the Kerala coast on 31 May, a day ahead of its typical arrival.

PTI

Monsoon arrives in Mumbai two days ahead of schedule

Heatwave is likely in some pockets of Punjab, Haryana, Bihar, Jharkhand, and Bengal

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NEW DELHI

Southwest monsoon arrived in Mumbai on Sunday, two days ahead of schedule, bringing the season's first spell of showers for the country's financial capital. The southwest monsoon reached Maharashtra on 6 June after it made its onset over the Kerala coast on 31 May, a day ahead of its typical arrival. Very heavy rainfall is likely over south Konkan, Goa, south Madhya Maharashtra, Coastal and north interior Karnataka till Monday, the India Meteorological Department (IMD) said on Sunday. "Southwest monsoon has further advanced into remaining parts of central Arabian Sea, some parts of north Arabian Sea, some more parts of Maharashtra, including Mumbai, today. Therefore, isolated extremely heavy rainfall is seen over south Konkan and Goa, south Madhya Maharashtra and

coastal Karnataka on 9 and 10 June and north interior Karnataka during 9-11 June," the weather bureau said. As strong southerly winds are prevailing from Bay of Bengal to northeastern states due to a cyclonic circulation over northeast Assam, wide-spread light to moderate rainfall accompanied by thunderstorm, lightning and gusty winds is likely over Arunachal Pradesh, Assam and Meghalaya, Nagaland, Manipur, Mizoram, Tripura and sub-Himalayan West Bengal and Sikkim for the next six days. Assam and Meghalaya may experience very heavy rainfall between Tuesday and Thursday, sub-Himalayan West Bengal till Wednesday and Arunachal Pradesh on Wednesday and Thursday.

IMD said heatwave conditions are likely to return to northwest India, including Delhi, on Sunday and in east India and Uttar Pradesh for the next five days. Uttar Pradesh may experience severe heatwave during Tuesday-Thursday. Heatwave is likely in isolated pockets of Punjab, Haryana, Bihar, Jharkhand and Gangetic West Bengal for the next four days, Jammu, Himachal Pradesh, Uttarakhand, Delhi, west Rajasthan and Madhya Pradesh between Tuesday and Thursday and Odisha on Wednesday and Thursday. Hot and humid weather is likely in isolated pockets of Odisha on Sunday and Thursday. About 2-3°C rise in maximum temperatures is likely over northwest and central India for the next five days, it added.

Very heavy rainfall is likely over south Konkan, Goa, south Madhya Maharashtra, coastal and north interior Karnataka till today

Puja Tomar first Indian to win in UFC

Puja Tomar scripted history as she became the first mixed martial arts fighter from India to win a bout at the Ultimate Fighting Championship (UFC) in UFC Louisville. Debutant Tomar eked out a 30-27, 27-30, 29-28 split-decision win over Brazil's Rayanne dos Santos in the straw-weight (52kg) bout on Saturday. "This win is not my win. This win is for all Indian fans and all Indian fighters, before everyone thought that Indian fighters did not stand anywhere. I only thought I have to win and show the world that Indian fighters are not losers," Tomar said after her win. The 30-year-old, known as "cyclone", signed a contract with the UFC last year in October to become the first woman from India to compete in the biggest Mixed Martial Arts promotion. Tomar is a five-time national wushu champion and also has a background in karate and taekwondo.

PTI



Company officials have said that India's PC market is better than the rest of the world.

Asus sees big sales prospects in India

India's personal computer (PC) market is better than the rest of the world and low penetration level of the devices offers a good growth opportunity for the Taiwanese tech major Asus, senior company officials have said. The Taiwanese PC maker has seen positive growth in the Indian market. Asus India consumer and gaming PC vice president Arnold Su said, "India's PC penetration per household is around 10 to 11 per cent, which means around 90 per cent of Indian households still do not have a PC, which means it is a very good opportunity for us." "... If you see today in India, out of 750 districts, we have already covered around 450 districts," Su added. Asus general manager for Asia Pacific System Business Unit Peter Chang said that post covid, the company has not seen very positive signals in PC demand both globally and in India.

PTI

2 planes on runway in under a minute

Aviation regulator DGCA is probing an incident of an IndiGo plane landing and an Air India aircraft taking off from the same runway in less than a minute at the Mumbai airport, officials said on Sunday. The watchdog has derostered the Air Traffic Controller (ATC) who was on duty at the time of the incident on Saturday, while IndiGo has initiated a probe into the matter, they added. A purported video of one plane landing and another taking off from the same runway has been shared on social media. "We are conducting a probe and have already derostered the ATCO involved in the incident," the DGCA official said. Mumbai airport is a single-runway operation with two crossing runways' 09/27 and 14/32 that handles over 850 flights per day. On a single runway RW27 at the Mumbai airport, there are around 46 arrivals and departures per hour. IndiGo said its aircraft continued the approach and landing as per the ATC instructions.

PTI

More funds likely for startups



The new government may announce the Budget for 2024-25 in July.

ISTOCKPHOTO

The commerce and industry ministry may seek more funds for startups in the forthcoming Budget, to be announced by the new government, to promote innovation in the country, an official has said. The new government may announce

the Budget for 2024-25 in July. The seed fund scheme, announced in April 2021 with a corpus of ₹945 crore, will end in 2025, and the ministry may consider proposing a new scheme on similar lines. The seed fund scheme was aimed at providing financial assistance to startups for proof of concept, prototype development, product trials, market-entry, and commercialisation. The fund was divided into four years for providing seed funding to eligible startups through incubators across India. Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise, and the capital required at this stage often presents a make-or-buy situation for startups with good business ideas, another official said. The ministry is also expected to propose a dedicated policy for deep tech startups.

PTI



The company is investing in two of its existing facilities in Bengaluru

BLOOMBERG

Merck to expand India facilities

Drugmaker Merck is looking to strengthen its base in India, as it expands its manufacturing facilities in Bengaluru to serve as a strategic hub for biopharma and life sciences products for the Asia Pacific region. "We continue to invest in the labs at these sites to cater to sunrise sectors like alternate energy and food and beverage and newer customer needs in pharma, biopharma and academia," Pratima Reddy, managing director for Merck India and country speaker, told Mint. "We will definitely need skilled manpower as we expand at two key sites—Peenya and Jigani. At the same time, we are consciously incorporating AI/ML and other technologies for efficient organization building. We continue to evaluate this on a regular basis to create an organization which is scalable and sustainable," she said. Reddy highlighted some concerns related to the country's policy landscape. She said that the pharma industry operates within a complicated regulatory framework characterized by stringent quality standards and evolving regulations. Scarcity of skilled talent is another challenge faced by the industry.

SOMRITA GHOSH

Guptas refused bail in suicide case

A court has refused bail to a member of the Gupta family, linked to orchestrating industrial-scale corruption in South Africa, in connection with allegedly abetting suicide of a businessman. The Gupta brothers—Atul, Ajay and Rajesh—had built a sprawling business empire in South Africa after moving there in 1993 as the country opened up to foreign investment when white-minority rule crumbled. Last month, 58-year-old Ajay and another family member, Anil, were arrested in Dehradun in Uttarakhand. The case concerns the death of Satinder Singh Sawhney, a 52-year-old building developer working on housing projects with the Guptas. His corpse was found at the bottom of an apartment block. Sawhney's son said he left a suicide note in which he accused the two men of threatening him.

PTI



WHERE TICKETS COST AN ARM, AND POPCORN, A LEG

Watching a movie in a theatre is increasingly becoming something only the rich can do



PVR Director's Cut, a luxury format multiplex in Delhi's Vasant Kunj. Here, lounge areas have been designed as private living rooms complete with a library, a sushi bar and liquor offerings.

PRIYANKA PARASHAR/MINT

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MUMBAI/NEW DELHI

It's business as usual at Eros Cinema in Churchgate, Mumbai, on a warm Tuesday morning, as it has been for the past 86 years. A film production team is scanning the premises for a premiere scheduled to take place over the weekend; the veteran director and some other members of the team will interact with the audience after the special screening, they say. Meanwhile, the staff prepares for the next show of Hollywood action flick *Furiosa: A Mad Max Saga*, the only film playing through the day that week.

Not much has changed at the iconic red and cream coloured building in south Mumbai for nearly nine decades, except for a recent addition to the theatre's name and screen format—it is now known as Eros IMAX, after the 70 mm motion picture film format and projection system. This is the first IMAX screen in south Mumbai and was launched by IMAX's Canadian parent in collaboration with PVR Inox, India's biggest multiplex chain, which now operates Eros.

The Eros building, commissioned in 1935 by Parsi businessman Shiva-vas Cawasji Cambata, hasn't lost its vintage vibe on the outside and still retains much of its Victorian Gothic and Art Deco style architecture. But some parts of the interior, including the lobby and the gigantic auditorium, have been remodelled and converted to accommodate the immersive Canadian screen format, which is rapidly gaining ground across the country thanks to multiplex operators such as PVR Inox, which are looking to up the premium game for aspirational Indians.

Reopened as Eros IMAX in February 2024 after the original Eros Cinema closed in 2017, the theatre is the third standalone—in a single-screen cinema as opposed to a multiplex—IMAX in the country. The other two, Priya Cinema and Paras Cinema in Delhi, have come up over the past year after PVR Inox decided to cater to the affluent, metro demographic. With 305 seats, Eros is the go-to destination for the upmarket, elite clientele from nearby areas such as Cuffe Parade, Colaba and Marine Drive.

Similarly, Priya Cinema is located in Delhi's Vasant Vihar, home to people affluent enough to pay for an IMAX show and a

luxury experience while watching a movie. In theatres like these, a ticket can set you back by at least ₹500-700 and as much as ₹2,500, depending on the film; food and beverages will add substantially to that bill.

Over 20 kilometres away from Churchgate, in the Bandra Kurla Complex (BKC), a similar upmarket crowd saunters in for shows of *Furiosa*, *Kung Fu Panda 4* and *Rockstar* (the 2011 Ranbir Kapoor film has been re-released as there are few new films on offer). Nestled between stores of international brands such as Gucci, Jimmy Choo and Balenciaga, Maison INOX in BKC has a full-fledged, standalone bar, not something you'd find in other cinemas.

A walk through Gatsby's bar (apparently named after Jay Gatsby, the protagonist of F. Scott Fitzgerald's 1925 novel *The Great Gatsby*, played by Leonardo DiCaprio in the 2013 film of the same name) leads you to a luxury theatre with two Insignia (a luxury format owned by Inox) screens, one IMAX screen, and three regular screens, where prices can go up to ₹2,500. The bar is a business in its own right, and functions as a location for events and parties independent of movie screenings. Guests are allowed to enjoy their drinks without carrying them into the movie hall. Inside the hall, a live kitchen and blankets on seats await them.

PVR Inox, India's biggest multiplex chain, says the luxury format will account for 20% of its screen inventory in the coming months, from 14-15% now.

Given the abundance of content available for home viewing, several entertainment industry experts feel properties such as Maison point to a future where cinemas may become luxury, up-market, premium spaces combining the best food, lounge areas, sound and projection. Indeed, the movie itself may not be the most critical part of the experience.

PVR Inox is increasingly investing in luxury cinemas and gourmet food innovations while other chains, such as Miraj, are launching IMAX properties. And, as with Eros IMAX, all of this will come with steep ticket prices and F&B rates.

However, the big question is, with chains increasingly going premium and even regular properties known to cost more than the average Indian can afford, has a significant chunk of the population been completely locked out of the theatre experience? Will cinema in India leave the common man out? It certainly appears so. The operational heads at multiplex chains say their elite clientele do not really care about the price, implying that the high rates

assure them they will be rubbing shoulders only with their own class and won't have to mingle with 'the great unwashed'.

SEGMENTATION IMPERATIVE

We've always believed that you need to segment the market that you're targeting—it's not a one size fits all. There are certain customers who want the full experience of a five-star hotel or a first-class airline, and to get them out of their homes, where they have large plasma screens and home theatres, you have to give them that experience," Ajay Bijli, managing director, PVR Inox Ltd, told *Mint*. "Then there is a value-conscious customer, who simply asks for a clean, hygienic cinema and good sound and projection."

At PVR Director's Cut, a luxury format multiplex in Delhi's Vasant Kunj locality, where Bijli meets us, lounge areas have been designed as private living rooms complete with a library, a sushi bar and liquor offerings. We are continually distracted by the sounds of a kids' birthday party that is on in full swing in a separate section, with a bunch of seven-year-olds having walked out of a screening of animated adventure comedy *The Garfield Movie*.

The luxury theatre format will account for 20% of PVR Inox's overall screen inventory in the next few months, from 14-15% now. Bijli says getting out of the home and making a plan is often a chore, so service standards have to be upped. "After the pandemic, people want things to be more experiential—the difference between watching something at home and in the theatre has to be more (stark). Even in small towns, we're increasingly seeing people opt for the last few rows with say, recliners or special services," he explained.

The luxury segment typically outperforms regular screens in terms of revenue generation, said Devang Sampat, managing director, Cinépolis India. "Audiences are willing to pay a premium for the enhanced experience, which translates into higher ticket prices and increased food and beverage sales," Sampat added.

The company, which has launched premium screens equipped with immersive technology such as 4DX or IMAX, says higher-priced tickets and facilities such as VIP lounges and exclusive events boost profitability, despite the higher operating costs. For Cinépolis, the average revenue per patron in the VIP segment is about two-and-a-half times higher than in the traditional segment.

"The luxury segment of the cinema industry holds up relatively well in the face of paucity of content or underperformance



WHAT

Some affluent customers want the feel of a five-star hotel in a cinema and will only leave their homes, with their large plasma screens and home theatres, if assured of that experience.

AND

In theatres like these, a ticket can set you back by at least ₹500-₹700 and as much as ₹2,500, depending on the film; food and beverages will add substantially to that bill.

SO

Cinema chains are increasingly going premium to cater to this elite segment. Even regular tickets have become exorbitant, leaving a significant chunk of the population locked out.

of films compared to regular screens. This resilience can be attributed to the fact that luxury cinemas offer much more than just the movie itself; they provide a social and community experience that appeals to a discerning audience," said Sampat. "These cinemas feature amenities such as plush seating, gourmet food and beverages, and personalised services that create a memorable outing beyond the film."

During periods of few or no big releases, luxury cinemas can leverage their amenities and services to attract patrons through alternative programming. This includes special events, exclusive screenings, or themed movie nights, which continue to draw audiences even when blockbuster films are scarce. Additionally, partnerships with film festivals, live performances and corporate events can help fill the gap and maintain footfalls, ensuring that the cinema remains a vibrant destination, he added.

Further, the exclusivity and prestige associated with luxury cinemas ensure a loyal customer base that values the overall experience regardless of the specific movie being shown. In high-profile catchments

such as south Mumbai and south Delhi, it is common, especially for older audiences, to stick to one cinema and refrain from going elsewhere in case a show is unavailable. A concrete example of this resilience, Sampat said, was Cinépolis' luxury and premium formats witnessing a faster recovery in admissions post-covid than its regular-format screens.

CONTENT CHALLENGES

To be sure, entertainment industry experts point out that the transition to these up-market experiences also has to do with the kind of content themes increasingly adopted by filmmakers, particularly in Hindi cinema. Post the early to mid-2000s, as *Dil Chahta Hai*, *Rang De Basanti*, *Khosla Ka Ghosla* and others began speaking to more intellectually evolved viewers, multiplex chains followed suit with pricing that suited them, leaving the common man out of the picture. However, as the success of mass-market films *Jawan* and *Gadar 2* last year showed, the biggest success stories happen when films work across demographics.

"Cinema, by its very DNA, cannot work in a segmented fashion. Films are meant to be unifiers, not dividers. The real blockbuster will come when you can speak to each individual," said independent exhibitor Vishek Chauhan. In contrast to Bollywood, which has started speaking to an elite audience with high ticket prices, rates are still capped in the South and films there continue to speak to the masses, said Chauhan.

A good example of the benefits of low pricing from the recent past is the National Cinema Day initiative, a single-day offering when tickets were priced as low as ₹75 or ₹99. Footfalls surged and even mid-scale, non-star films saw a jump in collections across the country.

The other big irony is that multiplex chains insist on creating this fancy infrastructure for audiences that are spoilt for choice. Unlike top metros, the only avenues for entertainment in tier-two and tier-three towns tend to be movie halls. "But there is no content for nearly 70-80% of the population. Infrastructure, in turn, is driven by content," film distributor and exhibitor Akshay Rath explained.

While posh cinemas have been coming up in the country's top markets, theatres in smaller towns have been shutting down

permanently, Rath said, as cinemas remain starved of content. With no new film releases for much of the past two months, top multiplexes have spent the summer running on film festivals, concerts and IPL matches. Small-town theatres, meanwhile, have seen their business sink.

"When there is a regular supply of content, people will definitely come. When there are no new films, nothing works," said Amit Sharma, managing director of multiplex chain Miraj Entertainment, explaining the implications of the lack of content on the overall business, including luxury formats. Miraj has three IMAX screens scheduled to open in the next few months.

DEMOGRAPHIC DIVIDE

Another big challenge for luxury formats could arise from the deteriorating box office numbers of Hollywood films in India. Formats such as IMAX are particularly suited to the large-scale spectacles Hollywood has mastered, which Indian films have only begun exploring. However, while contracts signed by IMAX with Hollywood studios globally mandate playing American films shot in the format for at

least three to four weeks, there could still be a paucity of content that justifies paying such high rates in posh Indian theatres, even if it's for a clientele that doesn't need to count its pennies. Since reopening, Eros, for instance, hasn't screened too many films made specifically for IMAX, or even big-budget spectacles in general.

In their defence though, multiplex chains insist that the demographic that luxury cinemas target is genre-agnostic and doesn't necessarily wait for big-ticket films or visual spectacles to visit theatres. In fact, these audiences are willing to pay even for small and mid-scale films such as *Laapataa Ladies* and *Srikanth*, both recent releases that clocked impressive admissions in premium cinemas, according to operators.

Where then, does that leave other movie buffs? For now, the priorities seem clear. "India is a country with people of different income levels and everyone wants to watch a movie their own way. Our morning shows come for less than ₹100, but going below that will probably not work for us," as Bijli put it. "I'm here to make cinemas and make consumers happy. But at the same time, we have to make sure the business remains viable."

Despite the costs, for Cinépolis India, the average revenue per patron in the VIP segment is about 2.5 times higher than in the traditional segment.



Large-caps & Reits: India's largest investment adviser shifts strategy



POWER POINT
MRUGANK PARANJAPE

We welcome your views and comments at
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Over the past year, Soumya Rajan has moved from small- to large-caps, seeing froth in the mid- and small-cap rally

Neil Borate
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Soumya Rajan, the founder and chief executive officer (CEO) of Waterfield Advisors, has a very balanced portfolio. She has allocations in equity, debt, real estate investment trusts (Reits), infrastructure investment trusts (InvITs) and funds of funds (FoFs) investing in venture capital and private equity.

Over the past year, Rajan has moved from small to large caps, seeing froth in the mid- and small-cap rally. She's also invested her fresh fixed-income money in Reits and InvITs—instruments investing in real estate and infrastructure that offer a yield to investors.

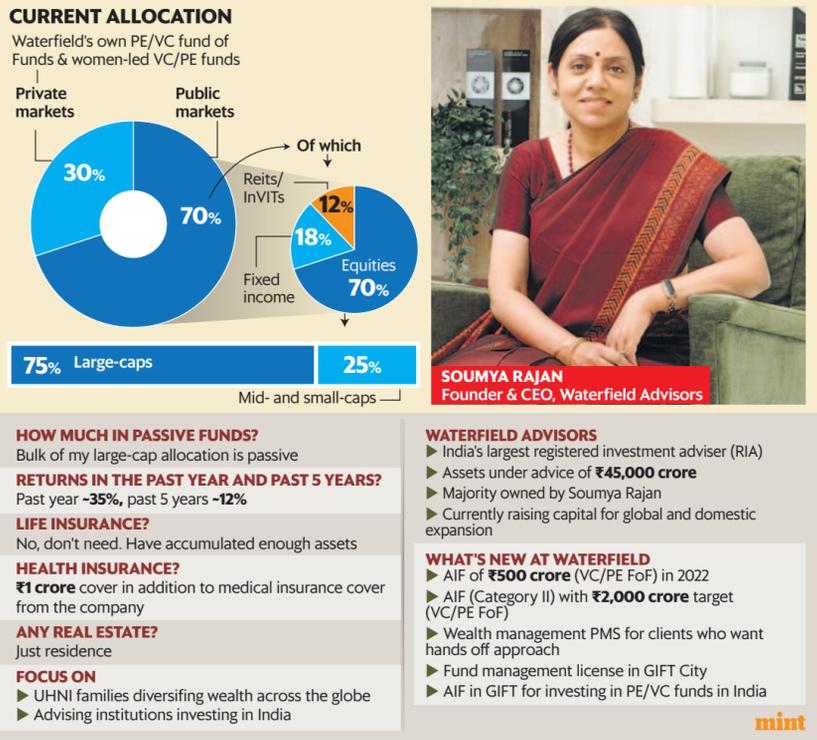
Rajan's financial portfolio of course excludes her stake in Waterfield Advisors, which is looking to raise a fresh round of equity funding from global family offices. Rajan had founded the multi-family office and wealth advisory firm in 2011 after a long career in banking. With about ₹45,000 crore in assets, Waterfield is currently India's largest registered investment adviser. The firm is majority-owned by Rajan, with minority stakes held by the Patni Family Office and Zephyr Management, its overseas partner.

Personal portfolio

Excluding her stake in Waterfield, the bulk of Rajan's money is in the public markets. This money is invested in equities—both direct stocks and mutual funds. The rest is split almost equally between debt funds (target maturity) and Reits/InvITs. Most of this (75%) is in large-cap stocks with the balance in mid and small caps. Rajan also mostly uses passive funds (index funds) for her large-cap allocation because active mutual funds have stopped outperforming benchmarks in the past several years.

Worried about the froth in mid and

Soumya Rajan's investment approach



small caps, Rajan shifted from them to large caps last year. She also added Reits and InvITs to the fixed-income part of her portfolio. The 2023 Budget made debt mutual funds taxable at a slab rate regardless of the holding period. Hence, Rajan has been putting her fresh debt money in Reits and InvITs, which invest in completed and

revenue-generating real estate and infra projects, and are relatively stable.

Rajan stopped renewing her life insurance policies once she had accumulated a sufficiently large portfolio. She continues with this stance.

Rajan has also begun putting more of her money in private markets (unlisted space) such as venture capital

and early-stage growth funds. About 30% of her portfolio sits there—in FoFs launched by Waterfield itself and funds run by women managers.

The maiden Waterfield FoF was launched in 2022, predominantly investing in venture capital. The firm is now launching a second fund with a ₹2,000 crore target.

Rajan doesn't invest in real estate except for owning her primary home. While she has no life insurance since she feels she has sufficient cushion in the form of investments for her family, she has a health insurance policy of ₹1 crore in addition to medical insurance coverage from her company.

Deployment strategy

Rajan expects the market volatility to continue in the coming weeks until a stable functional government is created. "So far, net flows have been favourable, but hereon, the market trajectory will be driven by continued good earnings performance," she says.

"As a house, we had encouraged investors to keep some dry powder (depending on their objectives) given the magnitude of the event risk that general elections pose. We have avoided Fomo (fear of missing out) despite the markets' strong performance in recent months."

Currently, stock prices have both good and unattractive traits, says Rajan. "P/E (price-earnings) ratios are moderate to slightly elevated, business profits are substantial and balance sheets are solid. However, there are geopolitical concerns and worries over the continuation of the previous government's policies. As a result, we propose to negotiate the transition from a current cash position to a neutral (fully invested) position depending on current and changing market valuations," she says.

"This is the most objective way to deploy money in an unpredictable market environment owing to a strong causal relationship between valuations and future returns. If valuations remain stable, allocations can be spread over the next three-four months. If prices moderate, deployment can be accelerated. If weakness in markets persists this week, then we advise allocating 25% of dry powder and staggering the remaining."

THE CASE FOR DROWNING THE FLOAT IN T+0 ERA

A critical discussion has emerged on the implications of the T+0 settlement cycle in the Indian markets for global investors, particularly foreign portfolio investors (FPIs), and the hidden costs that are often overlooked. Transaction costs have long been the subject of rigorous scrutiny, particularly by FPIs, who have historically lamented the high cost of entering and operating in Indian markets. These costs are multifaceted, often categorized as one-time fees for setup and registration, assets-under-custody (AuC)-based charges and transaction-based fees. However, lurking beneath these is a less transparent cost known as 'float'.

The hidden cost

Banks earn a net interest margin by lending money deposited in current, savings and fixed deposit accounts. But when these funds are idle, typically due to procedural constraints, and cannot earn any interest, the benefit accruing to the bank is called float income.

This cost is elusive, and the root causes of float are diverse, ranging from regulatory constraints, such as the prohibition on interest for current accounts, to procedural inefficiencies that decelerate the transfer of funds. Float, therefore, has thrived in a domain where sluggishness and opacity are inadvertently incentivized.

History of float in India

India's financial market has evolved from ambiguous settlement dates to highly efficient T+0 (same-day) settlements. However, this has not been accompanied by a reduction in the float.

From the pre-clearing corporation era, which saw significant float due to DVP/RVP (delivery versus payment/receive versus payment) settlements, to partial standardization with the emergence of the Clearing Corporation and STP Gate, the float has remained present at varying degrees despite advances. On the buy side, this has moved in tandem with the shortening of the trade cycle, but it has unfortunately persisted on the sell side.

FPIs have long lamented the high cost of entering and operating in Indian markets

Key among these is the requirement to appoint a tax representative, a complex necessity given India's intricate tax laws and the enduring liability even after an investor exits the market.

Additionally, tax regulations necessitate the deduction of tax before any remittance, which requires a handoff between custodians and tax consultants. This is the primary reason why the sell-side float has remained stubbornly immune to efficiency improvements. In the developing T+0 cycle, the tax liability crystallization is further delayed, occurring only after the sale transaction contract note is issued, effectively sustaining the sell-side float.

Envisioning a solution

In some other developing markets in Asia, the onus of tax computation is on the custodians, and the same set of banks do this willingly. But as they say, turkeys don't vote for Christmas. The path forward lies outside the current frameworks and conventional thinking.

FPI holdings are bought and sold in demat form, so a simple solution would be to allow Sebi-registered depositories to issue certificates that could be recognized by authorized dealer banks for remittances, eliminating the need for a separate certificate from a tax consultant. After all, depositories have robust, regulated IT platforms. The two depositories in India boast advanced technology, making generating capital gains tax liability a trivial concern. This change would not only streamline processes but also lower transaction costs, since obtaining tax certificates is costly.

There are further nuances for those availing benefits under specific tax treaties, clubbing multiple transactions, and in the realm of debt, so sceptics will point out the partial nature of this solution. But to start with, let's follow the KISS principle—keep it simple and straight—and deliver the cost benefits to the bulk of FPIs.

Mrugank Paranjape is a managing partner at MCQube, and an independent non-executive director at SBI and Oracle Financial Services Software Ltd.

Read a longer version of this column at www.livemint.com/money.

Catastrophe bond sales soar ahead of rough hurricane season

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Issuance of catastrophe bonds just hit a record high, as the market braces for a rough hurricane season with the potential to do substantial damage.

Sales of so-called cat bonds are 38% higher this year through May than over the same five-month period in 2023, which was already a record, according to Artemis, a compiler of data on insurance-linked securities. What's more, the \$4 billion issued in May

alone represents the greatest volume of catastrophe bonds ever sold in a single month, Artemis said.

The development looks set to reshape a market that last year supported the world's best-performing hedge-fund strategy. Cat bonds, which allow insurers to transfer risk to the capital markets, can leave an investor with huge losses if catastrophe hits, and huge gains if it doesn't. In 2023, cat bonds soared 20%, marking the best annual return in their almost three-decade history. Now, some veteran catastro-

phe-bond investors are looking for ways to cut their exposure as forecasts point to a particularly active hurricane season.

Tenax Capital, an asset manager specialized in cat bonds, says greater scrutiny is needed when various forecasting agencies predict a more active hurricane season than usual, which is then reflected in daily portfolio decisions.

Bonds in the firing line are those that are the most junior in an extreme weather event, said Toby Pugh, an analyst at London-based Tenax. The fund manager is now "even



more strict in what we buy," and is limiting investments to cat bonds that are triggered by statistically rare, large events,

he said.

Extreme weather events are among a number of parameters driving cat-bond issuance. Others include inflation and population density. All of these parameters have risen in recent years, leading insurers and reinsurers to rely more heavily on capital markets to cover potential losses.

Issuance of the bonds, including non-property and private transactions, reached an all-time high of more than \$16 billion in 2023. The current value of outstanding cat bonds stands at \$49 billion, Artemis

estimates. Crucially, last year saw relatively few weather events that ended up triggering cat-bond payment clauses, leaving investors uniquely well off.

This year, the risks appear to be higher.

Thanks to near-record ocean temperatures and a shift to La Niña conditions, the US is expected to witness an extremely active hurricane season. Scientists at Colorado State University predict 23 named storms, 11 hurricanes and five major hurricanes, which is significantly higher than the historical average.

Best home loan rates

A home loan is probably the biggest loan that one takes. Not only in terms of the loan amount, but also tenure, which can be 15 years or more. The total final amount that one pays can be double of what was borrowed. But a home loan is among the cheapest loans available, and usually it is the only way a person can buy a house. A home loan is called a 'good' loan because it helps you acquire a tangible asset that can appreciate over the long term. It makes sense to buy a house if you plan to live in it. Given the fact that the construction of several housing projects in India continues to be delayed or stalled by many years, financial advisers say that one should buy a ready-to-move-in house. Here's a look at the lowest home loan interest rates of some leading banks.

Loan amount = ₹30 lakh. Tenure = 20 years

Lender	Interest rate (%)	EMI (₹)	Processing fee
City Union Bank	8.25-10.50	25,562-29,951	0.20% - 0.35% + GST
Bank of Maharashtra	8.35-10.90	26,283-30,762	0.25% (Max. ₹25,000)
Central Bank of India	8.35-9.50	26,283-27,964	0.50% (Min. ₹2,500 and Max. ₹20,000) + GST
UCO Bank	8.35-10.00	26,283-28,951	Waived till 30 June 2024
Union Bank of India	8.35-10.75	26,283-30,457	0.50% (Max. ₹15,000) + GST
South Indian Bank Ltd.	8.35-11.44	26,283-31,869	0.50% (Min. ₹10,000) + GST
Bank of Baroda	8.40-10.60	25,845-30,153	Nil; Subject to out of pocket expenses of up to ₹10,000 + GST
Bank of India	8.40-10.85	25,845-30,660	0.25% (Min. ₹1,500 and Max. ₹20,000) for Individuals*
Canara Bank	8.40-11.25	25,845-31,478	0.50% (Min. ₹1,500 and Max. ₹10,000) + GST**
Indian Bank	8.40-10.35	25,845-29,650	Up to 0.25%
Indian Overseas Bank	8.40-10.60	25,845-30,153	Up to 0.50% (Max. ₹25,000) + GST
Punjab National Bank	8.40-10.10	25,845-29,150	0.35% (Min. ₹2,500 and Max. ₹15,000)
Nainital Bank Ltd.	8.40-11.00	25,845-30,966	Not updated
IDBI Bank Limited	8.45-12.25	25,940-33,557	₹5,000 to ₹15,000; Nil for Inward Balance Transfer and PMAY Cases
State Bank of India	8.50-9.65	26,035-28,258	0.35% (Min. ₹2,000 and Max. ₹10,000) + GST

Data taken from banks' websites as on 5 June 2024. EMI range is indicative and calculated on the basis of interest rate range; it may include other charges and fees. Actual applicable interest rate may vary based on the credit profile of the loan applicant.

*0.50% (Min. ₹3,000 and Max. ₹40,000) for other than individuals
**50% waiver from 1 June 2024 to 30 June 2024 under Retail Loan Festival

PRANAY BHARDWAJ/MINT

Source: MyMoneyMantra.com

Can renewal premiums rise by 40-50%?

Aayush Dubey

Is there a limit on how much insurance companies can increase renewal premiums? As individuals age, could they face a 40-50% hike in premiums?

—Name withheld on request.

Unfortunately, there's currently no cap on health insurance premium increases in India. This, indeed, can be a burden, particularly for older individuals. While premiums can rise significantly year after year, the cost of healthcare itself is also climbing. And, without health insurance, managing unexpected medical bills can be even more challenging.

Until there's improved public healthcare or regulations on private hospitals in India, health insurance premiums are likely to continue increasing. Here's how you can manage:
• Establish a dedicated fund for premiums: Consider creating a dedicated fund specifically to cover future health insurance premiums. This makes budgeting for premiums more manageable, especially since health insurance is typically cheaper than out-of-pocket hospital bills.
• Maintain a backup fund:



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INSURANCE

Health insurance might not cover everything, like routine doctor visits, etc. Creating a separate savings fund for these extra costs is essential, especially as we age, and our healthcare needs often increase.

• Explore super top-up plans: Consider buying a 'super top-up' plan alongside your base plan. Super top-up plans typically have lower premiums and only kick in after you've reached a certain threshold (deductible). So, even if the base plan becomes expensive over time, the super top-up may remain more affordable. Let's say you have a base plan that covers up to ₹10 lakh and a

super top-up that covers anything above ₹10 lakh. If most of your claims are under ₹10 lakh, the premium for the super top-up will remain low. And if the base plan's premium gets really high, you could even drop it and keep the super top-up for major expenses. Sure, paying ₹10 lakh out of pocket might not be ideal, but this is like a worst-case scenario plan—it's better to pay a lower premium now than risk not being able to afford a hospital bill later.

When it's time to renew a health insurance policy, is it necessary to disclose any new illnesses, ailments or surgeries experienced within the last 12 months since the previous renewal?

—Name withheld on request.

This is a common question most people have regarding health insurance renewal.

Well, you generally don't need to disclose new medical conditions during health insurance renewal if the condition arose after your policy was initially issued. However, there are a few exceptions you should keep in mind:

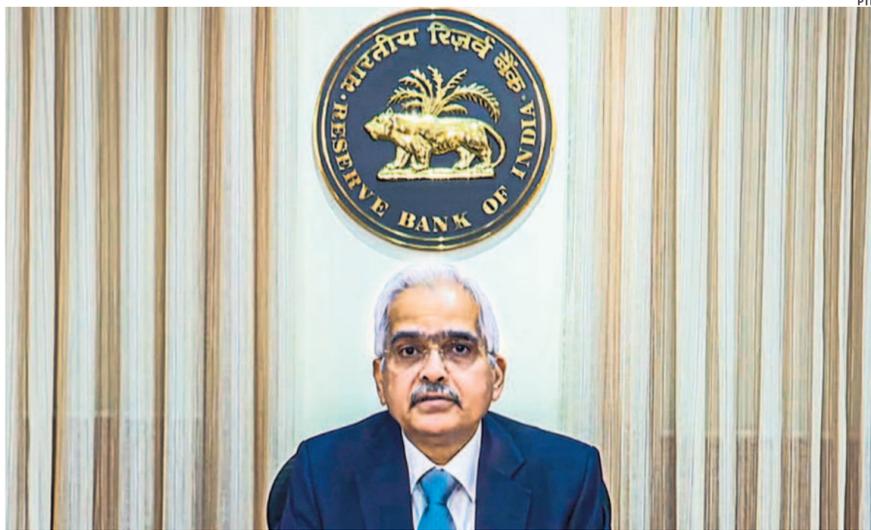
• If the insurer asks: During the renewal process, if your insurer specifically asks for disclosures on your health or any new medical conditions you're diagnosed with, etc., then it's crucial to inform them. Make sure you are honest and truthful in your answers. Withholding information could jeopardize your coverage or future claims.
• Upgrading your coverage: If you're increasing the sum insured under your policy during renewal, you will need to disclose any new medical conditions.

Aayush Dubey is co-founder and head of research at Beshak.org.

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



OUR VIEW



RBI optimism is tinged with chronic concerns

India's economy may be in a sweet spot, but consumption and private investment are still taking painfully long to pick up, even as RBI faces continuing uncertainty on food inflation

There are many ways in which designing a monetary policy differs from drafting a Union budget. The budget is an account of money received and spent, overlaid with plans for how to structure expenditure over the next 12 months—depending on a combination of pressing political exigencies and economic imperatives—and proposals for raising money to meet this spending. At the end of the year, it does not matter if the end-result deviates from the original, as testified by fluctuating budget deficits over the years. But, for monetary policy, the central bank's think-tank has to use past data to hack a path to the near future, hoping to maintain a comfortable equilibrium between inflation, growth and financial stability. The monetary policy unveiled on 7 June, in which the Reserve Bank of India's (RBI) monetary policy committee decided to hold the benchmark interest rate at 6.5% and persist with its stance of withdrawing accommodation, was based on April inflation data. Even though the narrative emanating from Mint Street emphasized that India's economy is in a sweet spot, growth having revived post pandemic and retail inflation somewhat under control, some wrinkles are visible in the central bank's policy statement. The first sign of anxiety, though minor, is RBI's apparent compulsion to keep an eye on policy actions by central banks in advanced countries. While the US Federal Reserve usually serves as the fulcrum for globally coordinated central bank action, the European Central Bank decoupled on 6 June and cut interest rates ahead of most other major central banks. This has put RBI in a piquant position, even though it is at pains to emphasize its policy

independence. If it cuts rates prematurely, it could lead to some retrenchment of foreign exchange reserves; if it leaves them untouched for too long, it may have to manage capital inflows and the resultant inflationary pressure. This extraneous dependence comes on top of India's flexible inflation-targeting regime in which factors that push up price levels (government expenditure, for example) have no accountability, but RBI has to submit a report to the Centre if its tools (higher policy rates or tighter liquidity) fail to control inflation. The 7 June policy statement may seem mundane to most untrained eyes. But drilling a bit deeper and reading between the lines, two-three creases underline the cheer and hope that the document tries to convey. The first is slowing private consumption, which has grown by only around 4% during 2023-24, a clear sign of compressed incomes and economic stress. The second source of unease lies in the private sector's tepid response to the government's front-loading of investment expenditure. And though the RBI governor did state that capacity utilization has exceeded its long-term average, circumspection underscores RBI's expectation of an investment revival. But the biggest worry is reserved for food inflation, which averaged around 7% during 2023-24 and touched 7.9% in April, even though there was noticeable price moderation in other categories (including fuel). What could inject further uncertainty to the trajectory of food inflation are extreme weather events traceable to climate change. Worse, it could spill over into generalized retail inflation and raise inflation expectations. Willy-nilly, over the next few quarters, RBI will yet again have to deal with the consequences of occurrences over which it has no control.

THEIR VIEW

Economics should go back to its basics for a fast-changing world

The discipline can't be divorced from politics and we must renew efforts to grasp evolving dynamics



KAUSHIK BASU

is a professor of economics at Cornell University and a former chief economic adviser to the Government of India.

The world economy is at a turning point. As global supply chains face frequent disruptions, the structures underpinning markets and international trade are unravelling, leading to economic instability which is spilling over into other domains and fuelling conflict and political polarization.

It is worth asking why, despite an unprecedented influx of data, mainstream economic thinking and policy-making appear to be failing. I believe that the problem lies in the lack of theoretical research, particularly when it comes to exploring overarching ideas needed to connect and interpret seemingly disparate data points and trends.

The growing backlash against economic theory in recent years has tended to focus on the field's reliance on developing mathematical models for their own sake rather than to inform and improve public policy. Many argue that instead of trying to imitate physics, economists should emphasize data-based empirical analysis. But while I do not doubt the importance of collecting data and addressing urgent social issues, major turning points demand that we direct our attention to more fundamental issues and consider the need for an economic paradigm shift.

History is rife with such shifts. The Industrial Revolution was a period of rapid technological innovation that enhanced our ability to produce goods

but also changed the rules of the game, as feudalism gave way to wage labour and large-scale factory production. Children were put to work on the shop floor, and the skies darkened with smoke and pollution.

Initially, no one understood how this new industrial economy worked. But the Industrial Revolution coincided with some of the biggest breakthroughs in economic theory, from Adam Smith's seminal *The Wealth of Nations* in 1776 to Léon Walras's *Elements of Pure Economics* in 1874. These works led to innovative and necessary policy interventions, such as Britain's introduction of income tax in 1842 and the passage of the US Sherman Antitrust Act of 1890.

Crucially, the burgeoning discipline was not yet synonymous with mathematical modelling, which is why both Adam Smith's lucid math-free analyses of political economy and Walras's mathematical work were able to transform economic theory and provide us with invaluable insights into the new paradigm that emerged during the Industrial Revolution.

After Walras's work laid the foundations for neoclassical economics, mathematical principles became integral to public policy. For a while, this approach worked well. But the neoclassical revolution assumed perfect information, and this became embedded in the discipline, even though most economists knew it was a chimera.

By the early 1970s, Nobel laureate economists George Akerlof, Joseph Stiglitz and Michael Spence demonstrated that information is not just imperfect, but asymmetric, and that this had more dramatic consequences than people had realized. Corporations know more about the products they sell than buyers do, just as used-car dealers know more than their customers about the cars they sell. Their groundbreaking work upended some of neoclassical economics' fundamental assumptions, leading to a paradigm shift that provided new insights into how to design

public policies to protect consumers and workers from exploitation.

Economics is now again on the cusp of a profound transformation, owing to the digital revolution and the rise of artificial intelligence. By redefining the meaning of labour and giving rise to new forms of economic warfare that disrupt global supply chains, these rapid technological advances are changing the nature of markets and trade.

Policy-makers appear slow to recognize this new reality, leading to frequent economic 'firefighting'. But just as fighting fires does not eliminate the need to develop new types of non-flammable materials, economists must devote more energy to studying the dynamics of today's emerging technological paradigm.

One way to do this is to go back to basics. Before the late 19th century, we had no discipline called economics; it was known as 'political economy', in recognition of the intertwined nature of the economy and the polity. This began to change with the publication of Alfred Marshall's *Principles of Economics* in 1890 and the subsequent rise of marginalism. With its separation from the study of politics, economics became a distinct mathematical discipline.

While this exclusive focus has allowed economists to focus their research and enabled the discipline to mature by leaps and bounds, it has also created an artificial separation between economic policymaking and politics. In the real world, markets, trade, politics, and international relations have become so interconnected that we miss a lot if we try to study them separately.

Fortunately, the rise of game theory over the past century has provided economists with an analytical framework that, unlike marginalist mathematics, can encompass both economics and politics. Reviving the classical tradition of political economy would provide us with the intellectual tools to study—and understand—our rapidly changing world.

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10 YEARS AGO



JUST A THOUGHT

The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.

THOMAS SOWELL

MY VIEW | MODERN TIMES

A theory of why the BJP did poorly in the elections

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A few days ago in my colony, I overheard a quarrel between a man who lived in a villa, like me, and a gardener. The master wanted some additional work to be done, and the gardener said that would cost him a few hundred rupees more. The master exploded in rage at the "greed" and poor work ethics of migrants. He said, "You be careful. See what happened to Kejriwal? He acted too smart, not realizing his size." A few hours earlier, Delhi chief minister Kejriwal had been arrested on corruption charges.

When the quarrel began, I thought there was something unusual about the moment, because by the laws of probability, it was likely that both men were in the vote base of the Bharatiya Janata Party (BJP). The master is not the average BJP voter, as his wealth and income are well above that level, but a very vocal one in the eyes of migrants. The urban master hides an underrated clue to why the BJP lost 92 of the 303 seats it had won in 2019 (it won new seats to reach 240).

There was a time when the master and the gardener used to do the same things, like vote for the Congress and watch the same Hindi films. There was even a period when their children went to the same school, or at least studied the same text books. But then, India changed and different classes did not do the same stuff in the same room anymore, unless one was serving. As the BJP rose to assume power at the Centre, different classes once again voted for the same party, and even the same ideology. But this was an odd state of affairs and not fated to last.

Apart from politicians and some paid actors, who are the BJP's ambassadors? Upper middle-class people in propaganda, journalism, cinema and the culture business, mostly. There are others who are not so prominent but are still ambassadors of the party. They are among the urban upper classes; they are employers of house-helps, drivers and gardeners. They are mascots of the BJP because they cannot stop talking about how everyone else should be. And they are the worst ambassadors a political party can have.

Intellectuals tend to venerate voters when the results go their way. So it was not surprising that economist Raghuram Rajan

complimented the intelligence of the Indian voter for diminishing the BJP. But we can understand elections without the myth of the voter's pious soul. When we understand what people dislike the most, I think we get most of what they do.

Political observers now say that "hubris" harmed the BJP. In the Indian lexicon, this means arrogance and not self-confidence. In any case, culturally, Indians equate self-confidence with arrogance. But I do not think that professional politicians, even from the BJP, were as overtly arrogant as critics of the party claim. In fact, for the past several months, they have been exhibiting considerable nervousness. Those who were full of bluster, those who were truly cocky, were actually the sidekicks, like the man in the villa. Millions of average voters who once voted for the BJP saw the cockiness of its most visible ambassadors.

Generally, people do not share the ideology of those they despise. This is the reason

why intellectuals find it hard to transmit wisdom. The problem is never that people are too dumb to see wisdom. People dislike wisdom if they dislike the mouth it comes from. It was a phenomenon that at first favoured the right-wing in India. But when the BJP found its own upper-class ambassadors, it probably had an adverse affect on the party's voter base.

The urban upper-class BJP fan who employs poor migrants is the party's worst ambassador

Observers cite several factors that influenced the verdict of these Lok Sabha elections. The most persuasive among these is high food inflation. There are other reasons given by election analysts, like high unemployment among the youth, that I don't find so convincing. It is hard to imagine why BJP voters would think some other party would enrich them. This year's electoral verdict, however, does have a punitive element to it. In the eyes of millions in India, the BJP had probably become a party of *sahebs* and bullies.

So, when the BJP deployed the political tactic of using law enforcement against

inconvenient politicians, it came across as a corroboration of the cockiness of the party's upper-class sidekicks. And the hard tactics of the previous government de-intellectualized a complex nugget of intellectual wisdom—institutions have to be independent or one man may walk away with everything.

I admired one quality of the previous government in which the BJP had an absolute majority in the Lok Sabha. As a citizen, I felt that someone was in control of the country, and even its future, and that was unprecedented.

Before the previous government, the imprisonment of a politician in India was rare. There was probably a practical reason for that. It was political courtesy. Politicians in power knew that one day they would not be in power and they expected new winners to extend the same courtesy. But there was a time till recently when it appeared that the BJP was not afraid of ever losing power at the Centre. Several rival politicians went to prison.

A diminished BJP may have to conduct more meetings and drink more sugary tea to push its economic agenda, but would also need to be more considerate and tolerant to other views.



THEIR VIEW

MINT CURATOR

The MPC has done well to keep policy interest rates unchanged

It is naive to believe the recent election verdict did not figure in (or shape) its decision to maintain status quo on the policy rate



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The outcome of the latest meeting of the Reserve Bank of India's (RBI) rate setting committee, the Monetary Policy Committee (MPC), was a no-brainer even before votes were counted. With growth doing well (latest estimates put gross domestic product or GDP growth for 2023-24 at 8.2%), but inflation yet to show firm signs of declining on a sustained basis, the case for *status quo* was compelling enough to begin with. And had become doubly so after the election verdict for a reason that no central bank would ever like to admit publicly: political realities, if not compulsions!

"We don't think about political events, we don't think about politics, we think about what is the right thing to do for the economy," said US Federal Reserve chairman Jerome Powell, responding to a question on the impact of the impending US presidential election on the Fed's actions. A similar sentiment was voiced by RBI Governor Shaktikanta Das when queried about the likely impact of the Lok Sabha elections on its rate action at the press conference following the April 2024 MPC meeting and reiterated at the latest press conference. Das simply refused to be drawn into a discussion on the subject, saying that the question is in the realm of "speculation."

The myth (for it is largely a myth) of independent central banks has long been a touchstone in modern economies. This is not surprising. Their credibility, and hence the faith of the public in central banks, rests on their seeming invincibility and imperviousness to political pressures.

Under the RBI Act, as amended after the adoption of inflation targeting in 2016, RBI's mandate is clear: ensure price stability (defined as ensuring retail price inflation remains within the 2-6% band) while keeping in mind the objective of growth. This *de facto* independence of RBI ensures that it can frame monetary policy regardless of electoral verdicts.

That's on paper! In practice, it is naive to assume that the outcome of the recent Lok Sabha elections would not have figured in the MPC's discussions. On the contrary, it is a fair guess that RBI and the MPC would have pondered long and hard on what the verdict means, both for the future course of the economy and for monetary policy. We'll have to wait for the minutes of the meeting to know more, though, as Governor Das, once again, refused to comment when queried on this.

Remember, the Bharatiya Janata Party (BJP) no longer enjoys a Lok Sabha majority on its own, but is dependent on coalition partners who are bound to demand their pound of flesh and, more importantly, be in a position to get it. In such a scenario, the MPC would necessarily have had to wrestle with an important question. Will the next



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five years see the government walk the straight-and-narrow path to fiscal consolidation with the same zeal as earlier to reach the avowed goal of below 4.5% fiscal deficit by 2025-26?

The answer to this is key to determining the course of monetary policy. More so since RBI is a full-service central bank charged with managing both the country's monetary policy and the government's debt. When the two roles come into conflict, as, for instance, when monetary policy demands higher interest rates even as the government seeks to borrow at lower rates, fiscal dominance of monetary policy ensures the latter (low interest rates) takes precedence. As in the period immediately after covid, when RBI kept interest rates low for much longer than warranted. Recall its repeated interventions in the market to prevent the yield on 10-year government securities from rising above 6%, with Governor Das terming the Reserve Bank's active management of the yield curve a "public good."

In such a scenario, the MPC has done well to keep rates unchanged (for the eighth time running) even if it was with a split verdict of 4:2, with two MPC members, Ashima Goyal and Jayanth

Varma calling for a 25 basis points cut in the repo rate. Likewise, the MPC must be commended for remaining "focused on withdrawal of liquidity," again by a 4:2 majority, despite dissent from Goyal and Varma who voted, somewhat inexplicably, for a change in the stance to neutral.

The reality, as Governor Das (in common with US Fed Chair Jerome Powell) admitted, is that "the final leg of the disinflation journey may be tough." With real GDP growth for 2024-25 projected at 7.2%, higher than the 7% projected by RBI earlier, and inflation yet to reach the 4% target on a durable basis, there is no case for rushing through with a cut in the repo rate (the rate at which RBI infuses liquidity into the system).

It is possible, of course, that RBI, chastened by hugely under-estimating GDP growth last fiscal, is over-estimating growth a little this fiscal. But with growth holding firm by all indications, "monetary policy has greater elbow room to pursue price stability to ensure that inflation aligns to the target on a durable basis." "Sustained price stability," said Das, "would set strong foundations for a period of high growth." He couldn't be more right on that.

THEIR VIEW

RBI regulation: 'Unpredictable' only when it should be

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The latest salvo from the Reserve Bank of India (RBI) was its supervisory action against two Edelweiss group entities, including an asset reconstruction company, after its scrutiny found areas of concern. The belief that a financial regulator like RBI should be passive is mistaken. It uses a rigorous process before taking hard decisions, engaging in a two-way dialogue with its regulated entities (REs) to articulate its concerns and provide opportunities for issue resolution. Before taking any action, the regulator carefully considers relevant submissions from the entities involved.

Yet, penalized entities often express surprise, contending that RBI was satisfied with their responses before harsh steps were taken. Many of these entities happen to count former RBI officials among their advisors, consultants and board members.

While RBI remains broadly predictable and steadfast in its adherence to macro policies, regulatory frameworks and supervisory objectives, it appears to avoid predictability

when it comes to specific supervisory outcomes. This approach works, for it prevents undue influence on the regulator from within the financial sector. Its independence stems from the rules it goes by, although key aspects of its role being under the ambit of legislation can subject this ostensibly independent body to political forces.

Looking back, RBI's resolve became clear soon after the 2018 collapse of IL&FS, with its knock-on effects reverberating throughout the financial system. This crisis was compounded by frauds that came to light at entities like Yes Bank, DHFL and PMC Bank. In response to the PMC Bank crisis, the government bolstered deposit insurance and terminated dual-regulation of cooperative banks. Subsequently, Lakshmi Vilas Bank also collapsed. In each instance, RBI faced criticism for being caught off-guard and failing to act decisively and promptly.

In recent years, RBI has been putting REs to extra scrutiny. Its recent strictures on Kotak Mahindra Bank followed action taken against several others. It placed curbs on HDFC Bank back in 2020, with its dragnet extending to PayTM, Bank of Baroda's app, IIFL Finance, JM Financial Products, Bajaj Finance and Mahindra Financial Services, among others; fintech players and asset

reconstruction companies (ARCs) have not escaped its lens. While some may argue that some executives involved received lenient treatment, it's crucial to recognize that RBI did take a firm stance that befits its institutional stature and reputation of integrity.

There has been considerable market discussion on concerns of collusion among lenders, non-bank financial firms, ARCs and other entities in the practice of "evergreening" loans or "balance sheet washing." Can RBI confront all of them simultaneously? This is not advisable and RBI's pattern of regulatory action shows that it has opted for a systematic approach instead, targeting each class of REs separately. By focusing on one industry category at a time, RBI sends out signals that offenders will be held accountable without causing panic across the sector.

Further, RBI has explicitly been communicating its expectations to the boards of REs, including their independent directors, making it clear these can't be taken lightly.

Considering the risks that need mitigation, RBI has aptly chosen to enforce compliance by targeting areas where breaches could have a significant impact. While it has been imposing monetary penalties, it's worth noting that such fines are often too light to serve as effective deterrents. A bigger

RBI's rulebook adherence is predictable but penalties that surprise could act as effective deterrents

worry for REs may be the reputational blow delivered by the publicity of punitive curbs being imposed for failing to meet RBI norms. Stopping REs from onboarding new customers until system deficiencies are rectified, for example, not only alerts customers to potential hazards, but also adversely affects the entity's financial performance. This directly impacts the top management's performance and diminishes the value of CXO stock options, thereby fostering a sense of urgency to ensure compliance, invest in remedies and address loopholes. Another tool at the disposal of RBI, albeit under-utilized thus far, is the authority to prevent the continuation of key management personnel in entities that

are repeat offenders or exhibit lax practices. This mechanism enables RBI to hold boards accountable, particularly their nomination and remuneration committees.

In all, the regulator has adopted a combination of specific and broad-based tools. Its imposition of higher risk weights for unsecured lending is an example of systemic risk mitigation, while its Kotak Mahindra Bank curbs are mainly aimed at cyber safety.

All this should be welcomed, as a robust and effective regulatory framework is beneficial eventually to individual REs as well as the entire financial sector. An alert RBI also enhances investor confidence in the ability of REs to generate revenues and profits in a risk-controlled manner.

Credit is due to the institutional responsiveness of RBI and the leadership of its governor for implementing stricter oversight and taking stringent measures in a sector grappling with disruptive technological changes and shifts in consumer behaviour. The central bank has displayed a willingness to take decisive action against large institutions, even those with significant influence. If tea leaves are to be read of its regulatory role, it's conceivable that RBI will toughen its stance against any risk of regulatory capture through a network of personnel.

Policy rate divergence is not a narrative that will last for long

The ECB's rate cut diverges from Fed policy. Don't over-interpret it



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The ECB's Christine Lagarde is confident Eurozone inflation is under control

After a period of relative uniformity among major monetary authorities, it's suddenly fashionable to talk of divergence in the path of interest rates. Unfortunately, this easy description papers over some important—and subtle—differences that have emerged over the past year. Such course corrections are healthy. The US central bank, the Federal Reserve, is not the only show on earth.

When traders speak about separation in the direction of borrowing costs, what they tend to mean is that one of two central banks from the G7 are doing something before the Fed. The notion has been given momentum by rate reductions from the Bank of Canada (BoC) and European Central Bank (ECB). They followed similar steps by Sweden and Switzerland. Protagonists play down the risks of moving before Washington: We do what our domestic conditions warrant, we don't have to march in lockstep. Yes, we are worried about dollar strength, but we are sovereign, etc. In decades of covering central banks and markets, I have heard a lot of that talk. Sometimes, there is substance to it.

Of course, officials have domestic mandates and, absent crises, must be guided by the local terrain. But look at a broader horizon and there's a noteworthy fading of synchronization that doesn't get as much attention. Important central banks in Latin America have been trimming rates for a while: Brazil has been at it since August, while Mexico, Chile and Peru have also made policy easier. China didn't hike at all, and economists are pencilling in a few cuts. The Reserve Bank of New Zealand considered resuming tightening, while its Australian counterpart has repeated *ad nauseum* that nothing is ruled out. Indonesia surprised with an increase.

The separation represents a shift from the early days of the pandemic, when massive easing was commonplace and done with startling alacrity, often in emergency meetings. The contemporary variety is also a turnaround from late 2021 and 2022 when the supply-chain constraints that accompanied the reopening pushed inflation up rapidly. The uniformity during these two dramatic periods led me to wonder in 2022 whether the era of the global central bank, a contentious assertion, had arrived. That harmony is fading.

The BoC's Senior Deputy Governor Carolyn Rogers put it well: "Although we were quite coordinated on the way up—and that was really helpful because a big part of inflation was global—you're going to see some divergence on the way down and that

makes sense." Rob Subbaraman, head of macro research at Nomura, was more succinct at a conference in Singapore: "We are moving away from the global shocks that held things together." The MSCI Emerging Markets Currency Index has almost climbed back to its levels of three years ago.

Looked at from a truly global perspective, the ECB and BoC are less bold departures and more like components of a mosaic. The shifts reflect the strength of underlying economies and the tenacity—or otherwise—of uncomfortable levels of inflation. Canada's central bank was heartened by a fourth month of price gains staying within the target range. In the euro zone, growth is far weaker than across the Atlantic. ECB President Christine Lagarde says she is confident inflation is under control. Fed Chair Jerome Powell has the benefit of a more resilient economy and has said there is no rush to cut. He's also been chastened by hot inflation data.

There will be limits just how far in front of the Fed some of these central bankers are prepared to get. Most economists do predict some reductions from Powell, this year, though later than anticipated in January. A gap of a few months doesn't make for an enormous disruption. The rate cycles may not match perfectly, but they do tend to broadly align over time. Unlike the present, it's often the Fed that makes the first move. That's tough this time, with Powell's preferred measure of inflation at 2.7% in April, compared with a target of 2%.

One of the more memorable quotes from 21st century banking came from Wim Duisenberg, the ECB's first chief. The Fed had cut in the early weeks of 2001 and, with the euro-zone economy softening, Duisenberg was regularly quizzed on when he would follow. Duisenberg was a hawk. His response at one point was "I hear but I do not listen." Nevertheless, the ECB did eventually ease and kept doing so. The Fed casts a long shadow, as does the greenback whose value it is required to protect. When Bank Indonesia ratcheted up rates last month, its governor began his press conference with a mention of the Fed.

"Divergence" will do well on internet searches for a bit. Enjoy the moment while it lasts. Just remember there's far more to it than what's uttered from podiums in Ottawa and Frankfurt. ©BLOOMBERG



BOOK EXTRACT

Starting D&I lessons at school

Teaching children the meaning of inclusivity sets them up for a better future by preparing them to tackle inequality

V. Raghunathan & Meena Raghunathan

An inequality is the unequal distribution or availability of resources, opportunities and privileges among individuals or groups in a society. It is a complex web of issues affecting many aspects of life—from access to education, healthcare and employment to political representation and freedom of choice... [L]ife's inequalities at birth, debilitating as they may seem, do not have to be permanent obstacles in life. However, the impact of these inequalities often leaves a deep mark through one's early years and maybe early youth, if not one's entire life. Since we have no control over some of the circumstances that may surround us, it is best that we help children be prepared to come to terms with the inequalities they are faced with, work towards narrowing them, and hopefully learn to bridge them entirely to move ahead in life. Any education must make a provision for such empowerment.

If some children start with a disadvantage, there are many who start with advantages, which leads to problematic attitudes as well—namely, a sense of entitlement. Good education must also work to combat the sense of entitlement that children from more privileged backgrounds may have. Parents must be on the lookout for signs of entitlement in their children—for instance, the expectation of instant gratification, lack of accountability, easily getting frustrated and angry if they do not get what they want when they want or a belief that they have a right to something. Typically, entitled children do not show gratitude, as they feel that they are owed whatever they get, don't like to hear 'no', are difficult to satisfy, always expect things

to go their way, and cannot cope with disappointment and failure. Parents have a critical role in discouraging these attitudes and mindsets, and constantly remind the children that they need to work to deserve their privileges as well as develop empathy and appreciation for those who do not enjoy the same advantages and privileges. We must make efforts to help children realize that while fundamental inequalities are the truth of life and are mostly beyond our control, it is certainly in our control to try and overcome them or narrow the gaps as we grow up.

Glaring, of course, is the socio-economic divide. But what about the other inequalities in a child's life? One may be a gifted child and the other average. One may be particularly adept at cracking examinations while the other may dread tests and exams. One may be a natural in sports or athletics, while the other may not be. One may be endowed with looks that meet the standards of what society considers beautiful or handsome, while the other may not be.

These differences in intellectual, skill-level or socio-economic status often play havoc with children's minds, and could have an impact on their future.

While we often celebrate diversity (and inclusion, or D&I) in all its aspects in education, work, sports, politics and business, we fail to recognize the challenges which diversity among young children (and adults) brings in its wake. If we are to build an inclusive world, abled and differently-abled children, children from different cultural and ethnic backgrounds, and children from different socio-economic backgrounds must study and play together and develop understanding and empathy. But we cannot take it for granted that this will happen just by putting children from different backgrounds in one classroom. Schools and parents both have to be sensitive to the issue. Schools have a great responsibility in building such equitable and inclusive systems, where every member feels safe, and confident and can grow to their potential. Schools that admit children from lower socio-economic backgrounds under the RTE (Right to Education) Act must be particularly sensitive to these challenges.

In the context of equality, it is important to understand a concept related to ine-



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quality, viz., power distance, which is especially relevant to our country.... Gerard Hendrik Hofstede, the Dutch author, refers to the 'power distance index' as part

of his framework for assessing cultures spanning nations. The power distance index measures 'the extent to which the less powerful members of organizations and institutions (like a family or a business) accept and expect that power is distrib-

uted unequally'. The higher the acceptance and the expectation of power inequality, the higher the power distance. Using this framework, he shows that

countries like Austria, Australia, Israel, New Zealand, Switzerland, UK and several Scandinavian countries represent low power distance since these societies 'expect and accept power relations that are more consultative or democratic'. On the other

hand, Malaysia, Indonesia, Thailand, China, Korea, India, Pakistan, several African countries and many South American countries represent high power distance, since these countries are probably more autocratic, feudalistic or paternalistic....

As parents and teachers, we have to sensitize children to issues like inequality, equity, power distance and corruption, and model positive behaviours. Young people must develop a healthy sensitivity and awareness of such inequalities and the challenges arising from them, and figure out how they, as enlightened citizens of tomorrow, should be well prepared to make their contributions to minimizing

Young people must be made aware of inequalities so they are prepared to make contributions to minimizing them



To Every Parent, To Every School: Raising Resilient Children in a VUCA World:

By V. Raghunathan & Meena Raghunathan; Penguin Random House India; 384 pages, ₹699.

such inequalities.

Can schools teach children that their self-worth as well as the worth of their parents is not estimated by their capability with English, the length of their cars or where they went for their last vacation? It may not be easy, but this is where inspirational stories come in. What help does the child get to cope with dissonance arising from such inequalities and expectations? How do we help them understand that not everybody is born equal or with the same potential? Or that the world is not necessarily fair. That it is exploiting one's potential to the fullest which really counts in life? How do we teach them to count their blessings and be more compassionate and empathetic towards those who are less advantaged?

How well our child develops as an adult will significantly depend on how we, as parents and teachers, prepare them to face the questions above.

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