

Monday, June 24, 2024

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Adani plans \$3 billion for pumped storage venture ▶ P1



Unlisted local units of six MNCs under scanner ▶ P1

## SAMSUNG

# Galaxy S24 Ultra

Galaxy AI ✨ is here

## Now in Titanium Yellow



### Own Galaxy S24 Ultra at ₹ 54999\*

Retail price	₹ 129999 <sup>#</sup>
Exchange value of old device	₹ 63000 <sup>~</sup>
Additional upgrade bonus	₹ 12000 <sup>^</sup>
Own now at	₹ 54999 <sup>*</sup>

Zero down payment | 24 months no cost EMI\*\*



Samsung Finance+™

Please dispose of e-waste and plastic waste responsibly. Customers can WhatsApp on 180057267864 for information on e-waste/plastic waste.

Image simulated for representational purpose, actual may vary. S Pen embedded in Galaxy S24 Ultra. Works on compatible apps and surfaces. Samsung account login is required for certain AI features. T&C apply. \*Offer price shown for 1 unit of Galaxy S24 Ultra 12 GB | 256 GB inclusive of exchange value of old device and additional upgrade bonus. Final pricing subject to dealer discretion. <sup>#</sup>Retail price of 1 Unit of Galaxy S24 Ultra 12GB | 256GB. Price inclusive of taxes. <sup>~</sup>Approximate value on exchange of 1 Unit of Galaxy S23 Ultra 12GB | 256GB. Exchange value varies basis model & condition of old device. Exchange at the sole discretion of dealer. <sup>^</sup>Upgrade bonus as per Samsung Upgrade program, provided by brand/dealer at their sole discretion upon exchange of select devices. Upgrade Bonus varies model wise and EMI offer taken by the customer. Up to ₹ 12000 upgrade bonus is applicable only where customer does not avail the 24 months no cost EMI offer. The Upgrade Bonus shall be upto ₹ 6000 only when availed with 24 months no cost EMI offer. <sup>\*\*</sup>Eligibility for EMI at the sole discretion of the financiers including those listed on Samsung Finance+ (Financier T&C applies). Samsung disclaims any liabilities with the same. Offers may be revised or withdrawn without prior notice. All third party logos/brands are trademarks/registered trademarks of the respective brand/company. Samsung promotes responsible use of Artificial Intelligence (AI) features.

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Or WhatsApp "Hi" to 9870 494949 to buy at Samsung Exclusive Store

**SAMSUNG**

# Galaxy S24

Galaxy AI ✨ is here



## Own Galaxy S24 at ₹ 29999\*

Retail price	₹ 74999 <sup>#</sup>
Exchange value of old device	₹ 32000 <sup>~</sup>
Additional upgrade bonus	₹ 13000 <sup>^</sup>
Own now at	₹ 29999*

Zero down payment | 24 months no cost EMI\*\*



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Image simulated for representational purpose, actual may vary. Samsung account login is required for certain AI features. T&C apply. \*Offer price shown for 1 unit of Galaxy S24 8 GB | 128 GB inclusive of exchange value of old device and additional upgrade bonus. Final pricing subject to dealer discretion. <sup>#</sup>Retail price of 1 Unit of Galaxy S24 8 GB | 128 GB. Price inclusive of taxes. <sup>~</sup>Approximate value on exchange of 1 Unit of Galaxy S23 8 GB | 128 GB. Exchange value varies basis model & condition of old device. Exchange at the sole discretion of dealer. <sup>^</sup>Upgrade bonus as per Samsung Upgrade program, provided by brand/dealer at their sole discretion upon exchange of select devices. Upgrade Bonus varies model wise and EMI offer taken by the customer. Up to ₹ 13000 upgrade bonus is applicable only where customer does not avail the 24 months no cost EMI offer. The Upgrade Bonus shall be upto ₹ 8000 only when availed with 24 months no cost EMI offer. <sup>\*\*</sup>Eligibility for EMI at the sole discretion of the financiers including those listed on Samsung Finance+ (Financier T&C applies). Samsung disclaims any liabilities with the same. Offers may be revised or withdrawn without prior notice. All third party logos/brands are trademarks/registered trademarks of the respective brand/company. Samsung promotes responsible use of Artificial Intelligence (AI) features.

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# mint

Think Ahead. Think Growth.

**mint primer**

## Will XR glasses, Neuralinks kill smartphones?

BY LESLIE D'MONTE

India accounts for 10% of the 7 billion people using smartphones globally. These, however, may be gradually replaced by extended reality (XR) glasses, gesture-based screens and even brain-computer-interface (BCI) devices like Neuralinks in the next 10-15 years.

REUTERS



### 1 What prompted this question?

"In the future, there will be no phones, just Neuralinks," Elon Musk recently posted on X, suggesting that Tesla's brain chip implant would eventually replace smartphones. It was his response to a post on X that showed an artificial intelligence (AI)-created image of Musk with a phone and a neural network pattern on his forehead, asking if users would agree to implant a Neuralink. The product, called Telepathy, comprises an implant that records neural activity through electrodes, a surgical robot and a user app. However, it is currently limited to helping critically ill patients use their thoughts to move their limbs.

### 2 Are there other experts who agree?

Way back in 2013, Mary Meeker, an internet analyst and partner at Kleiner Perkins Caufield Byers, said the future is about "wearables (smartwatches, etc.), drivables (driverless cars), flyables (eplanes, etc.), and scannables (QR codes, etc.)". In May 2022, Nokia CEO Pekka Lundberg said technologies like embedded chips in our bodies will replace smartphones by 2030. Futurist Ray Kurzweil believes BCIs will kill smartphones. Apple has underscored the future potential of augmented reality (AR) and wearable tech with products such as a mixed reality (MR) headset called Vision Pro and a MR operating system called visionOS.

### 3 What technologies could take centre stage?

Future alternatives to smartphones include AR glasses, smart contact lenses and wearable computers like advanced smartwatches and smartbands with features such as health monitoring, communication tools and even cellular connectivity. Non-invasive BCIs enable hands-free control, while flexible displays combine portability with larger screens.

### 4 Is there a timeline for this to happen?

The transition is likely to happen in stages since we currently use our smartphones not just for phone calls but also to surf the Internet, check emails, make audio and video calls, take pictures and selfies, see and even make videos and movies, play games, do banking, make payments and shop online. Smartphones also keep an eye on our fitness and health, and are now evolving into AI- and generative AI-enabled devices, capable of running AI and small language models. So, this could take a while.

### 5 What hurdles do they need to overcome?

The limitations of XR glasses, BCIs and other advanced technologies include limited functions, high costs, bulky or intrusive designs that cause fatigue, and limited battery life. There are also concerns about privacy, data security, health and ethics, and the need for significant user training. Then there's the lack of a robust ecosystem of developers, resulting in a lack of apps and services. Manufacturers will have to build interoperable ecosystems just as they did for smartphones. This is easier said than done.

**QUICK EDIT**

## GST: Act quickly

The Goods and Services Tax (GST) Council under the chairpersonship of finance minister Nirmala Sitharaman, after its first meeting on Saturday since the new government assumed office, has announced many changes to make compliance easier. Among them are a waiver of interest and penalty on certain past tax demands, tweaks in monetary limits to reduce litigation, reduction in the pre-deposit amount needed for filing appeals and exemption of railway platform tickets, among other items. These are welcome moves that will ease GST's burden for some. Though a few minor rate moves were also announced, overall rate rationalization has been left for the next meeting to consider. This will be key. No doubt, GST has made taxation far simpler in its seven-odd years of existence. However, it's still a work in progress. A reduced number of rate slabs and the inclusion of hydrocarbons under the regime must be matters of priority for GST to deliver on its promise of being a "good and simple tax". Thankfully, buoyant revenues can act as a cushion to re-craft this tax. Now is the time to go in for big-ticket reforms. The GST Council must get past minutiae for more substantive progress.

**MINT METRIC**

by Bibek Debroy

With a controller ordered online,  
A couple's reactions were serpentine.  
A live cobra tied with tape,  
Made them gawk and gape.  
A refund was paltry anodyne.

**QUOTE OF THE DAY**

The (overall) penetration of EVs in India is something like 6% and we see it quite easily expanding, double and more than double, quite quickly.

**ABHINAV SINHA**  
MANAGING DIRECTOR,  
BRITISH INTERNATIONAL  
INVESTMENT



## THE WEEK AHEAD

**24 JUN** **LOK SABHA SESSION**  
The first session of the 18th Lok Sabha begins.

**24 JUN** **APSEZ SENSEX DEBUT**  
Shares of Adani Ports and Special Economic Zone (APSEZ) will start trading on the BSE Sensex.

**24-25 JUN** **IPOs THIS WEEK**  
Initial public offerings of Sylvan Plyboard, Shivalic Power Control, Petro Carbon & Chemicals to open.

**26 JUN** **HAL DIVIDEND**  
Hindustan Aeronautics to consider final dividend payout for fiscal 2023-24.

**26 JUN** **ESSEL GROUP PLEA**  
Bombay HC likely to take up Essel appeal against Sebi summons in alleged fund diversion at Zee.

**27 JUN** **US PRESIDENTIAL DEBATE**  
The first US presidential debate between Joe Biden and Donald Trump to be hosted by CNN.

**28 JUN** **BHARATNET TENDER**  
Deadline ends for submission of bids for the BharatNet phase-III project.

**30 JUN** **NEET FIASCO**  
NEET-UG re-examination results announcement. Exam has been marred by allegations of paper leak.



# Bajaj Housing Finance: bankable, but no bank

BY HOWINDIALIVES.COM

Earlier this month, Bajaj Housing Finance filed a draft offer document with the capital market regulator to offer shares worth about ₹7,000 crore to the public for the first time. Of this, ₹3,000 crore of shares are being sold by parent Bajaj Finance. The remaining ₹4,000 crore will come in from new shares, which will help it expand its housing-finance business. While Bajaj Housing is an efficient and profitable player in home loans, it faces structural issues, the most important being competition from banks, which have a natural advantage.

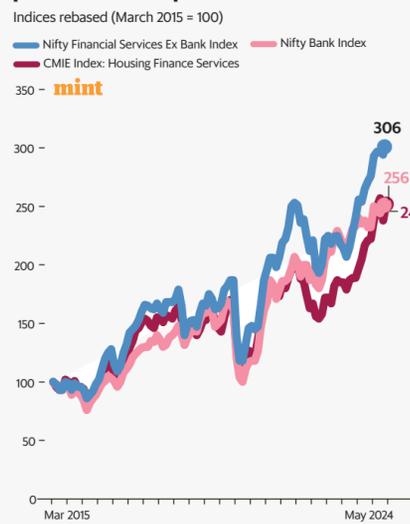
Bajaj Housing is India's second-largest housing finance company (HFC) as of 2023-24 with assets of ₹91,370 crore. LIC Housing Finance leads, with ₹2.87 trillion in assets. HDFC had been at the top before it merged with HDFC Bank in July 2023.

Banks have an advantage over non-bank financiers as they can raise funds at a lower rate of interest through savings and current deposits. HFCs, on the other hand, have to borrow from banks or raise funds via bonds. In late-2022, Crisil wrote, "HFCs are expected to continue losing home-loan market share to banks amid stiff competition."

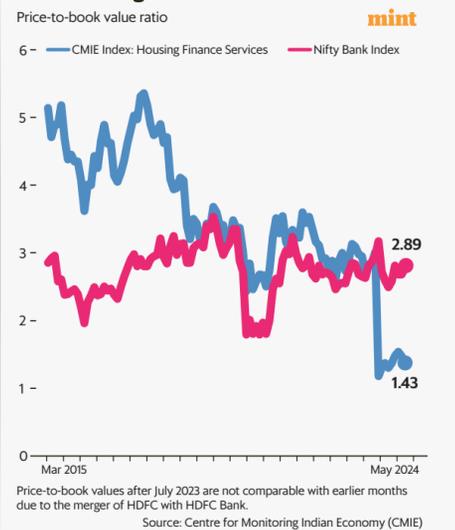
As a result, stocks of HFCs have lagged those of banks and fellow non-banking finance companies (NBFCs) that operate in areas—such as gold loans and auto loans—that have higher margins.

Interestingly, until a few years ago, HFCs traded at higher valuations than banks in terms of the price-to-book value. But the NBFC crisis in 2018, triggered by the collapse of IL&FS, led to a re-rating of such stocks.

## Housing finance stocks have lagged peers in related spaces



## Housing finance stocks have lost their valuation edge



## Prime vs Affordable Segment

**BAJAJ HOUSING** primarily operates in the so-called "prime" segment of the market, where the ticket size of a loan is above ₹50 lakh. In contrast, Aadhar Housing, which went public in May, operates in the affordable segment (ticket size below ₹25 lakh). Besides the loan size, the difference between the two segments is in the type of borrowers and the risks they pose. Prime segment loans are perceived as safer, as a greater share of their borrowers are salaried. To compensate for their increased risk, interest rates in the affordable segment tend to be higher. This is reflected in the net interest income and return on average assets of affordable segment lenders. "One segment where HFCs have been growing relatively faster is affordable housing loans, where competition from banks is limited," said Crisil in its 2022 report. "Given their relatively small footprint and large underlying demand, AHFCs are expected to keep growing faster than traditional HFCs."

## The less risky prime segment also offers lower returns

Company	Net interest income (%)	Return on average assets (%)
<b>Prime segment</b>		
Tata Capital Housing	4	2.4
Can Fin Homes	3.6	2.2
PNB Housing	3.5	2.2
Bajaj Housing	3.4	2.4
LIC Housing	3	1.7
<b>Affordable segment</b>		
Aptus Value Housing	10.4	6.8
Aadhar Housing	7.2	4.2
Home First Finance	6.5	3.8
Aavas Financiers	6.1	3.3

Data for 2023-24. Companies arranged in descending order of net interest income in respective segment.

Source: Bajaj Housing Finance draft red herring prospectus

## Bad loans of housing finance companies have shot up



## Quality of Loans

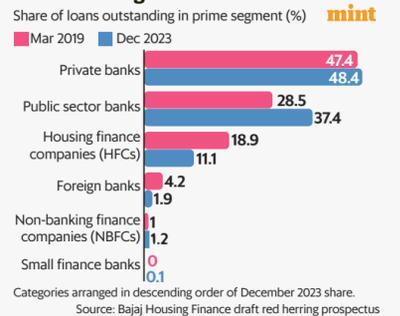
ASA whole, though, HFCs have seen more loans turn bad than various types of banks. The share of loans in HFC portfolios that have not been serviced for 90 days or more rose from 1.65% in March 2019 to 4.77% in December 2023. This was partly because HFCs target borrowers in the affordable housing segment, which tends to be riskier. As of December 2023, HFCs accounted for about one-third of loans in this segment, as compared to 11% in the prime segment, where banks dominate. Bajaj Housing Finance, though, is a relatively good performer. As of December 2023, its gross non-performing assets (NPAs) stood at 0.22% of its loans outstanding, against 4.4% for LIC Housing Finance and 3.8% for PNB Housing Finance. According to its issue prospectus, the company focuses on "mass affluent clients", with an average age of 35-40 years and an average annual salary of above ₹13 lakh. About 88% of its customers are salaried.

## Stiff Competition

**DESPITE ITS** superior loan quality, Bajaj Housing's focus on the prime segment is, ironically, also a challenge. This is also the focus of public-sector banks, which have a lower cost of funds. As a result, the market share of HFCs in this segment has decreased steadily from 19% in FY19 to 11% in the first nine months of FY24. According to Crisil, "The ability of HFCs to compete with banks in the traditional salaried-home-loan segment remains a challenge given their relatively higher funding costs. And in the non-home loan segments (developer financing and LAP [loans against property]), which have been yield kickers, HFCs' exposure has reduced in the past few years, which has put pressure on overall spreads." In the absence of a banking connect, such as HDFC, how Bajaj Finance squares up against banks will be a crucial determinant of growth.

[www.howindialives.com](http://www.howindialives.com) is a database and search engine for public data.

## HFCs are losing share in the main home loan segment



PARAS JAIN/MINT

## PEANUTS by Charles M. Schulz



Monday, June 24, 2024

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Why Modi 3.0 needs a new economic blueprint ▶P10



Many big IPOs in FY25, says JM Fin's Sonia Dasgupta ▶P4

SENSEX 77,209.88 ↕ 0.00 NIFTY 23,501.10 ↕ 0.00 DOLLAR ₹83.54 ↕ ₹0.00 EURO ₹89.38 ↕ ₹0.00 OIL \$85.09 ↓ \$0.85 POUND ₹105.70 ↕ ₹0.00

## Adani plans \$3 billion for pumped storage venture

Maharashtra, AP, TN, Telangana in sights; 5GW capacity planned in first five years

Anirudh Laskar  
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MUMBAI

The Adani Group plans to invest ₹25,000-27,500 crore (about \$3 billion) to set up its first pumped storage hydro-power (PSH) facility, according to two people aware of the conglomerate's plans. PSH produces electricity by moving water between two reservoirs at different elevations.

Under the plan, Adani Green Energy Ltd (AGEL) will set up PSH capacity of 5GW in the next five years. "We will eventually increase this to 25GW, which will take the group's total green-energy capacity to 70GW," one of the people cited above said on the condition of anonymity.

To start with, the group will set up PSH generation facilities in four states—Maharashtra, Andhra Pradesh, Tamil Nadu and Telangana.

"This will require an investment of ₹25,000-27,500 crore, based on the current costs. Some of the required reservoirs and separate elevation facilities have already been put in place," said the second person.

The development comes as the Adanis look to gain an edge in the

### POWER MOVE

The Adanis are looking to gain an edge in India's clean-energy industry, where top business groups are pumping in billions of dollars.

- Investment: ₹25,000-27,500 cr
- Final target: 25 GW
- Increased debt funding (now): \$3.4 bn (for 6-8 GW)
- Debt funding (FY24): \$1.6 bn (for 3 GW)
- Market capitalization of AGEL: ₹2.82 tn
- Adani family investment commitment: ₹9,350 crore (25% already infused)

Source: Mint research, company filings

### NEW VISTAS

- ADANI Group had so far focused on solar and wind power units
- THE group already has 11GW clean energy in operation
- THIS was besides 15.25GW thermal plants in seven states

country's fast-growing clean-energy industry, where top business groups such as Mukesh Ambani's Reliance Industries, Tata Group, Vedanta Group and JSW Group are pumping in billions of dollars in renewable energy projects, including solar, wind, PSH, and green hydrogen.

In PSH itself, several other com-

panies are already in the fray including Tata Power, NTPC, and JSW.

Adani Group has so far focused on solar and wind energy generation in its clean energy business. As of now, the group's target of 45GW clean energy has been raised to 50GW by 2030 following the PSH move. It already has 11GW

clean energy under operation, in addition to 15.25GW thermal power plants in seven states.

An email sent to Adani Group's spokesperson remained unanswered.

"Financial closure for commissioning 3.5GW of PSH capacity has already been done," said the first person. The two people added that the 5GW target will be funded by issuing new shares and raising debt, and that the group has already begun basic construction work for the first 500MW PSH project in Andhra Pradesh, which will be commissioned in FY27.

Typically, infrastructure assets are funded with debt and equity in the ratio of 70:30. For funding Adani's green energy projects of 11GW in the next two years, including the latest one based on PSH, the equity portion of financing will come from promoter fund infusion and internal accruals, according to the two persons cited above.

AGEL generated ₹3,400 crore of free cash flow to equity in fiscal 2024. The Adani family has committed investments of ₹9,350 crore in AGEL, of which 25% is already infused and the balance ₹7,012 crore will be exercised during the current financial year. This

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## Unlisted local units of six MNCs under ownership scanner

Gireesh Chandra Prasad  
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NEW DELHI

After LinkedIn and Samsung, Indian authorities may expand their ownership checks to the local arms of more multinational corporations (MNCs). According to two people aware of the matter, about six unlisted Indian units of MNCs are under the radar of Registrars of Companies (RoCs), who are scanning company disclosures and publicly available shareholding information of group companies.

Earlier this month, the RoC in Uttar Pradesh held in separate orders that Samsung SDI India Pvt. Ltd and Samsung Display Co. Noida Ltd failed to identify Lee Jae-Yong, executive chairman of South Korea's Samsung Electronics Co. Ltd, as a "significant beneficial owner (SBO)." Last month, the RoC for Delhi and Haryana imposed penalties of over ₹27 lakh on LinkedIn Technology Information Pvt. Ltd set up in India, Microsoft Corp. chief executive Satya Nadella, LinkedIn CEO Ryan Roslansky and seven other individuals for alleged violation of SBO reporting norms.

One of the persons cited above said India is adding about 150,000 new businesses every



RoCs are scanning company disclosures. PRANAY KOKA

year, including companies and limited liability partnerships (LLPs), and would soon be reaching the level of some of the developed countries in Europe. "In such a scenario, unless the quality of enforcement is good, it can cause problems in future," the person said on the condition of anonymity.

Regulatory action against alleged non-disclosure of beneficial owners is part of a larger effort to enhance the quality of enquiries by RoCs, who have been proactive in the last few years in removing defunct companies from the official registry and in detecting shell companies.

"It is a fact that bigger companies create complex struc-

TURN TO PAGE 6



### DON'T MISS

**Isro's workhorse PSLV stalls as demand cools**

Nearly six months into 2024, Isro has not conducted a single commercial launch mission for any Indian entity. According to Isro's chairman S. Somanath, the fledgling domestic space industry needs to "create an internal demand and market."

>P7

### Paracetamol among 50 drugs found substandard by regulator

The drug regulator has found 50 lifesaving medicines to be of sub-standard quality across India. Paracetamol 500mg tablets, which have been found to be sub-standard, are manufactured by Askon Healthcare based in Ujjain, Madhya Pradesh.

>P2

### India planning global trade promotion body for MSMEs

The Centre may propose a global trade promotion body focused on boosting MSME exports in the upcoming Union budget. The move comes against the backdrop of India's rising trade deficit and the urgent need to boost exports.

>P2

**NOTE TO READERS** The Media Marketing Initiatives on pages 3 and 5 are the equivalent of paid-for advertisements, and no Mint journalist was involved in creating them. Readers would do well to treat them as advertisements.



A screen grab from JSPL's 'Steel of India' ad campaign. YOUTUBE/JSPL

## Lawsuit, Cannes metals put Jindal Steel ad in focus

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MUMBAI

Jindal Steel and Power's "The Steel of India" campaign has landed in a controversy with allegations of idea theft, igniting a fierce debate within the advertising industry. The row began when advertising agency Wieden+Kennedy (W+K) India moved the Delhi high court (HC) in March, alleging that Jindal Steel had plagiarized a campaign concept they had originally pitched and accusing the steelmaker of dishonouring a service agreement.

According to the petition by W+K, they had worked on the campaign for four months, receiving approval from Jindal Steel for the production house and other elements, only for Jindal Steel to abruptly abandon the project without explanation. W+K India was surprised to see the same campaign on air at the end of March, bearing a striking resemblance to the one they had presented to Jindal Steel in mid-2023.

On 24 April, the Delhi HC referred the matter to arbitration, with some observations favouring W+K's claim, though it did not allow for an interim injunction. "The launch by the

respondent (Jindal Steel) of a new campaign prima facie seemed to be substantially based on a similar theme, expressed through a montage of sequential images and videos stitched together by a soundscape of steel," the court observed. "It is clarified that observations made above are purely prima facie in nature for the reason that this issue of infringement of copyright will have to be considered by the sole arbitrator."

This verdict led to an out-of-court settlement between the Delhi-based Jindal Steel and W+K, where the client paid the dues to W+K and got the intellectual property and other rights transferred.

Despite the settlement, the controversy resurfaced when Earlyman Films and Kondurkar Studio, which claimed credit for the campaign, entered it in the Cannes Lions awards and the Kyoorius Creative Awards 2024.

While the Kyoorius committee, after reviewing the case with industry juries and a legal team, decided to disqualify all entries from Kondurkar Studio and Earlyman Films across categories, the campaign went on to win a Silver Lion and a Bronze Lion at the 2024 Can-

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## Derivatives market is flashing signals of a decline this week

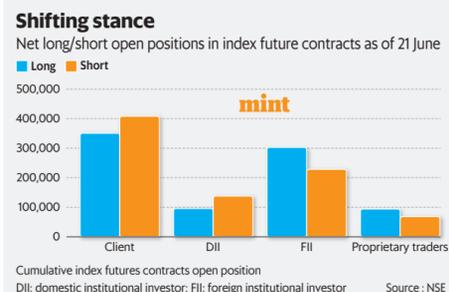
Ram Sahgal  
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MUMBAI

Signals from the derivatives market are pointing at a stock market decline this week, before a likely pre-budget rally gets underway in July.

This comes as retail and high net worth investors (HNIs) shift their stance to bearish while foreign investors turn bullish. Such flipping often results in market dips or pullbacks in the short term.

Retail/HNI, designated 'Client' by NSE, who were cumulatively net bullish index futures (Nifty and Bank Nifty) by 333,364 contracts on 4 June, the day of the election results, flipped these to turn net bearish by 57,613 contracts over 12 sessions ending 21 June.

In the same period, foreign institutional investors (FIIs) changed their net bets on index futures from 355,379 bearish contracts to a cumulative



73,991 bullish contracts. Whenever such flips have happened in the past, markets have tended to pull back or dip. A pullback is a dip of 5-10% from a peak, while a correction indicates a 10-20% fall from the peak.

For instance, on 18 September last year, when Nifty was trading at 20133.3, retail/HNI was net short 84,214 contracts (adjusted for change in Nifty contract size to 25 shares from 50 as of 26 April this year) and FII

was net long 117,990 contracts. From there, the Nifty tanked 1000 points to close at 19133.25 on 2 November.

By that date, retail/HNI had flipped to a bullish 292,822 contracts and FIIs to a bearish 351,396 contracts, after which Nifty rallied 2100 points over just 34 sessions to 21255.05 on

TURN TO PAGE 6

Derivatives criteria rejig likely this week >P4

## Why Varma, Goyal voted for rate cut at MPC meet

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MUMBAI

The two monetary policy committee (MPC) members who voted to cut interest rates and change monetary policy stance at its last meeting believe the Indian economy needs to grow at its potential growth of 8%, as inflation continues to approach the target of 4%. The MPC had voted to keep repo rate unchanged at 6.5% for the eighth consecutive time in its June meeting.

Jayanth Varma, who had been voting for a rate cut since February this year, argues that MPC should start cutting rates this quarter to give a boost to growth in FY26.

In an emailed interview, Varma said the goal should be to add 75-100 basis points to the FY26 growth rate.

"I do not think anything that we do with monetary policy now will have much impact on



MPC members Ashima Goyal (left) and Jayanth Varma.

the growth rate in 2024-25. This is because monetary policy acts with a lag of 3-5 quarters. The task now is to bolster growth in 2025-26, and even for that, we need to start acting in this quarter. In my view, the goal should be to add 75-100 basis points to the 2025-26 growth rate," said Varma.

India's GDP grew a sharp 8.2% in FY24, supported by strong January-March quarter growth of 7.8%. The push to GDP growth came from several key sectors including manufac-



turing, construction, mining and services sectors.

"India is at a point in the demographic transition where we need to grow rapidly to meet the aspirations of the new entrants into the work force. Finally, there is a lot of catch-up growth required to bring the level of GDP back to the pre-pandemic trend line," Varma added.

While the MPC has not made a growth projection for FY26, it

TURN TO PAGE 6

## Europe's response to China shock 2.0: Hold China closer

Tom Fairless  
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The first China shock that devastated manufacturing in the U.S. in the early 2000s bypassed large parts of Europe. A second shock now under way looks much more threatening.

But rather than simply erect ever higher barriers to the flood of Chinese imports, as the U.S. has done, European leaders are seeking an alternative: rolling out a welcome mat.

European officials have largely been in favor of investments from Chinese battery makers such as CATL and

from Chinese electric-vehicle manufacturers such as BYD in Hungary and Chery Automobile in Spain.

In the 1980s, faced with a wave of low-cost Japanese auto imports, the Reagan administration negotiated export quotas that encouraged Japanese manufacturers to build factories in the U.S.

U.S. officials have been less willing to repeat that formula with China, which, unlike Japan, they consider a threat to national security. The White House, for example, is weighing curbs on Chinese "connected cars" that could transmit customer data back to



Squeezed between threat of Trump and Chinese imports, European leaders woo Chinese investment and know-how. REUTERS

China. Europeans worry less about such risks, although they could change their minds—as they did on telecom infrastructure supplied by Huawei Technologies.

While Chinese purchases of existing European businesses have collapsed in recent years, in part because of growing European scrutiny, greenfield investment—i.e. newly cre-

ated companies or plants—has risen rapidly, reaching 78% of all Chinese foreign direct investment in Europe last year, according to data compiled by the Mercator Institute for China Studies and Rhodium Group.

At the core of this strategy is a fear that Europe, and especially Germany, which relies much more on manufacturing than the U.S., could be hit by one of two nightmare scenarios: a global trade war, or a new flood of cheap Chinese imports.

European Union regulators this month signaled plans to impose relatively modest tariffs—the highest will be half the 100% recently announced by President Biden—on Chi-

nese auto imports. Some analysts saw this as an implicit encouragement to Chinese producers to shift auto factories to Europe instead, which some have started doing.

For both Europe and China, closer cooperation would hedge against a return to the White House by Donald Trump, who is pledging 10% across-the-board tariffs on imports. That threat argues against Europe fully throwing in its lot with the U.S., while encouraging China to smooth over tensions with Europe and maintain access to its lucrative market.

If so, Europe's industrial and technological ties to China

TURN TO PAGE 6



STRAIGHT  
FORWARD  
SHASHI SHEKHAR

Respond to this column at  
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## GANGA NEEDS JOINT EFFORTS TO REGAIN ITS OLD STRENGTH

A few days ago, I was at the Ganga Dussehra. As I stood there, chanting lines from Pandit Jagannath Shastri's *Ganga Lahri*, an incident returned to memory.

I was on board an Assam-bound Rajdhani Express crossing the bridge connecting Garhmukteshwar and Gajraula. When the coach I was in reached the middle of the bridge, I offered prayers to Ma Ganga.

When I was done with the prayers, my co-passengers, a white couple, wanted to know what was it that I had been doing. I told them the river we had just crossed was the Ganga and that I had been offering my prayers to it. The man seemed taken aback. "Ganges, the great Ganges," he asked in amazement, while his companion made a statement that I will not repeat here for it pained me and may hurt the religious sentiments of others, too.

For ages, the Ganga for us has been a source of life, and salvation. When I see a river anywhere in the world, it reminds me of the rivers that run through Prayagraj, Kashi, and Mirzapur, where I spent my childhood. I see the Ganga as a metaphor of the purity of childhood.

However, the river is no longer considered pure and pious in scientific terms.

According to studies on pollution in the Ganga conducted by Prof. B. D. Joshi of the Indian Academy of Environment Science in Haridwar, the current Biochemical Oxygen Demand (BOD) level in the river is 7 mg/l, which is extremely unhealthy. Also, solid waste content in the river when it reaches the foothills, was found to be 1,460 mg/l, which exceeds the threshold. The rise in solid waste has reduced Ganga's transparency to 5%. Another study found that plastic trash in the river rose 25% between May and June 2024. From Rishikesh to Haridwar, fish numbers have dropped to 80%, and the number of species fell dramatically from 89 to 66. Crocodile populations have also dropped.

People typically blame the growing number of tourists and pilgrims to Ganga's woes, but there are other causes, too, behind this. These should be thoroughly debated in the Parliament so that the government can develop an action plan.

Despite changes in government, the situation of the Ganga has continued to deteriorate

water flows are dismal.

This is why I dread the fate of Kashi, where I spent my childhood playing on the Assi Ghat on the banks of the river. Mounds of sand have started appearing between Dashaswamedh and Sakka ghats on the western edge. If the heatwaves continue, the situation could worsen. One reason behind this state of the Ganga is that it has not been dredged for quite some time.

This river requires regular, phased dredging from Haridwar to Ganga Sagar.

A lot of money has been spent to clean the Ganga at Varanasi, but what are the conditions today? Only 70 to 75 million litres per day (MLD) of the 467 MLD of sewage released by the city enters the Ganga untreated. But the Varuna river, the tributary from which Varanasi derives its name, brings 67 MLD of sewage discharged into it into the Ganga.

According to research conducted by a team from the Kashi Hindu University, all fish in the Ganga between Prayagraj and Buxar have been affected by pollution. Furthermore, vegetables and foodgrains grown in the doab area (land between two rivers) irrigated by its waters are also contaminated. Hundreds of people, including myself, used to cross a Pontoon Bridge to reach Ramnagar, which used to be a good market for organic and fresh vegetables and watermelons cultivated on the banks of the Ganga.

A lot can be written on this topic, and much has already been documented. About 40 years ago, I wrote a cover story on the Ganga for a famous magazine, and even then, the figures were similarly appalling. Nature has been sounding the alarm for a long time, urging us to wake up. The fertile land of north India is unimaginable without the Ganga, Yamuna, and their tributaries. Yet, despite changes in government, the situation has continued to deteriorate. The Ganga will be protected not by slogans, but by the collective efforts of society and the political system.

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

# India planning global trade promotion body for MSMEs

## India plans to reduce wheat import duty

Move comes against the backdrop of India's rising trade deficit, urgent need to boost exports

Rituraj Baruah & Dharendra Kumar  
NEW DELHI

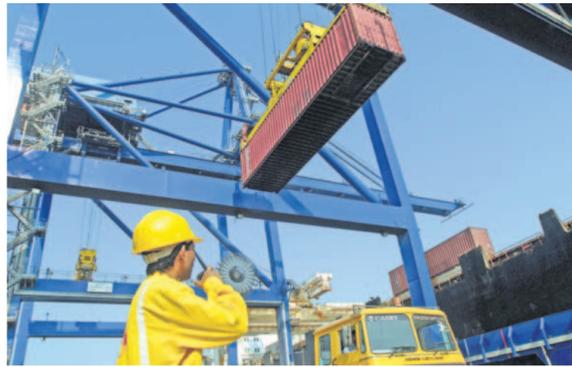
The Centre may propose a global trade promotion body focused on boosting MSME exports in the upcoming Union budget, three people aware of the development said. The move comes against the backdrop of India's rising trade deficit and the urgent need to boost exports, the people said on condition of anonymity.

The new global trade promotion organization (GTPO) is being conceptualized on the lines of the Japan External Trade Organization and Australian Trade and Investment Commission, and will have branch offices in major economies.

"There has been a demand and also a consideration for a trade promotion body that would have offices abroad and work hands-on in terms of promoting exports for MSMEs who do not have the economic muscle to promote their goods and establish a market abroad on their own," said one of the people cited above.

Another person said that although there are sector-specific trade promotion bodies in the country along with the India Trade Promotion Organisation, they do not have a robust presence globally and mostly work out of India.

The GTPO is aimed to help small businesses with registration, licensing, and certification required for exports of



The GTPO is aimed to help small businesses with registration, licensing, and certification required for exports of goods and services.

goods and services to different developed and developing economies, and creating business opportunities for them in coordination with India's consulates abroad.

"It will work like a one-stop solution for MSME firms. The commerce ministry is hoping that it will play a key role in reducing trade deficit by encouraging MSME exports," the third person said, adding that it would also help smaller business participate in global exhibitions, trade shows and buyer-seller meets.

Queries sent to the ministries of commerce, MSME and finance remained unanswered till press time.

"Such a trade promotion body with

its branches in other countries is key for the country's MSMEs," Vinod Kumar, president of India SME Forum said. "It would be apt if such a body is given a target to increase India's exports to \$1 trillion."

India's merchandise exports in the just-concluded financial year (FY24) fell by 3.11% to \$437.06 billion from \$451.07 billion in FY23, as per commerce ministry data.

Merchandise trade deficit widened to a seven-month high in May, but largely due to a surge in imports.

The deficit stood at \$23.78 billion in May, up 5.5% year-on-year and up 24.5%

from April.

Merchandise exports increased to \$38.13 billion in May, up from \$34.95 billion in May 2023 and \$34.99 billion in April.

Imports, however, saw a sharper rise, reaching \$61.91 billion in May, up from \$57.48 billion in May 2023 and \$54.09 billion in the previous month.

MSMEs are a key constituent of the Indian exports ecosystem, contributing about 45% to the country's total exports, according to a Global Trade Research Initiative (GTRI) report. They also account for around 38% of India's manufacturing output.

MSMEs also contribute about 27% to India's GDP and employ more than 110 million people, making it the largest employer after agriculture (about 148 million employed, according to GTRI).

A NITI Aayog report on MSME exports released in March this year said: "Exports represent an enormous and under-utilized opportunity for the MSME sector.

Sectors where Indian MSMEs can participate and compete in export markets include handicrafts, handloom textiles, ayurveda and herbal supplements, leather goods, imitation jewellery and wooden products. Globally, these sectors constitute substantial markets exceeding \$340 billion, whereas their domestic market is considerably smaller."

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## 50 life-saving drugs fail quality checks

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The drug regulator has found 50 important medicines, including those used to control fever and seizure, to be of sub-standard quality across India.

The list of such drugs includes Paracetamol 500 mg, Telmisartan anti-hypertension drug, Cufitin cough syrup, Clonazepam tablets used to manage seizures, anti-pain relief drug Diclofenac, multi-vitamins and calcium tabs.

The drug regulator also found that commonly applied Henna or mehndi is also of poor quality and misbranded as per provisions laid down under the cosmetics category. This comes even as India's pharmaceutical sector is under the scanner after cough syrups made in the country were linked to the deaths of children overseas.

According to the Central Drugs Standard Control Orga-

nisation's (CDSCO) drug alert for May, the drug samples were picked from Waghodia (Gujarat), Solan (Himachal Pradesh), Jaipur (Rajasthan), Haridwar (Uttarakhand), Ambala, Indore, Hyderabad, and Andhra Pradesh among other states.

Paracetamol 500 mg tablets, which have been found to be sub-standard, are manufactured by Askon Healthcare based in Ujjain, Madhya Pradesh. The firm, on its official website claims that it has been manufacturing pharmaceutical finished dosage forms.

Phone calls and email queries sent to the Askon Healthcare remained unanswered. Other medicines on the list include lactulose solution used to treat constipation, anti-hypertension drug Telmisartan, Amlodipine IP tablets, Dexamethasone Sodium Phosphate Injection IP used to manage auto-immune diseases and Clonazepam Tablets IP 0.5mg used for treating neurological complications

The list of such drugs includes Paracetamol, Telmisartan, Cufitin cough syrup, etc

## Government likely to issue green bonds

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The upcoming Union budget may propose to issue sovereign green bonds worth about ₹25,000 crore-₹30,000 crore as a part of the borrowing schedule for FY25, and a large chunk of it is likely to be sold during the second half of the year, two people aware of the matter said.

Proceeds from the sale will finance sustainable infrastructure projects.

This is seen as evidence of the government's commitment to scaling up green finance initiatives.

"The borrowings made through green bond instruments during the ongoing fiscal (FY25) will be higher than last year, as there is a demand for sustainable bonds in the market," said the first person mentioned above, requesting anonymity.

"The centre is likely to raise about ₹25,000 crore-₹30,000 crore from green bonds as a part of the borrowing calendar for FY25," the person added.

Amid pressing issues like climate change and other environmental challenges, green bonds—fixed-income invest-



Proceeds from the sale will finance sustainable infrastructure projects.

ments used to fund projects with a positive environmental impact—have found interest among investors to align their financial goals with their values and contribute to positive change.

During FY23, the government raised about ₹16,000 crore through sovereign green bonds, which was hiked to about ₹20,000 crore in FY24. The anticipated increase to ₹25,000-30,000 crore for FY25 underscores the government's commitment to scaling up green finance initiatives, said the person.

So far, the government has decided to raise ₹12,000 crore from the sale of green bonds during HI, FY25.

Interestingly, the budget for FY24 made no mention of green bonds. However, the

government later included a phased ₹20,000 crore green bond plan for the second half of the borrowing calendar.

Of this, bonds of ₹5,000 crore with a tenure of five years were sold in November 2023, and ₹10,000 crore worth of bonds with a tenure of 30 years in two tranches of ₹5,000 crore

each were sold across January and February 2024; bonds worth another ₹5,000 crore were sold by March.

"Several factors are driving this increased target. India's recent inclusion in the JP Morgan bond index fund is expected to attract substantial interest from foreign portfolio investors (FPIs) in long-term sovereign green bonds. Additionally, the Reserve Bank of India (RBI) has permitted FPIs to invest in these bonds via the International Financial Services Centre (IFSC), further boosting market confidence," said Venkatakrishnan Srinivasan, managing partner at Rockfort Fincap LLP, a financial advisory firm.

Last September, JP Morgan said it would add 23 Indian government bonds to its widely tracked emerging market debt index beginning 28 June 2024, while Bloomberg Index Services had in March said it would include 34 Indian government bonds in its Emerging Market Local Currency Index from 31 January next year. Interestingly, the government did not accept bids in the sovereign green bond auction of ₹6,000 crore held on 31 May, despite receiving bids totalling ₹12,677 crore.

## CBI files case in NEET (UG) exam irregularities, forms special teams

Neeraj Chauhan  
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The Central Bureau of Investigation (CBI) on Sunday filed a case to investigate a "larger conspiracy" in the conduct of National Eligibility-cum-Entrance Test-Undergraduate or NEET-UG exam, people familiar with the development said, a day after the Central government said the 5 May paper was marred by irregularities, cheating, impersonation and other malpractices.

The federal agency has formed "special teams" tasked

to investigate the irregularities "on top priority" and rushed them to Bihar and Gujarat to ascertain details of probes being carried out by the police there.

The Bihar Police has been investigating a NEET-UG paper leak matter since last month and has arrested over a dozen persons. Subsequently, Gujarat Police arrested half a dozen individuals, including the head of a coaching centre in connection with the alleged cheating at an examination centre for NEET-UG in Godhra.

Some detentions made by Maharashtra Police are also



CBI has rushed teams to Bihar and Gujarat to ascertain details of probes being carried out by the police there.

being watched and the CBI may send a team there as well, if required, said officials.

While handing over the

probe to the CBI on Saturday evening, the Union education ministry said it was doing so for transparency on the con-

duct of the examination process.

The federal agency has invoked sections 120-B (criminal conspiracy) and 420 (cheating) in its first information report (FIR).

"The allegations in the FIR state that the NEET (UG) 2024 examination was conducted by the National Testing Agency (NTA) on 5 May at 4,750 centres in 571 cities, including 14 cities abroad, with over 23 lakh candidates appearing for the examination. The complaint further alleges that certain isolated incidents occurred in a few states during the conduct of

the NEET (UG) examination," a CBI spokesperson said on Sunday.

The ministry of education, the spokesperson said, has requested the CBI to conduct a "comprehensive investigation into the entire gamut of alleged irregularities, including conspiracy, cheating, impersonation, breach of trust, and destruction of evidence by candidates, institutes, and middlemen, including attempted irregularities."

He said the ministry has also asked it to investigate the "role of public servants, if any, connected with the conduct of the examination" as well as "the

entire gamut of events and the larger conspiracy".

Accordingly, the CBI spokesperson said, the agency has "registered a criminal case and initiated an investigation".

"Special teams have been formed by the CBI to investigate the matter on top priority. Special CBI teams are being sent to Patna and Godhra where local police cases have been registered," the spokesperson added.

The agency is already investigating the leak of the UGC-NET 2024 question paper, which was being sold on the darknet and messaging app Telegram, since Thursday.

### CORRECTIONS AND CLARIFICATIONS

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**THE MONDAY QUIZ**

- 1) WHICH** tech giant has become the world's most valuable firm with a \$3.34 trillion market cap?
- 2) GOOGLE'S** Gemini App, launched in India last week, comes in how many Indian languages?
- 3) WHICH** antivirus software was banned by the US government last week due to security concerns?
- 4) WHICH** global IT company has achieved \$2 billion in GenAI sales year-to-date?
- 5) WHICH** ex-Walmart executive was appointed PayPal's chief technology officer last week?

# It's fundamentals over growth for startups

Founders even at an early stage focusing on building durable businesses

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BENGALURU

Signs of an ecosystem maturing after a harsh funding winter, investors say that startup founders even at an early stage are focusing more on core fundamentals such as operating models and the path to real profitability, among others, needed to build a durable business, rather than just looking at growth.

"In the short to medium term, we are seeing businesses pausing growth and even allowing for shrinkage to weed out unsustainable and harmful elements," said Sheetal Bahl, a partner at Merak Ventures, adding this is not a permanent shift.

"Once startups consolidate their positions, they'll refocus on growth, but in a more calibrated manner... It's a sign of a maturing ecosystem where long-term value trumps short-term hype," Bahl said, citing examples like CosmoFeed, a creator-focused platform founded in 2021 that has sharpened its sales focus to acquiring high-margin customers and revisited internal processes to increase productivity and reduce costs.

Private markets in recent times have been forced to undergo a correction after a funding boom during the pandemic led to overvaluation of startups. Aggressive growth strategies fed by the euphoria did not bear fruit and, as a result, several startups had to pivot their business models to reduce burn, or shut down operations.

According to Bain's latest venture capital report, funding declined to \$9.6 billion from \$25.7 billion over the 2022-23 period, with mega-rounds plummeting from 48 to 15.

"Startups began several initiatives during the pandemic and the cost of marketing was extremely high. Today, we are getting the sense that margins are more established and they are more focused on



As growth is fundamental to venture investing, early-stage startups are expected to deliver prolific growth to show that there is potential for disruption in the market. MINT

retention," Rahul Chowdhri, an investor at Stellaris Venture Partners, said.

While growth parameters may vary based on the stage of the startup and its segment, Chowdhri outlined that on average, early-stage startups may need to show 3-4x growth a year, which can decrease to even 50% growth at the time of exit.

As growth is fundamental to venture investing, early-stage startups are expected to deliver prolific growth to

However, the growth becomes unreasonable when a company burns excessive money to acquire customers outside its target market, or gives discounts more than required, or aggressively expands beyond areas of specialty. "As companies scale, we definitely look for more sustainable growth (that enhances value without sacrificing financial health) that can be repeated every year," Basu said.

The course-correction is also aligned with several series B-and-beyond-stage fund investors who ask for more reasonable valuations with a definite path to profitability. "Mid and late-stage investors have continued to hold the discipline they had earlier. So, after a lot of excitement in the

seed and series A levels, companies often don't get investors who will write cheques for very high multiples as they get into growth rounds," said Yash Dholakia, partner at early-stage consumer focused firm Sauce VC.

Read an extended version of this story at [livemint.com](https://www.livemint.com)

# Daggubati invests in new tequila brand

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NEW DELHI

Actor Rana Daggubati has launched a new tequila with musician Anirudh Ravichander and Shree Harsha Vadlamudi, the owner of microbrewery Ironhill India, with the three investing a combined \$10 million in the company, Ironhill Hospitality Pvt. Ltd. The tequila, called Loca Loka, will be made from 100% agave grown in the Jalisco region of Mexico.

Sales will begin in the US and the brand will be launched in India in the following 18-24 months, Daggubati told *Mint*.

"We worked with a good master distiller and started contract manufacturing but the branding began about a year ago. This is a celebration drink, and there's a unique way that India celebrates. Telangana, for instance, has a palm wine called kallu, which is used as a celebratory drink. Mexicans also celebrate their local spirits, and we wanted to get into this business because there has been an evolution in the way Indians drink tequila," he said.

About \$5 million has already been deployed for production and white labelling; the rest will be spent on distribution and expansion until the company turns profitable in two years, he said. The next phase, when the



(From left) Vadlamudi, Ravichander and Daggubati.

brand comes to India, will require more investment.

The actor has previously partnered with Prasad Vanga from Anthill Ventures, which was an investor in gin and tonic mixer brand Salud Beverages.

Vadlamudi owns a dozen breweries across the country under the brand Ironhill India. The company is betting that tequila's popularity in India will grow over the next decade.

India has just a handful of brands that sell high-quality sipping tequila, such as Diego's Don Julio and Bacardi's Jose Cuervo and Patrón.

Vikram Achanta, founder and CEO of beverage consultancy Tulleehoo, said, "With the influx of tequila and agave spirits igniting curiosity across India, this category is on a good growth trajectory. Consumer interest in understanding tequila and its sister spirits mezcals, sotol, raicilla and bacanora is now higher than ever."

## GLOSSARY

### Zero knowledge proof:

A cryptographic method, zero knowledge proof is a way by which a party (called the prover) convinces the other party (called the verifier) that it possesses a piece of data or information, without revealing the data itself. While zero proof knowledge techniques have been around for decades now, there has been renewed interest with the advent of blockchain technology.



**Sovereign cloud:** A sovereign cloud is a cloud computing environment that addresses data residency, security and compliance concerns specifically for a country or jurisdiction. Unlike traditional services provided by tech giants, sovereign cloud solutions are hosted and

managed within the geographical boundaries of the country they serve. Governments and institutions handling sensitive information like citizen data, intellectual property or classified information prefer sovereign cloud.

**Deadpool:** In the context of startups, deadpool refers to list of companies that have shuttered and ceased operations. Deadpool sometimes may also include companies that have been acquired or have completely pivoted. It is can be a useful for investors and entrepreneurs to gain insights on specific industries, and mitigate potential risks in their own ventures.

**Buffer overflow:** Also known as buffer overrun, buffer overflow occurs when the amount of data in the buffer exceeds its storage capacity. In programming, a buffer can be thought of as a container (or the allocated memory) that holds the data which is to be processed.

## CHALLENGING TIMES

**PRIVATE** markets in recent times have been forced to undergo a correction

A funding boom during the covid-19 pandemic led to overvaluation of startups

**FUNDING** declined to \$9.6 billion from \$25.7 billion over the 2022-23 period, according to Bain

show that there is potential for disruption in the market. "The ability to produce such outcomes is more possible today as every company in India has room to grow because of the overall expansion of the market, distribution channels and customer needs," said Dipanjan Basu, co-founder of Fireside Ventures.

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## India's semiconductor industry to face 300,000 professionals shortage by 2027

Source: MINT - Indian Business and Financial Daily Newspaper

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CLOSE: 77209.90	CLOSE: 23501.10	CLOSE: 22236.20	CLOSE: 7111.80	CLOSE: 24555.50	CLOSE: 45967.07	CLOSE: 51936.53
1-WEEK CHANGE (%): 0.28	1-WEEK CHANGE (%): 0.15	1-WEEK CHANGE (%): 0.10	1-WEEK CHANGE (%): -1.09	1-WEEK CHANGE (%): -0.07	1-WEEK CHANGE (%): -0.20	1-WEEK CHANGE (%): 1.44
1-MONTH CHANGE (%): 4.40	1-MONTH CHANGE (%): 4.31	1-MONTH CHANGE (%): 4.95	1-MONTH CHANGE (%): 4.21	1-MONTH CHANGE (%): 4.18	1-MONTH CHANGE (%): 6.43	1-MONTH CHANGE (%): 8.49
3-MONTH CHANGE (%): 6.29	3-MONTH CHANGE (%): 6.77	3-MONTH CHANGE (%): 11.75	3-MONTH CHANGE (%): 20.70	3-MONTH CHANGE (%): 8.95	3-MONTH CHANGE (%): 18.92	3-MONTH CHANGE (%): 22.72
6-MONTH CHANGE (%): 8.95	6-MONTH CHANGE (%): 10.57	6-MONTH CHANGE (%): 17.39	6-MONTH CHANGE (%): 38.03	6-MONTH CHANGE (%): 14.73	6-MONTH CHANGE (%): 29.05	6-MONTH CHANGE (%): 24.94
1-YEAR CHANGE (%): 21.55	1-YEAR CHANGE (%): 24.63	1-YEAR CHANGE (%): 36.91	1-YEAR CHANGE (%): 61.97	1-YEAR CHANGE (%): 30.42	1-YEAR CHANGE (%): 60.52	1-YEAR CHANGE (%): 59.43

**MINT SHORTS**

**Japan's retail investors bet on yen rebound**

An army of retail traders appears to be reloading bets for a rebound in the yen as the currency's slide increases the chances of Japan intervening in the market again. Bullish positions on the yen against the dollar have been building since mid-May via futures contracts that cater to individual Japanese investors, data from Tokyo Financial Exchange Inc. show. These wagers tumbled on 29 April and 1-2 May, around the time when the government is thought to have stepped into the market, indicating that retail traders sold the yen to take profit. With the yen dropping back toward 160 versus the dollar, retail traders are on the edge of their seats wanting intervention, according to Takuya Kanda, head of research at the analysis unit of Gaitame.com, a Japanese online brokerage. Trying to ride the government's coattails to riches is a risky strategy, especially for those using borrowed money to amplify returns.

BLOOMBERG



Goldman Sachs forecasts US high-grade spreads ending 2024 at 90 basis points

**Credit's strong run stumbles for first time this year**

Global corporate bonds are on track for their worst month since late last year by one measure, reigniting the debate about the relative value of credit versus other fixed-income classes. Spreads have widened by about 10 basis points so far in June, from around the lowest levels in three years, a Bloomberg index shows. Meanwhile, yield premiums on those notes as well as US high-grade securities are rising from levels in May that were only seen for less than 1% of the period since the 2008 global financial crisis, the data show. While heavy spread widening would make credit less attractive compared with Treasuries, Goldman Sachs Group Inc. strategists led by Loffi Karoui don't see that happening. The bank forecasts US high-grade spreads ending 2024 at 90 basis points and junk spreads at 291, compared with current levels of 94-basis points and 314-basis points, respectively. "We're in this holding pattern of the macroeconomic backdrop, which is not too hot, not too cold," said Neeraj Seth, chief investment officer and head of Asia-Pacific fundamental fixed income at BlackRock Inc. in Singapore. That's normally a "good environment" for credit.

BLOOMBERG

**'Many large IPOs likely in the second half of this fiscal year'**

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The last financial year saw around 80 IPOs in India, the highest in a decade, though their average size reduced slightly compared to FY23. However, Sonia Dasgupta, MD & CEO-investment banking, JM Financial, expects many large IPOs to debut in the second half of FY25. Besides, in the mergers and acquisitions (M&A) space, the veteran banker anticipates healthcare, financials, energy and industrial sectors to witness significant activity. Edited excerpts from an interview:

**How does the equity capital market and M&A landscape look like to you?**

India is rapidly emerging as a top contender in global equity capital markets. The Indian equity markets have delivered consistently about 8-10% USD CAGR returns over the last 20 years. This momentum has strong tailwinds thanks to the strong macroeconomic environment, earnings growth trajectory, and equity market inflows especially from domestic mutual funds (MFs). Apart from favourable demographics, various structural reforms in the past decade have also been strong pillars for the faith in this growth story. In FY24, JM Financial closed around 56 capital market transactions across IPO, QIPs, blocks and topped the equity league tables. In terms of primary market outlook, we expect strong momentum to continue over the next couple of

years on the back of a strong pipeline of IPOs and QIPs across sectors. With regards to M&A, robust global liquidity has provided strong buying power with financial sponsors and strategists alike. Financial sponsors are getting more comfortable to control deals as they now have multiple avenues to exit i.e. through M&As as well as blocks in the market. Moreover, newer sectors are emerging.

**Could you elaborate on that and name a few?**

Deals are happening across multiple sectors like manufacturing, Industrials, specialty chemicals, digital and technology, healthcare, consumer and financials. We are witnessing a range of new businesses entering the market.

For example, we recently concluded IPOs of companies like Ixigo, a B2C mobile travel platform for the next billion users and TBO Tek, a leading travel distribution platform, both of which witnessed strong listing gains. Last year, we managed IPOs of companies in the industrials space like Happy Forgings or a consumer tech story like Mamaearth.

**What is your take on the M&A landscape?**

The convergence of abundant dry powder, economic optimism and favourable demographics makes India an exciting and attractive destination for M&As. Companies are vying for a limited pool of attractive targets and this drives competition. Competition from foreign companies looking to tap into the Indian

**Red-hot Dixon stock has risks too**

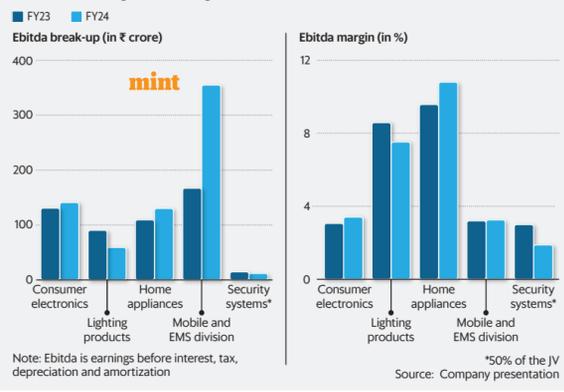
Manish Joshi  
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Dixon Technologies (India) Ltd investors are sitting on handsome gains. The stock has delivered almost 150% in the last one year, and nearly 30% in the last one month. Dixon is engaged in electronic manufacturing services (EMS), and the prospects for the sector are bright thanks to the government's initiatives to boost manufacturing through various production-linked incentives (PLI) schemes. But there is a problem—the stock's expensive valuation multiple, which could act as a deterrent to fetch meaningfully higher returns from hereon, especially if earnings growth fails to meet the Street's elevated expectations.

A recent analysis by Kotak Institutional Equities seeks to illustrate this issue. There are 104 companies trading at one-year forward price-to-earnings (P/E) multiple of greater than 50 times and nine companies with greater than 100 times P/E, according to Kotak. One such company, with a P/E of 100, is Dixon. The company has low debt and there is no significant debt repayment, so P/E is a better valuation metric than

**Good and bad**

The Mobile and EMS division had highest share in Ebitda for Dixon Technologies in FY24, but margin of this segment is thin



EV/Ebitda. The point that needs to be highlighted here is that the company's P/E of 100 is after factoring in almost 90% growth in Bloomberg consensus EPS estimates for FY25.

Coming to the financials, the company has grown its sales at a CAGR of 40% during FY20 to FY24, with net

profit growth of a little over 30%. CAGR is short for compounded annual growth rate. The lower CAGR in net profit as compared to the sales is because the Ebitda margin in FY20 was 5.07%, which came down to 3.94% in FY24. The company is into contract manufacturing for various brands predomi-

nantly in the mobile phones wherein the Ebitda margins are thin. Mobile and EMS divisions accounted for nearly 60% of the total revenue for FY24. The company's business is more of a volume game rather than the margin expansion with focus on overall RoCE, which is healthy at 34%. RoCE is return on capital employed.

Historical trends suggest that over a five-year horizon, the company can give 30% CAGR in EPS. However, if the P/E after five years declines to 30x from 100x currently, the return on investment in terms of CAGR is a meagre 2%. Even if the investment horizon is pushed to 10 years and 30% CAGR in EPS sustains during the period, the return on investments in terms of CAGR would be at 7%, almost equal to the current government bond yield for the same tenor assuming P/E after 10 years at 15x.

Meanwhile, a look at the shareholding pattern over the past four quarters to March 24 shows that the institutional investors have been aggressively buying the stock. Their shareholding has gone

up from 36% to 45% over the last one year. Before retail shareholders get excited looking at the data, they need to dig deeper. Mutual funds and foreign institutional investors have done majority of their incremental buying during March 2023 to September 2023, but at an average price of ₹4,095 per share. The stock hit a new 52-week high of ₹1,679.90 on Friday.

Sure, the stock has found favour among investors, but that doesn't make it immune to risks. Though contract manufacturing does not involve marketing risk, the company's revenue growth rate is directly linked to the prospects of its clients.

Since the company is seen as a key potential beneficiary of the PLI scheme, any tweaks would have a direct bearing on its profitability. The company got PLI of ₹71 crore in FY24 against ₹12 crore in FY23, with the bulk of it coming from mobile phone PLI at ₹52 crore. Apart from that, a slower-than-anticipated ramp-up of new capacities and weakness in end user demand due to change in technology are other downside risks.

**STAYING STEADY**

THE company's business is more of a volume game rather than margin expansion

ANY tweaks in PLI scheme would have a direct bearing on its profitability

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

**Derivatives criteria rejig to guard retail investors likely this week**

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India's capital markets regulator could issue a circular as early as this week tweaking the eligibility criteria for cash stocks to be listed on the derivatives (futures and options) segment, said a person aware of the matter. The rationale is to align the eligibility criteria with parameters such as size and liquidity of the cash market to protect investor interest through effective price discovery, the person cited above said on the condition of anonymity.

The revision, the person

added, could result in the number of stock derivatives rising to about 190 from 182 at present.

"Derivatives stocks having low cash market liquidity can be cornered on the F&O segment by a few constituents who can influence the underlying share's spot price to the detriment of the retail investor," the person explained. "Sebi's move will safeguard investor interest while leading to orderly development of the market at the same time."

This will be the first time since 2018 that the framework would be changed, according to a consultation paper on the subject issued on 8 June by the Securities and Exchange Board of India

**On guard**

Sebi's move comes against rising retail interest in derivatives.



PARAS JAIN/MINT

(Sebi). Sebi had sought public comments on the review until 19 June. "The matter was discussed by the SMAC on Thursday (20

June) after public comments on the same were received a day earlier," the person added. SMAC refers to the secondary market advisory committee, which reviews developments in the secondary or cash market.

It is chaired by G. Mahalingam, a former whole-time member of Sebi. Its members include chiefs of stocks exchanges, depositories, exchange forums and senior broking officials.

Queries emailed to a Sebi spokesperson remained unanswered till press time.

The proposed changes include increasing the market-wide position limit—maximum number of outstanding futures

and options contracts for a particular underlying stock—on a rolling basis from ₹500 crore to ₹1,250-1,750 crore; raising the average daily delivery value in the previous six months from ₹10 crore to ₹30-40 crore; and increasing a stock's median quarter sigma order size from ₹25 lakh to ₹75-100 lakh. (The higher the quarter sigma order size, the more difficult it is to manipulate a stock.)

The criterion relating to picking the stocks from among the top 500 in terms of average daily market capitalization and average daily traded value in the preceding six months stays unchanged. "Tweaking the eligi-

bility criteria bodes well for investor interest," said Siddarth Bhamre, head of institutional research at Asit C. Mehta.

"It will prevent the tail from wagging the dog," he added, citing how low concentration of traders in derivatives of thinly traded stocks could influence the cash price. He added that Sebi should also look at developing the stock options market.

"It is the responsibility of stock market intermediaries and the regulator to educate the retail investors so they invest and trade in an informed manner," said Gaurav Dua, senior VP, head-captal market strategy, Sharekhan by BNP Paribas.

**FPIs put ₹12,170 cr in equities in June**

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Staging a strong comeback after general election results, foreign investors pumped ₹12,170 crore in Indian equities so far in June, mainly driven by expectations of continued policy reforms and sustained economic growth. This came following a net withdrawal of ₹25,586 crore from equities in May on poll jitters and more than ₹8,700 crore in April amid concerns over a tweak in India's tax treaty with Mauritius and a sustained rise in US bond yields.

With the latest investment, the total outflow now stood at ₹11,194 crore so far in 2024 (till June 21), data with the depositories showed.

Going ahead, Sunil Damania, chief investment officer at MojoPMS, said foreign portfolio investors (FPIs) inflow will remain constrained due to the high valuations currently commanded by the Indian equity market. FPIs had been waiting on the sidelines for the election results. So far in 2024, barring March (₹35,000 crore inflow), they have been pulling out from India. "Though the general election results were sort of a surprise and resulted in a weaker than expected mandate, markets celebrated that yet again a stable government is formed and government continuity is maintained," Kishlay Upadhyay, small case manager and founder of FidelFolio, said.

Further, business sentiment remained buoyant, and policy



FPI inflows are concentrated in a select few stocks.

continuity added confidence to markets. Damania attributed three primary reasons for this positive inflow.

"First, the continuity of the government assures ongoing reforms. Second, the Chinese economy is decelerating, as evidenced by a 12% decline in copper prices over the past month. Third, certain block deals in the market have been eagerly taken up by FPIs," Damania said.

However, these FPI inflows are concentrated in a select few stocks rather than being widespread across the market or sectors. Additionally, the anticipation of a pro-growth budget has also lifted investor sentiment, Himanshu Srivastava, Associate Director - Manager Research, Morningstar Investment Research India, said.

Trends in FPI activity in June indicate buying in financial services, telecom and realty and selling in FMCG, IT, metals and oil and gas, VK Vijayakumar, chief investment strategist, Geojit Financial Services, said.



market further heats up the M&A market. Early engagement, flexible deal structures, and a focus on win-win outcomes are the keys to unlocking success in India's exciting M&A market.

**Looking at the data, it seems PE investments in India have hit a multi-year low. What is the present scenario?**

As per our internal data, on an overall basis, PE investments in India (year to date) are in line with last year (₹1 trillion in 2024 as compared to ₹1.1 trillion in 2023). Overall, PE investments in India in 2023 and 2024 are low as compared to 2021 and 2022. Even so, in these years, large pools of capital were invested in technology and consumer tech sectors (more than 50% in terms of deal value).

Deal momentum in traditional sectors of financial services, healthcare and IT services has picked up in this environment. We recently acted as

financial advisor on the sale of Shriram Housing Finance Ltd which is the largest all cash buyout transaction in the affordable housing in India. We expect the trend to continue in the foreseeable future with potential deals in high quality assets across healthcare, consumer, IT, etc.

While indices are around record highs in the secondary market, in the primary markets, almost all the IPOs in FY25 have given positive listing gains to investors which indicate that issuers have left money on the table while pricing the IPO.

**With the upcoming IPOs, are the valuations on the higher side? Is valuation a challenge when indices are around record highs?**

Investors are willing to invest in companies with solid fundamentals. They are clearly focusing on companies that demonstrate near-term growth and strong return metrics.

**What's the current pipeline you are looking at, conservatively? How many deals are you looking at in 2024?**

Despite global economic uncertainties, there has been a remarkable surge in IPO activity in the last 12 months, driven by investors' confidence in the Indian economy, strong inflows into domestic MFs, and encouraging listing gains

on IPOs. With elections behind us, we expect the second half of 2024 to be a very busy period. There are already more than 55 DRHPs filed with Sebi looking to raise about ₹70,000 crore.

We are currently working on a strong pipeline of IPOs and QIPs across major sectors like real estate, industrials and healthcare. Our current pipeline includes a good mix of both small and large sized transactions, many of which we are expecting to hit the markets in the near future.

**What is your current focus for the upcoming year regarding M&A, IPOs, and block deals? Are you prioritizing larger players and bigger deals, or are you focusing on the quantity of deals?**

FY24 was a record year for the high valuations currently commanded by the Indian equity market. FPIs had been waiting on the sidelines for the election results. So far in 2024, barring March (₹35,000 crore inflow), they have been pulling out from India. "Though the general election results were sort of a surprise and resulted in a weaker than expected mandate, markets celebrated that yet again a stable government is formed and government continuity is maintained," Kishlay Upadhyay, small case manager and founder of FidelFolio, said.

We have a strong mix of both small and large IPOs. We also have a robust pipeline of QIPs as corporates are increasingly looking to raise funds for capital expenditure.

**Deal momentum in traditional sectors of financial services, healthcare and IT has picked up.**

Sonia Dasgupta  
MD & CEO-investment banking, JM Financial



# International airlines hover for a slice of Indian skies

Total aircraft orders by domestic airlines are expected to expand India's global footprint

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India's booming aviation market continues to draw interest from global airlines, as they aim to serve smaller cities in the world's fifth-largest economy where growing prosperity is fuelling demand for air travel.

The cumulative order for more than 1,600 aircraft by IndiGo, Air India and Akasa since 2023 is expected to further expand India's international footprint, and domestic carriers have often highlighted the role of tier-2 and tier-3 markets in this growth trajectory. Now, global air carriers are also lining up to tap the potential in smaller cities.

Last week, UAE's Etihad launched four weekly flights to Jaipur. And Saudi carrier Riyadh Air, which is set to launch in 2025, has also firmed up plans to begin flights to India by 2026. So far, the airline has ordered 39 Boeing 787-9 aircraft, with an option for 33 more.

"India is in our top three target markets of the world; it is a massive opportunity. We see potential and opportunity in the secondary cities. We have also seen affluence increasing—people have more money to travel. The future is very clear," Jonathan Pollard, chief commercial officer of London Gatwick Airport, told *Mint*.

The airport, which currently serves 24 Air India flights a week, has also begun talks with India's largest airline IndiGo, which placed an order for 30 wide-body aircraft in May. "We are aware of IndiGo's wide-body order. Naturally we will be making a case to IndiGo and others who have the capacity to fly to London. The team has also engaged extensively with Air India to under-



Last week, UAE's Etihad launched four weekly flights to Jaipur.

REUTERS

stand what capacity may be available for flights to Gatwick," he added.

India's international aviation market has received a major boost lately, thanks to aggressive expansion efforts by carriers such as IndiGo, Air India and Vistara since covid-related

increased 22% year-on-year to 69.64 million passengers in FY24 while domestic traffic grew nearly 14% to 306.8 million.

Adam Boukadida, Riyadh Air's chief financial, said, "India is an important market for us. We will use both wide-

body and narrow-body aircraft for this market. For us, partnering with Indian carriers will also be important for depth of network, so we will be partnering with Indian airlines to connect more cities. We hope to connect India within 12 months of our launch so it

should happen during 2025-26." Chai Eamsiri, chief executive officer of Thai Airways International, said, "In terms of the number of cities we service, India is our biggest market. We already fly to all the major cities and have a plan to operate in secondary cities. We have to wait for the new narrow-body aircraft for that."

General Willie Walsh, director of the International Air Transport Association, said at the IATA Aviation Summit at the start of June, "I am hugely optimistic about the opportunity in India. I am amazed with how much potential exists here. In 2000, the Indian domestic market represented 0.4% of global aviation; last year it was 1.8%. It is growing quickly. [The potential] will only be unlocked with the right government policies and I suspect this will happen in time."

## SOARING PROSPECTS

**RIYADH** Air, set to launch in 2025, has also firmed up plans to begin flights to India by 2026

**NUMBER** of int'l airports in the country rose from 35 in March 2019 to 40 by March 2024

**GLOBAL** traffic at Indian airports increased 22% y-o-y to 69.64 million passengers in FY24

**THE** domestic air traffic in India grew nearly 14% to 306.8 million in FY24

restrictions were eased in March 2022. According to data from the Airports Authority of India (AAI), the number of international airports in the country rose from 35 in March 2019 to 40 by March 2024. International traffic at Indian airports

increased 22% year-on-year to 69.64 million passengers in FY24 while domestic traffic grew nearly 14% to 306.8 million.

# Spectrum worth ₹96,318 crore to be auctioned tomorrow

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India will put airwaves worth ₹96,317.65 crore on sale on Tuesday as it begins this year's spectrum auction where private sector telecom service providers Reliance Jio, Bharti Airtel Ltd and Vodafone Idea Ltd (Vi) will compete.

The three carriers, with nearly 1 billion mobile phone subscribers between them, are together expected to spend anywhere between ₹4,000 and ₹16,000 crore to buy airwaves across 4G and 5G bands, according to estimates by brokerage reports. The department of telecommunications (DoT) will conduct the auction to sell radio frequencies across the 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,300 MHz, 2,500 MHz, 3,300 MHz and 26 GHz bands.

Reliance Jio, Bharti Airtel and Vodafone Idea have collectively submitted ₹4,350 crore as earnest money deposit, according to DoT data. Reliance Jio, India's largest telecom firm, has deposited ₹3,000 crore, while Bharti Airtel and Vodafone Idea deposited ₹1,050 crore and ₹300 crore, respectively.

The deposits mean that each telco can bid three to four times the amount. However, sector watchers say that Airtel and Vodafone Idea would be looking to renew airwaves in some circles, while Jio may add airwaves in the 800 MHz band. Jio is expected to spend about ₹3,700 crore as it may increase its spectrum holding in certain circles in the band.

Airtel could spend a minimum of ₹3,800 crore as it will have to renew 42 MHz of spectrum in the 1,800 MHz and 900 MHz bands in six circles. Jeffries said in a note. It may also bid in certain circles to increase its holding in the 800 MHz/1800



Sector watchers say Bharti Airtel and Vodafone Idea would be looking to renew airwaves in some circles, while Reliance Jio may add airwaves in the 800 MHz band.

MINT

MHz bands to 10-15 MHz, and in the 2300 MHz band to 40 MHz. This could lead to a maximum spend of ₹12,300 crore.

Besides renewal, Airtel will add at least 25,000 5G sites in the circles of Maharashtra, Gujarat, Madhya Pradesh and Chhattisgarh, Kerala and West Bengal to improve rural coverage, for which it has adequate spectrum.

Vodafone Idea, which recently raised ₹18,000 crore from what was the country's largest follow-on public offer, has decided against renewing some spectrum in the circles of West Bengal and Uttar Pradesh West, where renewals for 12 MHz in the 1800 MHz and 900 MHz bands were due. Therefore, it would end up reducing its spend on renewals from ₹1,500 crore to ₹200 crore for just the 900 MHz band.

The auction is expected to be limited in scale compared to the 2022 bids, which generated a record ₹1.5 trillion from the sale of 72,097.85 MHz of radio frequencies. The reason for the high bids was that 5G auction was being put on sale for the first time.

Overall, about 17% of the spectrum value is likely to be sold, which could be the lowest in any auction since 2014. No excess demand in any circle or band is expected to be sold, implying that spectrum may be sold near reserve prices.

The DoT has not included any spectrum in the 600 MHz and 700 MHz bands in the upcoming auction. Spectrum

**The three carriers are expected to spend between ₹4,000 and ₹16,000 cr to buy airwaves across 4G and 5G bands**

reserve prices have been increased in 3,300 MHz and 26 GHz bands by 12% and 8.9%, respectively. Reserve prices of the 1,800 MHz band have been increased largely in Uttar Pradesh

East. Spectrum base prices have been raised by 11-14% in bands or circles that saw demand in the 2022 auctions.

The auction, which was originally scheduled for 20 May, has been postponed twice to finally take place on 25 June.

While *Mint* had reported earlier this year that the government is expecting to mop up about ₹10,000 crore from the sale, various brokerage reports leading up to the sale on 25 June said the auctions may fetch the Centre ₹4,000 crore to ₹16,600 crore.

# Third Episode of Crafting Bharat Podcast Series Delve into the Indian Startup Ecosystem

Mint Media Marketing Initiative

Sanket Shah, CEO of InVideo discusses his founder journey, building AI enables video editing software and upcoming trends in the industry.

The startup industry of India is flourishing, especially rising entrepreneurial drive amongst the younger generation of India. With numerous success stories, the Indian startup ecosystem has witnessed a remarkable increase in venture capital investments, attracting both local and global investors.

AI enabled video editing software and upcoming trends in the industry. Explore the tales of Indian Startup founders' transformation from dreams to reality, navigating challenges to seize opportunities through the Crafting Bharat Podcast Series.

Edited Excerpts:

### Segment 1: The Incubator

**Between the 2012 to 2017 phase how did your seed of an idea for InVideo germinate, considering you had founded Visify Books and MassBlurb (with Pankit) in the meanwhile, and how did it evolve further in the 2017 to 2019 period? Give us the highlights when it comes to the ups and downs?**

I was thinking about starting a business in India while I was in the US, but I think that's not how it works because to do a business in India then you need much deeper Indian insights. You need to be in India and work here, you can't sit somewhere else and think that I will start a recurring business in India. In 2014, there was NACH where you needed to fill a form and submit it, for them to initiate recurring payments allowing



Sanket Shah, CEO of InVideo discusses his founder journey, building AI enables video editing software and upcoming trends in the industry with host Gautam Srinivasan.

you to start a recurring business. That was my biggest mistake to think that way. I never got a closure from Visify Books. I thought that videos should not be made like this and sometime in 2017 I started InVideo.

**Your seed round in May 2018 and the second one in October 2019 were tepid. But the third round in Feb 2020 brought in \$2.5 million, that helped you launch your automated assistant, then in October 2020 you got another \$15 million as Series A, and then the biggie, \$35 million in July 2021 for Series B. What changed in 2020**

Analyzing the competition is part of the strategy. Business outcomes result from executing that strategy.

**that drove investors to you?**

First, We operate in a bottomless market; the market is extremely large. I believe that over a billion people in the world are going to create videos and I don't think there is any debate there. Second, it comes down to confidence in the founder. Track record and talking to the founder gives that confidence to the investors to invest.

**I read somewhere that you are now the largest prosumer SaaS company in Asia. What are the lessons that you have learnt in scaling up**

**InVideo from a tech standpoint?**

If the creators can create videos in a very natural environment that's what I think gets to a billion users. It is a series of stability, how it's distributed and how it can all be tied together. The future of all the software is in the browser and it is also across all devices. Our entire system works on AWS and the scaling was very smooth. AWS supported us in a very early stage.

### Segment 2: The Accelerator

**You met Sam Altman of OpenAI recently. What did you two talk about?**

I met him for over 2 hours, and it was a fun conversation. We briefly talked about what to expect in the future. There will be a requirement of more electricity for advancement in the world of AI, which hopefully will get solved by nuclear fusion. Second, is that compute has become extremely important.

**What do startup founders need to focus on when thinking of the risk?**

It's very risky. I do not think you can do this journey for money. You pick up this

journey for fun. The gratification point of this journey is not the money you will get later, because most likely you might not earn money.

**Is it a better approach to release a good product and improve it to perfection with feedback received?**

In my opinion there needs to be a judgment and a time to launch but the earliest you go out is the best for the business.

The startup ecosystem in India has grown tremendously in the last decade. The increasing adoption of digitization coupled with government initiatives have opened new avenues for budding entrepreneurs.

Stay tuned to the Crafting Bharat Podcast Series as we bring you these inspirational entrepreneurs for insightful and candid discussion with Gautam Srinivasan.

Scan the QR Code to Watch the full episode





The Nifty ended down 0.28% at 23501.10 on Friday.

## Derivatives mkt signals a decline this week

FROM PAGE 1

21 December. While the flip has happened again this time, brokers expect a smaller and shorter pullback of around 2-3% from Nifty's latest closing of 23501, as markets tend to run up a week or two ahead of a Union Budget.

"While a pre-budget rally is anticipated, it might be preceded by an immediate, shallow fall of 2-3% to 23,000-22,800," said Dhiraj Relli, managing director and chief executive officer of HDFC Securities. "I believe from that level, we could see the market rally and test re-test today's (21 June) life high (23667.10)." The Nifty ended down 0.28% at 23501.10 on Friday. Relli said investors were moving out of auto and PSU stocks to defensive sectors like private banks and fast-moving consumer goods, which could spark a pre-budget rally next month. Kruti Shah, quant analyst at Equirus expects the flip to result in a fall to 23000, which she calls a "good level" to enter the market. "I believe that sectoral churn will happen, but midcaps could continue to outperform the large caps," said Shah. She expects markets could run up to 24,200 in a pre-Budget rally after an initial dip.

# Apple, Meta have discussed a generative AI partnership

The discussions highlight the unlikely alliances forming between major tech cos in the AI era

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In its hustle to catch up on AI, Apple may be turning to a longtime rival: Meta.

Facebook's parent has held discussions with Apple about integrating Meta Platforms' generative AI model into Apple Intelligence, the recently announced AI system for iPhones and other devices, according to people familiar with the matter.

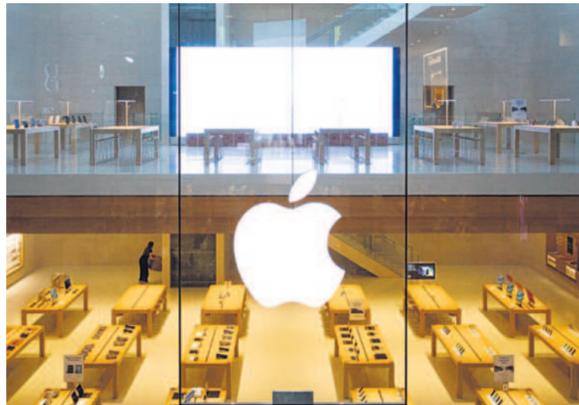
Meta and other companies developing generative AI are hoping to take advantage of Apple's massive distribution through its iPhones—similar to what Apple offers with its App Store on the iPhone.

A latecomer to generative AI, Apple has developed its own smaller artificial-intelligence models but has announced it will turn to partners for more complex or specific tasks. When Apple Intelligence was unveiled earlier this month at the company's Worldwide Developers Conference, OpenAI's ChatGPT was announced as the company's first partner. "We wanted to start with the best," said Apple software leader Craig Federighi, noting that ChatGPT "represents the best choice for our users today." He also said Apple wanted to integrate Google's Gemini as well.

In addition to Google and Meta, AI startups Anthropic and Perplexity also have been in discussions with Apple to bring their generative AI to Apple Intelligence, said people familiar with the talks.

If Apple strikes deals with partners beyond OpenAI, Apple said customers could choose which external AI models they want to use in addition to Apple's internal systems.

The discussions with Meta highlight the unlikely alliances that are forming between major technology companies



When Apple Intelligence was unveiled earlier this month, OpenAI's ChatGPT was announced as the company's first partner.

in the artificial-intelligence era. OpenAI's tech is set to be embedded in Microsoft and Apple devices.

And an Apple and Meta deal would be noteworthy given how much the two companies have been at loggerheads over other emerging tech issues.

In its talks with other AI companies, Apple hasn't sought for either party to pay the other, the people said. Instead, the AI companies can sell premium subscriptions to their services through Apple Intelligence. As it does on its app store, the iPhone maker would keep a cut of subscription revenue from its devices.

The discussions haven't been finalized and could fall through. Even though deals with Apple would help AI companies obtain massive distribution of their products, it is unclear how much of a financial windfall it would be.

OpenAI will be offering a free version of ChatGPT through Apple Intelligence, but users can also link a premium ChatGPT account to their Apple device.

While ChatGPT usage is expected to double with the Apple partnership, OpenAI's infrastructure costs are expected to grow 30% to 40%, said Gene Munster, a longtime Apple analyst and managing partner at Deepwater Asset Management. Munster expects 10% to 20% of Apple users will opt into paying for a premium AI subscription to a product like ChatGPT. That could mean billions of dollars for AI companies that integrate successfully with Apple's new platform.

"Distribution is hard to get," Munster said. "The beauty of what Apple has built is that you've got this engaged distribution at scale."

A partnership with Meta would help elevate the stature of its efforts in the tech industry's AI race and represents

a rare olive branch between the social-media giant and the iPhone maker. Meta launched Llama 2, its large language model, in July 2023, and in April, the company released the latest versions of its AI models, called Llama 3. While Llama has gained support and adoption within the tech industry and among startups, a deal with Apple would represent a major victory for Chief Executive Mark Zuckerberg and his company's AI division.

Tensions between the two companies have persisted for more than a decade. Most notably, Apple in 2021 introduced privacy changes to its mobile devices that Meta later said would cost it \$10 billion in lost revenue in 2022. In April, Meta published instructions encouraging advertisers to use a workaround to avoid paying a 30% service charge to Apple for "boosted posts," a form of advertising that the two companies bickered over for years, The Wall Street Journal has reported.

By holding discussions with a range of AI companies, Apple is able to avoid becoming overly reliant on OpenAI. But it remains to be seen how open Apple will make its new AI platform available to these external AI companies. These AI deals take time because for now they have to be struck on a per-company basis, unlike the App Store where an established process exists in which developers can more freely submit their apps for Apple's approval before showing up in its digital storefront.

Apple's Federighi said it makes sense for the company to offer numerous AI options because users will prefer different models for different tasks, such as creative writing or researching medical information. "People are going to want to draw on that kind of expertise that might not be part of our core," he said at the developers conference earlier this month.

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# Adani plans \$3 bn foray into pumped storage business

FROM PAGE 1

can fund about 5.5GW capacity, according to the two persons.

In FY24, AGEL commissioned about 3GW, with a credit revolving facility of \$1.6 billion, which has been increased to \$3.4 billion now by a consortium of 25 international and domestic banks. If utilized, this is sufficient to develop 6-8GW, the two people added. "Once the assets stabilize, the facility is refinanced with a long-term dollar bond. The idea is to issue bonds with fixed coupons and with a long-term amortization structure—where the cash flows are fully aligned with debt servicing. AGEL's RGI dollar bond issued in March 2024, received a seven-times participations from international investors," said the second person.

As India, the third largest emitter of carbon dioxide after China and the US, moves on its renewable pledge of net zero by 2070, PSH is emerging as a big part of this push. In January, the government cleared eight PSH projects worth ₹81,981 crore in five states, according to the ministry of environment, forest and climate change or MoEFCC.

The Adani Group's closest rivals Tata Power, NTPC, and JSW have already announced plans to enter the PSH space. The Ahmedabad-based conglomerate's capex target, though, is the highest.

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PSH will be key to India's green energy push.

Tata Power CEO Praveer Sinha saying that the company was looking to set up 2.8GW of PSH capacity by FY29 with an investment of ₹15,000 crore.

In November 2023, a *Moneycontrol* report said state-run NTPC Ltd had identified at least nine states where it planned to build PSH units with a total installed capacity of 14GW.

In December, the government had cleared Greenko Energy's proposal for a 3.66-GW PSH project in Uttar Pradesh's Sonbhadra district according to MoEFCC.

Two projects in Chhattisgarh with a capacity of 1.2GW each, by Sterlite Grid and Gandhwani Energy, have also received recommendations. Another 2.22GW project by Oju Subansiri Hydro Power Corporation in Arunachal Pradesh and a 1.5GW project by JSW Energy in Maharashtra have also got clearance, as per MoEFCC.

For a longer version of this story, go to [livemint.com](https://livemint.com).

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RBI's monetary policy committee expects GDP growth at 7.2% for FY25, lower than the 8% growth seen in the previous fiscal.

## Why Varma, Goyal voted for a rate cut at the MPC meeting

FROM PAGE 1

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The other MPC member Ashima Goyal, who voted for a rate cut for the first time in the last policy, believes the approach to inflation target has not been affected by any new supply shocks since the last policy. She argues that maintaining status quo for too long will result in keeping real repo rate higher than necessary.

"In the April policy, the possibility of new supply shocks was high and I was waiting to see their impact. International oil prices were rising, there was uncertainty related to the monsoon, impact of heat waves and elections. Most of these are resolved without creating new supply shocks. The heatwave has had less than expected impact on food prices," said Goyal. "If inflation continues to fall and expected inflation is approaching the target with growth at 8%, it means we can safely grow at such rates," she added.

The policy minutes released on Friday revealed a wide divergence in views between

Both Jayanth Varma and Ashima Goyal agree that a 4% inflation target can be achieved sustainably

to the target and it is also internalized by price regulators, 4% target can be sustained. As the economy diversifies and deepens, supply shocks become less volatile and have reduced impact," said Goyal. Varma said, "The disagreement is only about the pace at which this last-mile disinflation should be carried out...[S]ince the excess over the target is small, we can be more relaxed about the pace so as to reduce the growth sacrifice."

MPC's key external members and the three RBI members. While RBI members consider it appropriate to take the leeway provided by strong growth to focus on bringing inflation down durably, the dissenting external members argued that it is time to prioritize growth as economy is growing at below its potential growth rate.

According to the minutes, Varma argued that keeping 2% real interest rate—difference between repo rate of 6.5% and inflation of 4.5%—for too long will hurt growth for next two years.

That said, both Varma and Goyal agree that a 4% inflation target can be achieved on a sustainable basis.

"Yes; as expectations converge to the target and it is also internalized by price regulators, 4% target can be sustained. As the economy diversifies and deepens, supply shocks become less volatile and have reduced impact," said Goyal.

Varma said, "The disagreement is only about the pace at which this last-mile disinflation should be carried out...[S]ince the excess over the target is small, we can be more relaxed about the pace so as to reduce the growth sacrifice."

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## Six MNC units face ownership checks

FROM PAGE 1

tures. Not all of them are for wrongful purpose and in many cases, it may be for efficiency in taxation or in organizing business. Be that as it may, who is controlling the business should not be hidden. It is the duty of the company to identify and report its beneficial owners," said the person quoted above. "Companies have to come clean on who is owning them. It is like an internal know your customer (KYC) for them," the person said.

Email sent to the ministry of corporate affairs and to the RoCs on 18 June and to Samsung and LinkedIn on Friday seeking comments for the story remained unanswered at the time of publishing.

A second person, who also spoke on the condition of anonymity, said that the emphasis on enforcement of provisions on significant beneficial ownership comes in the context of a country review by the Financial

Action Task Force (FATF), a global standard-setter in the fight against money laundering, financing of terrorism and proliferation of weapons of mass destruction.

The first person denied that enforcement of beneficial ownership reporting norms affects ease of doing business, saying that insufficient regulation dealing with complex corporate structures was responsible for the global financial meltdown of 2007-08.

Experts pointed out that beneficial ownership needs special attention from businesses. Regulations lay the responsibility of disclosure on the individual...and if the company is of the view that a person is an SBO and falls within the eligibility criteria which are shareholding, voting rights or control, explained Sandeep Sehgal, partner-tax at AKM Global, a tax and consulting firm.

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## Lawsuit, Cannes win put focus on JSPL ad

FROM PAGE 1

nes Lions in the Film Craft category. This was despite the ongoing legal and ethical questions about its origin, rekindling the debate over who rightfully owns the idea behind the campaign.

Piyush Pandey, legendary adman and adviser at Ogilvy (former executive chairman), called this a sad incident for the industry. "While it's a difficult interpretation, my theory is simple: the idea belongs to the one who created the idea," he told *Mint*. "If the entire concept is under suspicion, then everything about it is invalid. Which is how Kyoorius looked at it. Cannes decided to look at it another way and awarded the campaign in the Film Craft category and not for the idea. The way I look at it is, if there is a relay race and the third runner drops the baton, but the fourth runs it best, the team can't claim victory. Ultimately, one has to see whose idea it was. If there is a theft, the person who breaks open the locker can't claim he is not connected to the

When asked, a spokesperson from Jindal Steel said, "Jindal Steel cannot comment on the amicable settlement as it is bound by confidentiality. However, we clarify that the 'The Steel of India' campaign is our original idea, and we engaged Kondurkar Studio and Earlyman Films to bring our vision to life."

Incidentally, Amrish Kondurkar, the founder of Kondurkar Studio who was named in Cannes for idea creation, was part of W+K until January 2023, when he started his own company. Defending their work, Kondurkar Studio said, "In recent weeks, Kondurkar Studio and its founder, Amrish Kondurkar, have been subjected to a wave of negative, unfounded, and unsubstantiated media coverage regarding the 'The Steel of India' campaign. Kondurkar embarked on an independent journey with integrity and creativity, dedicating his talents to creating original and impactful work. Despite his commendable efforts, he and his studio are being unfairly targeted by a

larger competitor in the industry, under the pretext of bizarre accusations of copyright infringement and lack of originality. Kondurkar Studio developed this film based on the client's brief, aiming to bring alive the Indian resilience to land on the brand line of 'The Steel of India'. The film, which signs off with 'The Sound of India', is entirely original. We had no prior knowledge of anything that the larger agency might have earlier shared with our client. The Delhi high court, after thorough adjudication, found no wrongdoing on the part of Kondurkar Studio."

The controversy underscores the challenges and complexities of intellectual property in the creative industry, raising important questions about the protection of creative ideas and the responsibilities of agencies and clients in safeguarding them.

As the debate continues, the industry watches closely to see how this case will influence future dealings and the broader ethical standards within the advertising landscape.

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## Europe's response to China shock 2.0: Hold China closer

FROM PAGE 1

China. Europe's manufacturing sector has a lot to lose. Why risk that? Europe's car industry is deeply intertwined with China's already through joint ventures that have a large share of China's market. About a third of Volkswagen's sales and a big share of its profit are in China.

Moreover, Europe has more to lose than the U.S. from a breakdown in global trade. It has two-and-a-half times as many manufacturing jobs, and more than a third of its manufactured goods are exported, versus one-fifth for the U.S., former Italian Prime Minister Mario Draghi said in a speech this month.

Manufacturing comprises 15% of Europe's overall output, and 18% of Germany's, compared with 11% of the U.S.'s, reflecting specialization in high-tech engineering tools

and machinery that helped to power China's rise. But China increasingly competes in products it used to buy from Europe. Its companies produce more industrial machines and equipment than their rivals in the U.S., Ger-

many and Japan combined. "The first China shock was a net positive for Germany," said Moritz Schularick, president of the Kiel Institute for the World Economy. "The second shock is a real wake-up call." China once welcomed for-

eign investment as a way to import new technology. Now, said Barkin, "We are in a position where Europe is keen for transfers of technology to flow in the other direction."

China is likely to produce seven million battery-powered EVs this year, up from five million last year, said Ferdinand Dudenhoeffer, a German auto industry expert. Europe is likely to produce 1.2 million this year, down from 1.5 million last year, he said. This advantage of scale enabled Chinese manufacturers to move ahead of international competitors in technology for electric vehicles, including batteries.

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A screenshot from JSPL's 'Steel of India' campaign.

theft at all, as he just opened the lock."

In an official statement on Friday, W+K India said, "The Delhi high court verdict clearly stated that prima facie the campaign was substantially similar to what we had presented to Jindal Steel, be it the theme, use of steel, visual imagery, or sound design. The matter was subsequently settled out of court to the mutual satisfaction of both parties. Now the production house is coming and challenging us, claiming it's not our idea."

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and

## BII to invest \$300 mn in Indian EV space

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NEW DELHI

British International Investment (BII), the UK's development finance institution, is betting big on the Indian electric vehicle (EV) ecosystem and expects to invest another \$300 million in the next three years, according to Abhinav Sinha, its managing director (MD) and head of technology and telecoms.

The company, which has backed the Mahindra group's EV arm besides other startups like Euler Motors, Turno and Battery Smart, has already invested around \$300 million in the Indian EV sector and sees further investment opportunities in EV manufacturing, components and financing segments in the country.

"India has quite an evolved auto market... On the EV side, the penetration right now lags the rest of the world... The (overall) penetration of EVs in India is something like 6% and we see it quite easily expand, double and more than double quite quickly," Sinha told PTI in an interview.

He added, "The leader today is China, but for India to be significantly ahead of where it is today... we think it's a very achievable sort of an objective... So we're quite bullish."

Sinha was responding to a query on how BII sees the EV ecosystem in India compared to the other markets in the world and investment opportunities in the country.

By 2030, he said there will be a "massive level" of EV penetration in public transportation in India and there will be "quite a bit of traction on the passenger (electric) cars, as more and more people adopt it".

# Internal demand needed to fuel India's space economy

In December last year, the department of space valued India's space market at around \$8 bn

Shouvik Das  
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NEW DELHI

At a closed-door gathering in Bengaluru on 14 June, Indian Space Research Organisation (Isro) chairman S. Somanath said that the fledgling domestic space industry needs to "create an internal demand and market."

Somanath's statement underlined the ongoing plight that industry stakeholders feel could see the Indian space economy underperform against revenue projections, and in turn, also hamper early-stage private space startups.

Stating that demand for space launches will not "come from outside," Somanath, who is also the secretary in the department of space, said at the gathering that at the moment, there is "no demand" for Isro's workhorse rocket, the Polar Satellite Launch Vehicle (PSLV). The latter conducted three commercial launches in each of the past two years for various central government divisions and agencies. Nearly six months into 2024, Isro has not conducted a single commercial launch mission for any Indian entity.

To be sure, a 'commercial' launch pertains to satellites that are not built by Isro for scientific research purposes.

This has created an issue. Back in October 2022, consultancy firm EY India and industry body Indian Space Association (Isa) projected that India's private space economy will be valued at \$13 billion by the end of calendar year (CY) 2025. In October last year, government-affiliated space promotions body Indian National Space Promotion and Authorization Centre (In-Space) put out a decadal vision, wherein it projected



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the value of the local industry, including orders from within India as well as from outside, at \$44 billion by 2033.

In December last year, the department of space valued India's space market at around \$8 billion. This accounted

for around 2% of a global \$400 billion space industry—a figure that In-Space expects to balloon to 8% within the next decade.

While 2033 still remains far away, industry stakeholders believe both the above-mentioned projections are well off-target. The reason for this is an apparent change to the way space projects were allocated in India.

"Until last year, space missions in India for Isro worked on a supply-driven model, wherein Isro would create sup-

ply by building a rocket based on funds issued to it from the ministry of finance. This central issuance model worked well purely because any government-affiliated body under any ministry could simply ask for satellite launch capacity aboard an Isro rocket depending on their need. Now, this model has moved to a demand-driven model, wherein Isro would supply rockets only based on the demand that they see from the market," said Narayan Prasad Nagendra, chief operations officer at Dutch space firm Satsearch.

Nagendra's assessment is on point. A senior official close to developments at Isro told *Mint* on condition of anonymity that the demand-driven model in question has created conflicts in terms

of how government bodies pursue space missions. "No global space economy has ever been successful without the government being the primary customer for public as well as private sector firms. In India, government departments and agencies under various ministries are conflicted regarding the allocation of funds to Isro, which is creating this said demand shortage in the market. In short, there is no single body with budget allocation available to enable commercial space projects within Isro," the official

said. Isro did not respond to an emailed query from *Mint*.  
Read an extended version of this story at [livemint.com](https://www.livemint.com).

**\$13 bn**  
Projection for India's pvt space economy by the end of CY25

**\$44 bn**  
In-Space's estimate for the local space industry by 2033

## ONGC offers stake in Deen Dayal gas field

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NEW DELHI

After spending close to \$1.2 billion and seven years of little success, state-owned Oil and Natural Gas Corp. Ltd (ONGC) is seeking partners to rescue the Deen Dayal gas field in the Krishna-Godavari (KG) basin in the Bay of Bengal.

ONGC on 12 June sought expression of interest from "global oil and gas companies with requisite technical expertise and financial strength to join as partner (with participative interest) for firming up a viable strategy" for the field, according to the tender document.

The field has produced negligible quantities of gas since ONGC in January 2017 acquired Gujarat State Petroleum Corp. Ltd's (GSPC) 80% interest in the KG-OSN-2001/3 block off the east coast.



ONGC wants a global partner for the DDW field.

lion cu. ft of in-place gas reserves—by far the biggest in any deepsea field in the country—but later trimmed to a tenth, has proved to be tougher than anticipated.

"A total of seven development wells are drilled till date," ONGC said in the tender document.

A development well is one that helps produce hydrocarbon from below the earth's surface or seabed.

"However, four wells which were completed did not yield good productivity as anticipated and performance was suboptimal. Severe technical challenges and complications were encountered in the other three wells during drilling and completion phase and had to be abandoned," ONGC said.

The firm now wants a global

partner who could help with the development of DDW.

Besides the acquisition cost, ONGC has spent an undecleared sum of money in trying to bring the DDW field to production.

GSPC holds a 10% stake in the field and the remaining is with Jubilant Enpro.

The KG-OSN-2001/3 block, which was awarded to GSPC as its partners in the first bid round of the New Exploration Licensing Policy

brought by the then National Democratic Alliance government under Prime Minister Atal Bihari Vajpayee, comprises five fields—DDW, DDE, DDN, DD-DT and DD-BRU. Of these, DDW, which lies about 10km off the Andhra Pradesh coast, is spread over 37.5 sq. km and is under development.

## Gautam Adani drew ₹9.26 cr pay in FY24

PTI  
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NEW DELHI

Gautam Adani, India's second richest person, received a total remuneration of ₹9.26 crore in the fiscal year ended 31 March—lower than most industry peers as well as his own key executives.

Adani, 61, drew a salary from only two out of the 10 companies in his ports-to-energy conglomerate, annual reports of the 10 listed entities of the group showed.

His remuneration for 2023-24 from flagship firm Adani Enterprises Ltd included ₹2.19 crore salary and perquisites, allowances and other benefits worth ₹27 lakh. The total remuneration of ₹2.46 crore was 3% more than the previous financial year, according to Adani Enterprises' 2023-24 annual report.



Gautam Adani drew a salary from only two out of the 10 companies in his ports-to-energy conglomerate.

Adani also drew ₹6.8 crore from Adani Ports and SEZ Ltd (APSEZ).

Adani's salary is lower than the heads of almost all large family-owned conglomerates in India.

While the richest Indian, Mukesh Ambani, has been foregoing his entire salary since covid-19 broke out—

prior to which he had capped his remuneration at ₹15 crore—Adani's remuneration is much lower than telecom czar Sunil Bharti Mittal (₹16.7 crore in 2022-23), Rajiv Bajaj (₹53.7 crore), Pawan Munjal (₹80 crore), Larsen & Toubro chairman S.N. Subrahmanyam and Infosys chief executive Salil S. Parekh.

Adani, who is worth \$106 billion according to the Bloomberg Billionaire Index, has been jostling with Ambani for the spot of the richest person in Asia. He became the richest Asian in 2022 but lost that position after a damning report by US short seller Hindenburg Research wiped out nearly \$150 billion of market value of his group stock at its lowest point last year.

He regained the top spot on two occasions this year but again ceded the position to Ambani.

Ambani is ranked 12th on the world's richest list with a net worth of \$111 billion. Adani is ranked 14th.

Adani's younger brother Rajesh got ₹8.37 crore, including ₹4.71 crore commission on profit from Adani Enterprises, while nephew Pranav drew ₹6.46 crore, including ₹4.5 crore commission, the annual report showed.

## Have fun with facts on Sundays

Catch the latest column of **TWTW**  
THE WEEK THAT WAS  
A quiz on the week's development.



**कार्यालय नगर पालिक निगम, इन्दौर**  
जलयंत्रालय एवं इनेज विभाग

**निविदा सूचना**

विज्ञापन क्रमांक: 4

निम्नलिखित कार्य हेतु केन्द्रीयकृत प्रणाली में पंजीकृत देकेदारों से ऑनलाइन निविदाएं आमंत्रित की जाती हैं। निविदा का विस्तृत विवरण वेबसाइट <https://mptenders.gov.in/> पर देखा जा सकता है।

शुप क्र.	देखर क्र. 2. जारी दिनांक	कार्य का नाम	1. कार्य की समावधि 2. लागत	1. निविदा प्रपत्र का मूल्य 2. ई.एम.डी.	निविदा की अंतिम तिथि
1	2024_UAD_349715 10.06.2024	झोन क्र. 13 वार्ड क्र. 81 के अंतर्गत वैशाली नगर के समने से नदराज नगर नाले तक वर्षा के पानी की निकासी हेतु आर.सी.सी कल्वर्ड बनाना। (द्वितीय बार निविदा आमंत्रण)	1. 12 माह 2. ₹1,63,51,183/-	1. ₹12,500/- 2. ₹81,800/-	27.06.2024 (शाम 05:30 बजे तक)
2	2024_UAD_349716 10.06.2024	कान्ह नदी जीर्णोद्धार योजना अंतर्गत नगर निगम चौराहे से अहिल्या आश्रम तक विकास कार्य करना। (तृतीय बार निविदा आमंत्रण)	1. 12 माह 2. ₹21,13,17,546/-	1. ₹50,000/- 2. ₹10,56,600/-	27.06.2024 (शाम 05:30 बजे तक)

नोट:- निविदा से संबंधित किसी भी प्रकार के संशोधन का प्रकाशन ऑनलाइन <https://mptenders.gov.in/> की वेबसाइट पर ही किया जावेगा, पृथक से समाचार पत्र में प्रकाशन नहीं किया जावेगा।

कार्यालय यंत्री जलयंत्रालय एवं इनेज विभाग नगर पालिक निगम, इन्दौर

प्रतिबंधित पोलिथीन, क्लेसिंग के निमाण/ विकस/ उपयोग करने पर दंड व सजा का प्रावधान है।

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Tel: 0124-4535500. Email: [procurement@canarahsbcife.com](mailto:procurement@canarahsbcife.com)

**NOTICE INVITING BIDS/OFFERS**

Open Tender is invited against RFP for Empannelment of Vendors for IT Resources dated 24 June 2024.

Above tender has been uploaded on <https://www.canarahsbcife.com/tenders-notices.html>. website of Canara HSBC Life Insurance Company Ltd. All prospective bidders are advised to visit the aforesaid website for downloading the RFP.

**भारतीय रिज़र्व बैंक**  
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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 ₹17,071/- crore (Face Value).

Sr. No.	State/UT	Amount to be raised (₹cr)	Additional borrowing (Green shoe) option (₹cr)	Tenure (in Years)	Type of auction
1	Andhra Pradesh	1,000	-	11	Yield based
		1,000	-	20	Yield based
2	Haryana	1,500	-	12	Yield based
3	Jammu and Kashmir	500	-	30	Yield based
4	Kerala	1,500	-	17	Yield based
5	Mizoram	71	-	15	Yield based
6	Rajasthan	1,500	-	10	Yield based
		1,500	-	19	Yield based
7	Tamil Nadu	3,000	-	20	Yield based
8	Telangana	1,000	-	30	Yield based
9	West Bengal	2,000	-	18	Yield based
		1,500	-	15	Yield based
<b>Total</b>		<b>17,071</b>			

The auction will be conducted on Reserve Bank of India Core Banking Solution (E-Kuber) in multiple-price format on **June 25, 2024 (Tuesday)**. Individual investors can also place bids as per the non-competitive scheme through the Retail Direct portal (<https://rbiretaildirect.org.in>). For further details please refer to RBI press release dated **June 21, 2024 (Friday)** on RBI website [www.rbi.org.in](http://www.rbi.org.in)

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# The rise of Chinese EVs is dividing the West

U.S., European tariffs on Chinese EV imports look similar but will have different consequences

Stephen Wilmot  
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America and Europe are heading down different roads in response to China's emergence as an electric-vehicle juggernaut.

The U.S. is closing its borders to Chinese EVs before they even launch. The Biden administration last month raised the total tariff rate to 102.5% on Chinese EVs, despite extremely low imports. Canada, whose car industry is tightly integrated with the U.S., is considering new tariffs too, Bloomberg reported on Friday.

In case sky-high import duties don't keep Chinese EVs away—for example if they are built in Mexico to benefit from the country's free-trade agreement with the U.S. and Canada—Washington also launched an investigation in February to assess their security risks. This could be an even more potent blocking tool. If President Biden loses November's election, a second Trump administration would likely be even more hawkish.

Meanwhile in the European Union, additional tariffs announced by Brussels this month will only slow the influx of Chinese EVs. The products need to overcome consumer resistance to unfamiliar brands, which will take time, but the market is open.

The proposed levels of duty are relatively modest: an additional 17.4% in the all-important case of Chinese market leader BYD. On top of a longstanding 10% tariff, that might close most of the company's cost advantage compared with European peers, but it probably wouldn't throw its growth plans off course. Assuming that the company splits the cost impact of the proposed tariff with consumers, Citi estimated that it would still make higher margins in Europe than in brutally competitive China.

And the final tariffs could be lower still. The EV probe is part of a negotiation: China responded last week with its own antidumping investigation into imports of EU pork products. Both ini-



Canada, whose car industry is tightly integrated with the US, is considering new tariffs too.

BLOOMBERG

tiatives invoke World Trade Organization rules that allow so-called "countervailing duties" on subsidized products. The "Section 301" tariffs used by Washington, by contrast, are a uniquely American tool that is unlikely to lead to any kind of bilateral deal.

The key effect of EU tariffs would be to speed up an existing trend toward localizing production, as happened when the Reagan administration placed tariffs on Japanese cars in the 1980s. Andrew Bergbaum, a partner at consulting firm AlixPartners, already counts eight planned Chinese EV factories in Europe. As long as they also use a high enough proportion of local parts, they will be able to sell into the region duty-free.

There are no more car buyers for these new factories, so the tariffs being introduced to protect European indus-

try against excess Chinese capacity will simply create excess European capacity. This is good news for consumers, who will get deals and wheels, but bad for old-school car manufacturers in what was already a tough market.

The incumbent industry could help itself by sharing plants with the newcomers. Stellantis, which owns brands such as Fiat and Peugeot as well as the Chrysler business in Detroit, last month formed a European joint venture with a Chinese automaker, Zhejiang Leapmotor Technology. The business is starting to use a Stellantis factory in Poland to manufacture Leapmotor vehicles for the European market, according to a recent Jefferies note. In some ways, the approach is a mirror image of the Chinese JVs through which most Western

automakers still access the Chinese market.

The U.S. is borrowing different tactics from China. Tariff increases need to be seen alongside the Biden administration's Inflation Reduction Act, which kicked off a new era of Chinese-style industrial policy backed by massive state spending. If the elaborate combination of carrots and sticks works, it will create a whole new EV supply chain to run alongside the Chinese one that dominates today's industry. But this, too, is a recipe for overcapacity, particularly as it will be tough to keep the supply chains totally separate. Regardless of its growth potential, the EV industry is doomed to low returns by its political sensitivity.

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**To deter Chinese EVs, Washington has also launched a security risk investigation in February**

# Nvidia is no Cisco but is now pricier

Dan Gallagher  
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Is a great business worth any price? Nvidia investors finally seem to be asking themselves that question.

The chip maker powering the artificial-intelligence revolution blew past \$3 trillion in market capitalization earlier this month barely three months after passing \$2 trillion. It even became the world's most valuable company earlier this week, briefly surpassing Microsoft and Apple. That seems to have given investors some pause; Nvidia's share price has slipped nearly 7% since trading resumed after the Juneteenth holiday.

Still, with a value of a little over \$3.1 trillion as of Friday's close, Nvidia is hardly cheap. That is merely 2% below that of Apple, a company with more than 2 times Nvidia's trailing 12-month free cash flow. The stock is also now at nearly 45 times projected earnings for the next four quarters. That is 11% above its five-year average multiple and about 35% higher than what the stock was fetching when the company's market value first crossed the \$2 trillion threshold in March.

Nvidia's sharp rise—and big gains made by stocks such as Dell, Super Micro and Broadcom that are also seen as AI enablers—has spawned inevitable comparisons to the dot-com bubble that burst nearly a quarter of century ago. There are some parallels: The early days of the Internet favored companies selling the necessary hardware to get homes and businesses online. Cisco, IBM, Lucent Technologies and Intel were four of the 10 most valuable companies on the market by the end of 1999, according to data from S&P Global Market Intelligence. Cisco overtook Microsoft to become the most valuable public company about four months later.

Cisco's stock price is about 40% below that level now, adjusted for splits. That seems like a cautionary tale for Nvidia's shareholders. But there are also some important differences to consider. Cisco swelled to a much frothier multiple of 131 times forward earnings at its



Nvidia blew past \$3 trillion market capitalization earlier this month.

peak in March 2000, according to FactSet data. And that was on less impressive financial performance, as the company's revenue grew 55% in the fiscal year that ended that July with an operating margin of 17%, down from 24% the year before, according to data from S&P Global Market Intelligence. Nvidia's trailing 12-month revenue at the end of the April quarter was more than triple that of the same period last year, while its operating margin has more than doubled in that time to 60%.

Cisco's business also cratered the following year as orders from financially shaky customers that had been propping up its bookings quickly vanished. It actually lost money in the 2001 fiscal year after earning \$3.2 billion the year before. "This may be the fastest deceleration any company of our size has ever experienced," Cisco's then chief executive, John Chambers, said in the company's earnings release in May of that year.

Such a drastic turn is highly unlikely for Nvidia. Deep-pocketed tech giants such as Microsoft, Google and Amazon that operate extensive cloud computing networks account for more than 40% of the company's data-center sales, and they all have clearly signaled

plans to spend even more in the coming year.

"Unlike the 'dot-com boom' that was funded by risky debt-taking, genAI deployment is a mission-critical race between some of the best-funded (cloud) customers," Vivek Arya of BofA Securities wrote in a note to clients this week.

Nvidia will also have more software revenue coming into its mix as the growing base of its AI systems will necessitate more use of its software tools by developers.

That doesn't necessarily make Nvidia's shares safe at their current level, though. The stock has seen a big influx of individual investors since the company's latest financial results last month. Daily retail inflow has averaged nearly \$141 million since the earnings compared with a daily average of about \$39 million during the month prior, according to VanDana Research. Sell-side analysts are also getting rather exuberant. Several have pushed up their price targets since the stock's June 10 split. And at least four of those targets are now at \$160 and higher, which would put Nvidia's market capitalization near \$4 trillion at its current share count. Nvidia may be the top gun of AI, but investors should be careful not to write checks the stock can't cash.

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**Nvidia's sharp rise has sparked comparisons to the dot-com bubble that burst nearly a quarter of century ago**

# Global investors grow wary of once favourite Japanese stocks

Bloomberg  
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Japan's record share market rally earlier this year is looking like a distant memory as foreign investors sell off stocks in a sluggish economy.

Citigroup Inc. and abrdn Plc are among banks that have turned more pessimistic toward the nation's equities as the outlook for corporate governance reform and the Bank of Japan's monetary policy remains uncertain. A fund manager survey by Bank of America Corp. showed about a third of respondents believe the market has peaked.

Foreign investors, who helped push up Japanese shares to a record high just a few months ago and beat overseas peers, became net sellers for a fourth straight week through 14 June. That was the longest streak since September, according to Tokyo Stock Exchange data.

Japan's blue-chip Nikkei 225 index has stalled since reaching an all-time high on 22 March. It's dropped 5.6% since then, compared with a 1% gain during the period for the MSCI Asia Pacific Index, and a 4.4% advance in the US's surging S&P 500 Index.

"The early optimism for Japanese stocks this year is clearly hitting a speed bump," said Hebe Chen, an analyst at IG Markets Ltd. "Investors face the soul-searching question of whether the drivers for Japanese stocks are sustainable."

Factors that supported Japanese shares earlier are starting to drag on the market. Foreign investors that flooded in, attracted by Japan's unprecedented push to improve shareholder value, are now selling,



Japan's blue-chip Nikkei 225 index has stalled since reaching an all-time high on 22 March.

AP

unloading a net ¥250 billion (\$1.6 billion) worth of Japanese stocks in the week ended 14 June, according to TSE data. Japanese equities are facing "a material risk of correction," and it's likely to take a while before positive factors emerge, according to Citigroup analysts. Investors are becoming wary about the yen's relentless slide.

In the past they welcomed the weak currency as a boon for exporters, but the degree of the yen's recent drop has put the focus on how it may harm Japan's economy, including by boosting inflationary pressure.

The yen depreciated on Friday to approach 160 per dollar, a level it hasn't touched since April, prompting Japanese currency officials to warn against excessive foreign exchange moves.

"We would like to see some floor in terms of the weakening trend" of the yen, and that may benefit the domestic economy, JPMorgan Asset Manage-

ment's Aisa Ogoshi said. Despite the recent sluggishness of shares though, several strategists including those at BlackRock Inc. and Morgan Stanley remain positive on Japan's long-term outlook, citing structural changes including corporate reforms, domestic investments and wage growth.

Investors will be closely watching whether the BOJ pushes ahead with its second interest-rate hike in July after lifting rates for the first time since 2007 in March. The Topix index for banks has climbed 30% this year, about double the gains of the overall Topix gauge, on expectations rising borrowing costs will help financial firms improve their lending margins.

But bets that the BOJ may go slow in raising rates has weighed on lenders more recently, with the bank index dropping 5.2% this month compared with a 1.7% decline in the Topix.

# Can AI startups outrun comparisons with the dot-com bubble? Investors aren't so sure.

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Fears of investing in the artificial-intelligence startup boom—and feeding a bubble like the one that devastated firms in the dot-com era—have investors wary of writing checks with the fervor of prior years.

ChatGPT fever hit something of a peak last year, investors said this week at Collision, a tech startup and investor conference in Toronto. The aftermath, and a sense of déjà vu, are giving them a clearer sense of what's investible.

"Everybody thought dot-com was useful. 'Oh I can go buy things online,' and look what happened," Wesley Chan, a co-founder and managing partner at FPV Ventures, said in Toronto.

"I'm the anti-AI guy," he added, describing his investment strategy.

Of the 1,623 startups that exhibited at Collision this year—the highest number of any Collision event—20% are building AI products, according to organizers. A spokesperson said that doesn't include a large proportion of startups that now have "AI components" in their business.

Only a small number of them will survive and break through the AI hype, investors said this week.

Some said they're increasingly looking for startups with business models that have long-term viability, products that solve corporate business problems and those with access to stores of private or unique data to train AI models.

The dot-com boom of the

late 1990s got "messy" because every venture-capital firm needed its bet in the space—leading to inflation in the costs of expenses such as hiring and office space, according to Mike Schroepfer, the former chief technology officer of Facebook parent Meta Platforms and a partner at Gigascale Capital.

A similar dynamic is playing out now with the AI boom, investors say.

Nowadays, scrutiny should be applied to AI startups, where a rush to fund them has created a lot of noise, Schroepfer said in Toronto. Plus, training large language models at the scale of OpenAI requires millions of dollars for computing and AI chips, so that's not an area in which new startups can be competitive.

"What you're left with is, 'Is there a market where I can get a very unique data moat, where I have the data to train the model?'" he said. "And when my customers use it, they give me new data, so I'm building my data flywheel."

Since the start of the AI boom, investors have poured record levels of funding into AI companies such as Mistral AI, which raised \$650 million earlier this month at a roughly \$6 billion valuation. Tech company Amazon invested \$2.75 billion in Anthropic in March, bringing its total investment in the AI company to \$4 billion. CoreWeave, an AI computing startup, raised \$7.5 billion in private-debt financing in May.

Those are just a few of the biggest checks—investors put



Of the 1,623 startups that exhibited at this year's Collision tech conference, 20% are building AI products, organizers said.

AFP

\$21.8 billion into generative AI deals last year, up fivefold from the prior year, according to research firm CB Insights. The average round size for those deals was \$51 million, compared with the industry average of \$8 million, CB Insights found.

Judging by the type of startups on display at Collision, some investors say the market has reached an inflection point. With a handful of companies such as OpenAI and Anthropic dominating the building of large language models, startups like DataBricks and Scale AI providing data capabilities, and others in image generation and customer service, everyone else is fighting to stand out.

Wall Street Journal owner

News Corp has a content-licensing partnership with OpenAI.

Alex Mans, founder and chief executive of AI-powered travel and transportation platform Flyr, said he encountered a large number of AI startups at Collision working on products that do the same thing as existing AI models.

"There's a lot of companies that look like vertical software-as-a-service, but they're just a pretty interface on top of a large language model," he said. Some offer products that help companies analyze their invoices, but there's no reason to use them when an AI chatbot works just as well, Mans said.

That's the same reason Matt Wood, vice president of AI products at Amazon's cloud

unit, said some AI startups have been outmaneuvered by the technology's pace. Taking an input and giving it to an AI model like OpenAI's GPT-4 doesn't offer much differentiation, he said in Toronto.

One solution, Wood said, is for startups to build "autonomous agents," or virtual AI workers that can perform specific tasks on behalf of humans. The technology is developing quickly, he said, and names of AI agents may soon become as valuable as web domain names.

The cloud giant is putting \$230 million into generative AI startups this year, Wood added. "What we're seeing is the doubling down on what's working," he said. "Now, there's a few breakout areas where we have high competence, and they're attracting more of the investment as an overall percentage."

Joseph Dormani, a partner at Thomson Reuters Ventures, said his team met with about 50 startups at Collision this week. He said some of the most interesting weren't those with general AI capabilities, but those offering the ability to search across databases using AI, and that helped companies use multiple AI models.

It's likely that the Thomson Reuters venture arm will invest in some of them, he said. Last year, it invested in a startup building AI summaries for medical insurance claims. "When people say, 'We're investing in AI,' at this point it's almost like saying you invest in software. It doesn't really mean too much," Dormani said. "The product is what matters."

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**The aftermath of 2024's ChatGPT fever and a sense of déjà vu are giving investors a clearer sense of what's investible**



**NEWS NUMBERS**

**50**

**THE NUMBER** of medicines, including Paracetamol and Cofitin cough syrup that India's drug regulator found to be of sub-standard quality across India

**\$3 bn**

**THE AMOUNT** the Adani Group plans to invest in setting up its first pumped-storage hydropower facility, as it seeks to strengthen its clean energy business

**₹66.2 cr**

**THE BOX** office collections recorded by *Maharaja* starring Vijay Sethupathi and Anurag Kashyap in the nine days since its release, including ₹18 crore overseas

**₹1 lakh**

**THE SUBSIDY** by Tamil Nadu govt for 1,000 women and transgender individuals to buy autorickshaws, enhancing their earnings and promoting self-sufficiency

**52%**

**THE PERCENTAGE** of students who sat for the NEET-UG 2024 re-test out of a total 1,563 candidates who were awarded grace marks in the previous exam held in May

HOWINDIALIVES.COM

**GST Council plans to rejig 3 key GoMs**

The GST Council will have to reconstitute three Group of Ministers (GoM) under it as new ministers from 11 states joined the body on Saturday.

Finance minister Nirmala Sitharaman has said that in the 53rd GST Council meeting on Saturday, there were 11 new ministers from Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Madhya Pradesh, Mizoram, Odisha, Rajasthan, Sikkim, Telangana and Tripura.

The 52nd GST Council meeting was held on 7 October 2023. With new ministers joining the council, the reconstitution of three GoMs on analysis of revenue from GST, boosting the real estate sector under GST, and GST system reforms are on the cards.

While the GoM on GST rate rationalisation has already been reconstituted in February, making Bihar deputy chief minister Samrat Chaudhary its convenor, the reconstitution of the other three is yet to be notified.

PTI



The projects were hit by a cost overrun of more than ₹5.71 trillion in May this year.

**458 infra projects hit by cost overrun**

As many as 458 infrastructure projects, each entailing an investment of ₹150 crore or above, were hit by a cost overrun of more than ₹5.71 trillion in May this year, according to an official report.

According to the ministry of statistics and programme implementation (MoSPI), which monitors infrastructure projects worth ₹150 crore and above, out of 1,817 projects, 458 reported cost overruns and 831 projects were delayed.

The total original cost of implementation of 1,817 projects was ₹27,58,567.23 crore, and their anticipated completion cost is likely to be ₹33,29,647.99 crore, which reflects an overall cost overrun of over ₹5,71,080.76 (20.70% of original cost), the ministry's latest report for May 2024 showed. According to the report, the expenditure incurred on these projects till May 2024 is ₹1,707,190.15 crore, which is 51.3% of the anticipated cost of the projects.

However, the number of delayed projects decreased to 554, provided the delay is calculated on the basis of the latest schedule of completion, it added.

PTI

**Daikin to sell 2 mn units of AC in FY25**

Air conditioner maker Daikin expects to manufacture two million units in India this fiscal and has plans to scout for more export opportunities by making India a manufacturing hub.

The company has already sold 7 lakh units of residential air conditioner (RAC) in the first three months of the year, helped by a blistering summer this season and expects over 50% growth, said Daikin Airconditioning India chairman and managing director Kanwaljeet Jawa. Daikin, which has started its third manufacturing unit in India at Sri City in Andhra Pradesh, is investing in compressor manufacturing here and aiming to manufacture five million units by 2030. "The mandate is of 5 million units, which includes 4 million units for the domestic market and 1 million of exports by 2030 and we are very confident," Jawa said.

The company is anticipating a "robust growth" in RAC volumes in the Indian market, which has a comparatively low penetration of around 7%.

PTI

**Fed's preferred inflation measures may offer path to rate cuts**

The Federal Reserve's favoured inflation yardsticks are poised to show the tamest monthly advances since late last year—a stepping stone for officials to begin lowering interest rates, possibly as soon as September. Economists expect no change in the May personal consumption expenditures price index and a minimal 0.1% gain in the core measure that excludes food and energy, based on median projections in a Bloomberg survey of economists.

The report, due Friday, is also projected to show 2.6% annual advances in both the overall and core gauges. The expected increase in the core measure, which paints a better picture of underlying inflation, would remain the smallest since March 2021.

Since their last meeting, Fed officials have said that while they're encouraged by the simmering down in other inflation data — including the consumer price index—they need to see months of such progress before lowering rates.



The report is projected to show 2.6% annual advances in both the overall and core gauges.

**THIRD TIME'S A CHARM**



ISRO on Sunday achieved a third consecutive success in the Reusable Launch Vehicle (RLV) landing experiment. RLV LEX-03 demonstrated the autonomous landing capability of the winged vehicle, named Pushpak, under more challenging release conditions and boosts India's confidence in critical technologies essential for future orbital re-entry missions.

PTI

**FSSAI plans to issue licence in 24 hrs to traders, distributors**

FSSAI has included this proposal as part of the government's 100-day post-poll agenda

Somrita Ghosh  
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NEW DELHI

The Food Safety and Standards Authority of India (FSSAI) aims to expedite licencing for traders and distributors, and may soon start issuing licences within 24 hours of application, to improve ease of doing business.

An official familiar with the matter, seeking anonymity, said the FSSAI has included this proposal as part of the government's 100-day agenda. Currently, acquiring a license takes one to two months.

"This initiative is not for manufacturers, but only for traders and distributors. As of now, the time taken for acquiring license even for traders and distributors is one to two months. FSSAI sensed that they don't require so much of time to get a license and it can be provided within a short span," the official stated.

Under the proposed plan, FSSAI will set up a dedicated digital platform, allowing traders to upload relevant documents and receive licences within 24 hours, the official added.

An email sent to the FSSAI chairperson remained unanswered till press time.

FSSAI licenses, which are mandatory for both exporting and importing food products, are issued digitally with a QR code, which provides access to the details of the licensed or registered entities stored in the FSSAI database. This helps in identifying any fraudulent activity.

All food business operators, including pharmacies selling health supplements or nutraceutical products, must obtain FSSAI registration or a

licence.

Last year, a central advisory committee had recommended extending the validity of FSSAI licences for food business operators from one year to up to five years, eliminating the need for annual renewals.

FSSAI licenses are issued digitally with a QR code, which provides access to the details of the licensed or registered entities

The initiative, a long-standing demand of food business operators, was welcomed by the industry for facilitating ease of doing business.

Before the Lok Sabha elections, the National Democratic Alliance (NDA) government had formed 10 sectoral groups of secretaries (SGoS) to finalize its post-poll 100-day agenda. The move sought to identify 70 critical objectives that will be prioritized by the current government, according to relevance and urgency.

**Comm min working on India, Korea FTA**

With talks to upgrade the existing free trade agreement (FTA) moving forward between India and Korea, the department of commerce is engaging with different ministries, including heavy industries, steel, and chemicals, to prepare the offer list, an official said. Preparation of the list is part of the negotiations, which are underway, for the upgrade of the existing FTA between the two countries, dubbed as comprehensive economic partnership agreement (CEPA).

The agreement was operationalised in January 2010. So far, 10 rounds of talks have been concluded.

The official said both sides have exchanged the request list and "are working on the offer list" and for that the commerce ministry is holding discussions with different ministries, including steel, heavy industries, textiles, chemicals and petrochemicals.

PTI



Proceeds will be used to increase the working capital requirements of the company.

**Arree Infotech files ₹250 cr IPO papers**

Infrastructure solutions provider Arree Infotech Ltd has filed preliminary papers with capital markets regulator Sebi to raise ₹250 crore through an initial public offering (IPO).

The Gujarat-based company's initial share sale is completely a fresh issue of equity shares with no offer for sale component, according to the draft red herring prospectus (DRHP) filed on Friday. Proceeds of the issue will be used to increase the working capital requirements of the company, payment of debt and general corporate purposes.

Arree Infotech services a wide variety of projects for both government/public sector undertakings (PSUs) and private sector with a focus on government/PSU projects. The range of projects undertaken by the company includes supply and installation of IT hardware and software, among others.

PTI

**Kerala: Should get 60% share of GST**

Kerala finance minister K. N. Balagopal has called for a review of the central-state tax sharing ratio of the goods and services tax (GST), and said that 60% should go to the states, whereas it is shared equally now.

Currently, the ratio is 50:50 and it should be changed to 40:60 in favour of the states, the minister said in the GST Council meeting held in New Delhi on Saturday, according to a statement issued by his office on Sunday.

Speaking about the significant issues addressed during the meeting, the state FM said a favourable decision taken with regard to the integrated goods and services tax (IGST) is expected to be greatly beneficial for Kerala.

Generally, a GSTR-8 return is also required to be filed detailing the GST charges by e-commerce operators while doing business through e-commerce platforms, Balagopal said.

PTI

**SBI to open 400 branches in FY25**

As part of the network expansion plan, State Bank of India (SBI) is planning to open 400 branches across the country in the current financial year.

The country's biggest lender opened 137 branches last fiscal. Of the total, 59 new rural branches were launched.

"Somebody asked me if 89% of digital and 98% transactions were happening outside the branch, whether the branch is required anymore. My answer is yes. It is still required because there are newer areas which are emerging," SBI chairman Dinesh Kumar Khara said. There are certain services like most of the advisory and wealth services that can be offered only from the branch, he said.

"We will be identifying locations where the opportunity exists, and in those locations, we plan to open branches. Almost 400 branches we plan to add this year," he said.

SBI has a network of 22,542 branches across the country as of March 2024.

PTI



Gujarat, Maharashtra, Goa, and Karnataka could see heavy to very heavy rains, IMD said.

**IMD predicts heavy rains for West Coast**

Heavy rains are expected to lash several areas along India's western coast over the next five days as the monsoon advances, according to the weather office.

Gujarat, Maharashtra, Goa, and Karnataka could see heavy to very heavy rains, India Meteorological Department (IMD) said in a statement on Sunday. Other coastal provinces, such as Tamil Nadu, Andhra Pradesh and Odisha, as well as some land-locked states, are also expected to see heavy downpour and gusty winds.

Monsoon runs from June to September and is crucial for the country's farm productivity as well as replenishing hydro-power reservoirs. This month's rains started weak, which had fuelled concerns about the outlook for key crops.

While irrigating the farmlands, heavy rains also cause devastating floods in various parts of the country every year. India's home minister Amit Shah met with top officials to review preparedness for flood management, news agency ANI reported.

Arunachal Pradesh is already flooded, the news agency reported.

BLOOMBERG



# WHY MODI 3.0 NEEDS A NEW ECONOMIC BLUEPRINT

Experts have called for the next generation of reforms, but coalition politics could limit such ambitions.



A file photo of daily wagers and labourers waiting for work at Bara Tooti Chowk in Sadar Bazar, New Delhi. Rapid formalization of the economy has reduced the quantum of informal jobs.

N. Madhavan  
madhavan.n@livemint.com  
CHENNAI

Sathyarayanan Rao, 26, a native of Guntur in Andhra Pradesh, has been fascinated by large machines since childhood. His family was poor but that did not stop him from achieving his dream of becoming an engineer. Five years on, however, the biggest machine he has operated is the two-wheeler he rides as a messenger for a chilli trader in Guntur. "I am exhausted trying to get a job that suits my education," he says, wiping the sweat off his brow on a hot summer afternoon in May. Rao says the ₹10,000 he earns as an "errand boy" is just enough to keep his family going. Not surprisingly, the educated, underemployed young man is frustrated and angry. And he is not alone—a multitude of disgruntled youth across the country find themselves in a similar predicament.

Writing in *Mint* recently, Nitin Pai, co-founder of public policy think tank Takshashila Institution, said India needs to create 20 million jobs a year to gainfully employ its people. It is not that the Indian economy, which is growing at a rapid pace, is not creating jobs; the unemployment rate for people aged 15 years or above dipped to 3.1% in 2023 from 4.2% in 2021, according to the Periodic Labour Force Survey's data. But the economy doesn't seem to be creating enough jobs in line with demand, according to some observers.

Did this issue cost the BJP its majority and force it to form a coalition government? It may well have. According to the World Inequality Lab, the gap between the haves and have-nots has widened during the last decade, through the two terms of the NDA government. The richest 1% of the population now owns 40% of the country's wealth. Worse, the bottom 50% own just 6.4% of the wealth.

There are variations even among the middle classes. It is unusual to see car makers growing faster than two-wheeler makers in a developing country like India. But that is what happened in the years following the pandemic, epitomizing the skewed, K-shaped consumption in key parts of the economy as inequality exploded.

However, many experts are of the opin-

ion that the NDA government's economic management has delivered. Indeed, BJP leaders take pride in claiming that the growth in the last nine years has pulled 248 million people out of multi-dimensional poverty. By investing heavily in capital expenditure, economists say, the government has laid the foundation for sustained and fast-paced economic growth. Spending on welfare schemes, though significant, has been tightened and delivery is better, while subsidies are better directed, they argue. Most of all, there is a belief that the formalization of the economy has gathered pace thanks to the Goods and Services Tax (GST) and that the philosophy of 'less government, more governance' has begun to take root. The divestment of loss-making Air India is cited as a case in point here.

But the electoral outcome has raised questions over the efficacy of this economic approach. While the pundits were touting the country's strong economic growth and India becoming the fastest growing large economy in the world, the electorate had little interest in macro-level numbers. The message from the micro level—down on the ground—was clear: More than welfare, people want jobs—good jobs that pay more than the minimum wage. Simply put, the mandate has made it clear that the government needs to tweak its policies and ensure that India's economic growth is more equitable and broad-based. And so, as

Prime Minister Modi commences his record-equaling third term, sans an outright majority, the NDA government's economic management needs to be modified.

## SUSTAINING GROWTH

Without growth, equity will be a distant dream. Without equity, growth cannot be sustained," says C. Rangarajan, former governor of the Reserve Bank of India and former chairman of the Prime Minister's Economic Advisory Council. India, at the moment, has got the first part right, say experts, noting that it is growing at a pace that is the envy of other large economies. In 2023-24, it clocked GDP (gross domestic product) growth of 8.2% on top of the strong 7% growth in 2022-23.

Data shows that India's growth has been powered predominantly by the government's massive capital expenditure

(capex) post-covid. In 2018-19, the central government's capex was just ₹3 trillion, or 1.6% of GDP. As per the 2024-25 interim budget, it will be ₹11.1 trillion, or 3.4% of GDP. A revival in exports (merchandise exports touched a new peak in FY23) and private consumption, though skewed, accelerated economic growth.

Modi 3.0's immediate priority will be to sustain this pace of growth and that is not going to be easy. "The 8.2% growth registered in 2023-24 is a flash in the pan and cannot be maintained. An average 7% GDP growth would be ideal," says Rangarajan. In 2024-25, it may slip further.

Madhavi Arora, lead economist at Emkay Global Financial Services, estimates India's economic growth will fall to 6.5%.

"Slowing manufacturing, a not-too-exciting consumption story, where private consumption growth is the lowest in 20 years excluding the pandemic years, a high base effect and cyclical headwinds are the contributing factors," she explains. The cyclical headwinds include slowing exports, tighter lending standards and commodity prices no longer being low.

## REFORM LIMITATIONS

While economists have called for the next generation of reforms to accelerate economic growth, the compulsions of coalition politics could limit such ambitions. "Big-factor market reforms like land, labour, agriculture and capital could take a backseat. So will privatization and asset monetization," says Arora.

Instead of wasting its energy on big-ticket reforms that are difficult to pull off in a coalition era, economists say Modi 3.0 should restrain its impulses and focus on less contentious but more effective policies.

"There are a lot of reforms that can be executed to provide wings to the economy. Coalition partners will have no issues with them," says Sunil Kumar Sinha, senior director and principal economist, India Ratings.

These include financial sector reforms, judiciary-related changes, improving the dispute settlement mechanism, which can free up a lot of locked-up capital, and so on, says Sinha.

## GROWTH WITH EQUITY

Sundaramurthy, a 42-year-old G. native of Pollachi in Tamil Nadu, was happy working in one of the many small-scale industrial units in nearby Coimbatore. Lack of formal education prevented him from getting a formal job in one of the large industrial units that dot

## mint SHORT STORY

### WHAT

Most experts are of the view that Modi government's economic management has delivered. Heavy capital expenditure, they say, laid the foundation for rapid economic growth.

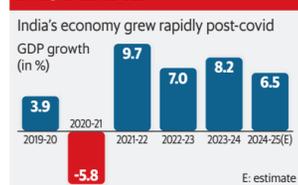
### AND

BJP leaders claim that the growth in the last decade has pulled 248 mn people out of poverty. Delivery of welfare schemes has improved, while subsidies are better directed, they claim.

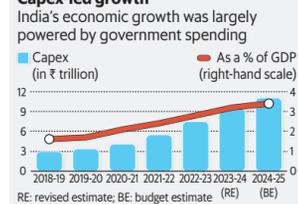
### BUT

The poll mandate has made it clear that the government needs to tweak its policies and ensure that economic growth is more equitable and broad-based, say economists

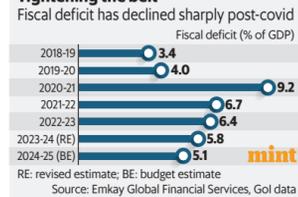
## FAST LANE



### Capex-led growth



### Tightening the belt



Source: Emkay Global Financial Services, Govt data

SATISH KUMAR/MINT

that this is a problem. The only way to correct this situation is to strike a balance, say economists. "The informal sector should also be supported in a big way. The government has come up with Mudra Loans and a few other schemes, but they have not been enough. Much more needs to be done," said one economist.

## FISCAL CONSOLIDATION

Another facet of the NDA government's economic management is its penchant for fiscal consolidation. Prior to the pandemic, the government had brought the fiscal deficit down to 3.4% of GDP, the closest in years to the target of 3% set under the Fiscal Responsibility and Budget Management Act way back in 2003. Covid paid to any plans for a further reduction.

The fiscal deficit ran up to 9.2% in 2022-21. The Modi government brought it down to 5.8% in 2023-24 with a plan to reduce it to 5.1% by 2024-25. This has been possible partly due to revenue buoyancy and more importantly, due to aggressive reduction of unwanted revenue expenditure and better targeting of welfare schemes and subsidies. "Ten years ago, the revenue expense as a proportion of total expenditure was 89%. In 2024-25, it will be just 77%," says Emkay's Arora.

Would the electoral outcome have perhaps been different if the government had eased up on fiscal consolidation and spent more on people struggling at the bottom of the pyramid? Sixty-three-year-old M. Ayyanar, from Andipatti, a town in South-West Tamil Nadu, certainly thinks so. He is trying hard to sell the cucumbers grown on his small farm outside the town's bus stand. Ayyanar plies an autorickshaw, but the Tamil Nadu government's decision to offer free bus rides to women has hurt his business significantly. He barely makes money to cover his fuel costs and is deep in debt, having borrowed money to fund his daughter's marriage and pay for the education of his son, who remains unemployed. "I agree there are many welfare schemes, and they help my family immensely. But we are still struggling to lead a decent life," he says.

Sathyarayanan Rao, G. Sundaramurthy and M. Ayyanar are the faces of India's rural distress. Modi 3.0 will have to keep them front and centre in framing its economic policies. Fortunately, the government has the fiscal headroom for spending more. The Reserve Bank of India has just given it a ₹2.1 trillion dividend bonanza, equivalent to 0.4% of GDP. Will the government go for it? Its first budget next month will offer a clue.



# Why Zerodha MF is positioning its liquid ETF as ideal tool for traders



POWER POINT  
RAHUL GOEL

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

The product allows investors to offset short-term capital losses against gains, reducing their overall tax liability

Jash Kriplani  
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**Z**erodha Asset Management Ltd (Zerodha MF), a subsidiary of India's leading brokerage firm Zerodha, has introduced the mutual fund industry's first liquid exchange-traded fund (ETF) with a growth-based net asset value, or NAV.

The product caters to traders looking to park short-term funds and secure margins for future trades, as well as retail investors seeking efficient cash management.

Unlike traditional dividend-based liquid ETFs, which involve daily dividend reinvestments and fractional units, Zerodha's growth NAV liquid ETF simplifies tracking by adding the gains directly to the NAV, offering a hassle-free alternative, besides simplifying tax implications.

However, before exploring how the Zerodha Nifty 1D Rate Liquid ETF works, let's take a quick look at dividend-based liquid ETFs.

**Dividend-based liquid ETFs**  
Liquid ETFs invest in TREPS with a one-day maturity.

TREPS, or Triparty Repo, is a short-term borrowing and lending instrument, involving a triparty agreement between the borrower and lender, and a clearing corporation, which acts as an intermediary. TREPS are used by mutual funds to invest in short-term government treasury bills (T-Bills).

Liquid ETFs are typically traded on the Clearing Corp. of India Ltd (CCIL), offering high liquidity. Investors and traders can use these ETFs as an efficient cash management tool to maintain funds in their broking accounts while earning interest.

For example, through this route, a trader or investor can sell stocks and buy liquid ETF units simultaneously on the same day. On a T+1 basis, stocks are debited from the demat account, and on T+1, liquid ETF units are credited, allowing the investor to start earning returns immediately.

Dividend-based liquid ETFs maintain a fixed NAV of ₹1,000, offering more predictability. Returns are generated as daily dividends and reinvested into the ETF. These reinvested units are credited to the investor's demat account on a weekly basis.

These ETFs also have some disadvantages. For instance, until the dividend units accumulate to at least one whole unit, they don't reflect on broking platforms. How-

ever, investors can verify these units in the holding statement of the depository.

Besides, fund houses provide a reinvestment statement and dividend statement showing credited units over time, said a mutual fund executive. "This shows the units that have got credited to the investor's account over a period of time, against the units purchased by the investor," said the product head of a fund house, seeking anonymity.

Some dividend-based liquid ETFs do not reinvest dividends but pay the dividend directly to the investor in cash.

However, tracking returns is challenging as dividend-linked units are paid out daily after TDS (tax deducted at source) deduction. Investors need to monitor fractional units to determine their final tax liability.

There is a tax event daily as dividends are generated daily. Dividends are paid after TDS of 10%, and the dividends are taxed at the investor's slab rate. To be sure, some of the dividend-based liquid ETFs were launched when dividends were tax-free in the hands of the investor.

Fractional units cannot be sold directly on stock exchanges, and one of the options is to transfer to the mutual fund's demat account through an off-market transfer.

**Traders can use liquid ETFs as an efficient cash management tool to park funds in broking accounts and earn interest**  
**Growth NAV liquid ETFs**  
A growth NAV liquid ETF, such as Zerodha's new offering, has no dividend or reinvestment option, eliminating fractional units. Gains are added directly to the NAV.

"The feedback we got from investors suggested there is demand for products that can ease the trackability," said Vishal Jain, chief executive officer, Zerodha MF. "Hence, we thought of a growth NAV liquid ETF, where nothing is going in and out of the investor's account. The NAV reflects day-to-day returns, which can be tracked easily."

"I was invested in one of the dividend-based liquid ETFs through a small-case. Every week, I would get dividend units, but didn't know at what rate dividends were getting issued. Also, I didn't know how to exit the fractional units. Now, the small-case has shifted to Zerodha's ETF. Returns are easier to track as we can simply monitor the movement in the ETF's NAV," said Sarang Pitale, 44, a Pune-based investor and IT professional.

In terms of taxation, capital gains tax applies at the investor's slab rate for both growth NAV and dividend NAV ETFs. However, capital gains offer more flexibility, as taxes are

only triggered upon redemption. In contrast, dividend-based liquid ETFs generate and reinvest dividends daily, resulting in a daily tax event.

Investors can also offset short-term capital losses against gains, reducing their overall tax liability. **Should you opt for it?**  
Liquid ETFs are suitable for traders and active investors who want to avoid the hassle of transferring money between their bank accounts and the broking accounts, and then re-deploy it for investing or trading.

## How Zerodha MF used traders' feedback for its liquid ETF

Zerodha Nifty 1D Rate Liquid ETF — industry's 1st growth NAV liquid ETF — has already crossed ₹1,000 crore AUM



Other large liquid ETFs	AUM as on 21 June, 2024 (in ₹ crore)	TER (in %)
Nippon India ETF Nifty 1D Rate Liquid BeES	11,902	0.69
ICICI Prudential BSE Liquid Rate ETF	3,212	0.25
DSP NIFTY 1D Rate Liquid ETF*	1,044	0.34

\*DSP MF launched growth NAV liquid ETF in March, 2024. Its TER is same as that of its previous liquid ETF

**Where does it invest**  
Overnight liquid instruments with 1 day maturity - TREPS\* - which is backed by government securities

**How is it better**

- ▶ **BETTER** trackability of returns in growth NAV
- ▶ **CAPITAL** gains tax will be applicable
- ▶ **TAX** event can be deferred till fund is redeemed
- ▶ **SHORT-TERM** capital loss can be used to offset capital gains
- ▶ **CHECK** iNAV\*\* on Zerodha MF's website before buying or selling on exchange

**How is it different**

- ▶ Most liquid ETFs are dividend-based, Zerodha's fund offers growth-based NAV
- ▶ All gains are added to fund's NAV and capital gains taxation is applicable

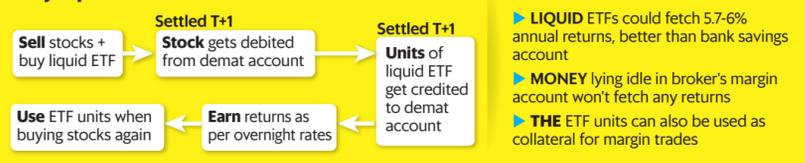
**Dividend liquid ETFs**

- ▶ Daily tax event as dividend is generated and reinvested daily
- ▶ Fractional units (for dividend reinvested) credited daily, but only 1 whole unit can be sold on exchanges#
- ▶ Fractional unit structure may be difficult to track for returns and taxation

\*TREPS stands for treasury bills repurchase  
\*\*iNAV stands for indicative net asset value of ETF, shows fair value of ETF  
#investors can sell fractional units via an off-market transfer in mutual fund's demat account

Refer to story for details

## Why liquid ETFs make sense for traders



PRANAY BHARDWAJ/MINT

Liquid ETFs can offer better returns than bank savings accounts, typically in the range of 5.75-6% per annum. They also provide a better alternative to idle funds in a broking account, and can be pledged for margin collateral while continuing to earn gains.

Zerodha's growth NAV ETF eliminates the need to track fractional units to determine returns and the tax impact. Investors should check the total cost of buying an ETF, as most brokers don't charge brokerage on liquid ETF transactions.

Zerodha's growth NAV ETF has among the lowest total expense ratio (TER) compared to its peers at 0.26%.

However, considering that it is a new fund with just a six-month track record, investors may choose to wait for it to build a history before using it for cash management needs. Those who opt to invest immediately should check the intraday NAV (iNAV) on Zerodha MF's website before purchasing or selling the units. iNAV is used to calculate the fair value of an ETF.

## What a personal loan costs you

**P**ersonal loans are a way to use tomorrow's income today, and the process involved is simple. But you must note that the interest rates are much higher than, say, for a car loan. This is because personal loans are unsecured loans. This means that the loan is not backed by any asset. The loan amount and interest rate depend on parameters such as your income, existing credit, repayment capacity, and others. As personal loans come with high interest rates, continuous default will put you on a downward spiral. Here are some of the lowest personal loan interest rates offered by various banks.

Loan amount: ₹1 lakh; tenure: 5 years

Lender	Interest rate (%)	EMI (₹)	Processing fee
Union Bank of India	9.30-13.40	2,090-2,296	Up to <b>0.50%</b> (Min <b>₹500</b> ) + GST; Nil for women professionals
Bank of Maharashtra	10.00-12.80	2,125-2,265	<b>1%</b> + GST
Indian Bank	10.00-11.40	2,125-2,194	<b>1%</b> (Max <b>₹10,000</b> ); Nil for Govt/PSU Employees
Punjab & Sind Bank	10.75-13.50	2,162-2,301	<b>0.50%</b> to <b>1%</b> + GST
HDFC Bank	10.75-24.00	2,162-2,877	Up to <b>₹4,999</b>
ICICI Bank	10.80-16.15	2,164-2,440	Up to <b>2%</b>
Bank of India	10.85-14.85	2,167-2,371	Min <b>₹1,000</b> and Max <b>₹10,000</b>
Indian Overseas Bank	10.85-13.00	2,167-2,275	<b>0.40%</b> to <b>0.75%</b>
Karnataka Bank	10.93-13.43	2,171-2,297	<b>0.25%</b> (Min <b>₹250</b> )
Canara Bank	10.95-16.25	2,172-2,445	Applicable charges are <b>0.50%</b> , (Min <b>₹1,000</b> + GST and Max <b>₹5,000</b> + GST)*
UCO Bank	10.95-13.95	2,172-2,324	<b>1%</b> (Min <b>₹750</b> )
Axis Bank	10.99-22.00	2,174-2,649	Up to <b>2%</b> + GST
IDFC First Bank	10.99-23.99	2,174-2,876	<b>2%</b>
IDBI Bank	11.00-15.50	2,174-2,405	<b>1%</b> (Min <b>₹2,500</b> ) + taxes
Bank of Baroda	11.10-18.75	2,179-2,580	<b>1%</b> to <b>2%</b> (Min <b>₹1,000</b> and Max <b>₹10,000</b> ) + GST**

Data as on 19 June 2024, as per banks' websites. The EMI range is indicative and calculated on the basis of interest rate range. In an actual situation, it may include other fees and charges. The interest rates are for salaried individuals and pensioners for unsecured personal loan. Actual applicable interest rate may vary based on the credit profile, loan amount, tenure, company you work for and as per bank's discretion. \*shall be collected till 30 June 2024. \*\*Nil for Govt. Employees who maintain salary account with Bank of Baroda.

PRANAY BHARDWAJ/MINT

MyMoneyMantra.com & bank websites

## Tax implications of sovereign gold bonds

Mahesh Nayak

**I invested in sovereign gold bonds (SGBs) in FY16 and received the maturity proceeds in FY24. According to the terms, the proceeds are exempt from long-term capital gains tax if redeemed on maturity. My question is: Am I required to declare my earnings from these bonds in my ITR2 for AY25? If so, where? I do not find any provision in Schedule Capital Gains in the ITR2 return.**

—Praveen Godbole

SGBs are government securities issued by the Reserve Bank of India, and are denominated in grams of gold. Capital gains arising on redemption of the bonds on maturity would be considered as an exempt transfer under section 47(viic) of the Income Tax Act, 1961 and hence, not liable to tax.

While HUFs, trusts, universities and charitable institutions are also eligible to invest in these bonds, exemption from capital gains can be availed only by an individual.

While the tenor of the bonds is eight years, they can be redeemed after the fifth year. The exemption provision does not distinguish between



ISTOCKPHOTO

ASK MINT  
TAXATION

redemption on maturity and premature redemption. Therefore, one may be able to take a view that capital gains arising on redemption of the bonds, irrespective of whether on maturity, or a premature redemption, would be exempt from tax.

You should disclose such exempt gains under 'other exempt income' in Schedule EI of your income tax return. In the utility drop down, select 'any other' as the nature of income, and provide a descrip-

the indexation, or 10% plus applicable surcharge and education cess without indexation, whichever is more beneficial.

If the bonds sold to another investor, are held for 12 months or less, short-term capital gains on the sale will be taxable at the rate applicable to the investor.

The taxable gains have to be disclosed in the return of income in Schedule CG, dealing with capital gains.

In addition to the increase in the value of the bonds in line with the price of gold, an investor also receives interest on the initial issue price of the bonds, twice a year.

Furthermore, in case of redemption, interest is paid to the investor along with the maturity amount.

Interest on these bonds, including amounts received upon redemption, is taxable as 'Income from other sources'. You should disclose this interest in Schedule OS of your income tax return.

Mahesh Nayak is director at CNK & Associates LLP

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

## MISSED A MARKET RALLY? LEARN FROM WHAT BUFFETT DID

**S**o, you missed the bull market? How hard are you kicking yourself for this so-called fault of yours? Well, if you stick with me till the end today, you will perhaps feel better about yourself. And, maybe also figure out a way to get back in.

(Of course), let's start with Warren Buffett. While we know him for being one of the most successful investors of all time, it is important to know one other fact. Buffett also missed one of the biggest wealth creating megatrends, ever. I am referring to technology stocks.

Buffett was famous for saying that he does not invest in companies he cannot understand. That lack of understanding may have cost him tens of billions of dollars, if not more. And yet, he became rich. Really rich.

But here's the thing, Buffett ultimately did get into technology, in a massive way. And perhaps, on terms he approves of.

Yes, I am referring to the massive investment Buffett made in Apple (a tech company) in 2016. Over time, he bet a huge chunk of Berkshire's cash on this one single stock.

Now, why did Buffett buy the stock? Well, for starters, let's get one fact out of the way. He did not understand technology even when he invested in it. But what changed? Buffett understood that Apple's consumers will keep buying products Apple created. And they were willing to pay a lot of money for the product out of their sense of loyalty.

Let's come to the second reason. Buffett bought Apple when it was trading at about 10 times earnings. Unbelievable, right? Today, Apple trades at a P/E of about 33x, based on past earnings.

At the risk of oversimplifying, Buffett bought into a high-quality company for cheap. He once again waited for the right opportunity to make a big bet. And in case you are wondering, it's estimated that in the last eight years, his investment is up 5x to 6x (estimates vary). Yes, wow!

**No FOMO. Keep building cash reserve, identify high quality firms you would like to own**  
So the person we admire had missed one of the biggest wealth-generating opportunities of all times. Until he did not. He figured out a way to get in. Now in this story, replace Buffett with yourself, and tech stocks, with Indian stock market. And 2016 (when Buffett

bought into Apple) with 2024.

You see where I am going. The fact that the Indian stock markets have run up does not mean you have missed the opportunity forever. It just means you have to wait a while longer to get in.

Now, there are two ways to deal with this. What I see people around me doing is the easy solution: buy into high momentum stocks hoping the momentum continues. This will probably work till it doesn't (it almost never does). Others are more adventurous. They jumped into options trading and the like. There's enough history to show these things do not work out for most people.

The Buffett solution is this: don't regret that you missed a rally i.e. no FOMO. Instead, keep building cash reserves. At the same time keep identifying high quality firms you would like to own, and at what price (think Buffett's Apple purchase at 10 p/e, and aim for very attractive valuations, which leave headroom to make a lot of money over time). That's it. The rest of it is a waiting game.

Now, the risk you run is that the stocks you like will never correct. That's possible. But then what are the chances? If you have kept track, you know that crashes, or sharp corrections, are quite common.

If the Buffett approach is too much of a test of temperament for you, then, best to go with an extremely disciplined fund management team. If you select well, they will play the waiting game on your behalf.

Whether you do it on your own, or through a disciplined fund management team, you may yet tap into this bull market. And when you look back a few years from now, you will realise, that you did not miss all of it. Perhaps, you even made your fair share of the profit. Like Buffett did with tech stocks and Apple.

Rahul Goel is the former chief executive of Equitymaster. You can tweet him @rahulgoel477.



## OUR VIEW



## GUEST VIEW

## CEOs need to challenge hardset mental models to drive growth

This is key to spotting and exploiting new business opportunities as market conditions get tougher



**NITIN RAKESH**  
is chief executive officer and managing director at Mphasis.

## Contradictions rule but can also spur new ideas

Rightist political-economy ideas have got overturned globally. In India too. Yet, incongruities also offer hope. Will India's budget go beyond the synthetic constraints of a fiscal deficit?

Philosopher George Santayana said the world is in "perpetual caricature" of itself because, every moment, it is presented with a contradiction of what it is pretending to be. This holds especially true even for the knowledge universe, where an eternal cycle of conflicts and contradictions ensures that the graveyard of old ideas is always full, leaving behind a vacuum for new ideas to take birth. This never-ending sequence becomes the source, the wellspring, for renewal and endless optimism. As German playwright Bertolt Brecht put it, "In the contradiction lies the hope." But the path between the two is never easy because overcoming initial contradictions and reaching an eventual resolution requires the humility to accept incongruities, the courage to surmount the immediate challenge and to find solutions that bring forth new ideas which can stand on the shoulders of older ones. Corporate strategists, bean-counters and quant-heavy economists may be tempted to discard this as an abstract notion, but the world today is wracked by contrasting challenges—extreme heat waves in some parts with flooding in others—and crying out for change. India too needs to acknowledge economic inconsistencies and find long-term solutions.

In the old economic orthodoxy, ideologies were dichotomous and did not bleed into each other. Right-wing politics, free-market evangelism and distrust of the welfare state all tended to cohabit under the same tent. These rigidities no longer hold true. For example, Italy under Giorgia Meloni ranks among Europe's highest social spenders even though the party in power, Brothers of Italy, is known as a right-wing—if populist—party. Or look at France,

where rightist political parties have grown popular despite the country's large social expenditure. Many Indian ideologues and planners who have been weaned on free-market thinking and insist that governments should remain small, have looked on in bewilderment as the US government has intervened in its economy through measures like industrial policy. Global studies have shown that many economies across the globe are doing much the same to assist domestic industry. It highlights how economic exigencies are forcing the acceptance of contradictions till new solutions emerge.

Many of these contradictions exist in India as well. The ruling Bharatiya Janata Party (BJP), despite its rhetoric of economic restraint aimed at middle-class voters, has in fact been pushing hard on the pedal of social-sector spending, including the delivery of free rations of food-grain and cash transfers, apart from other benefits. Incongruities hit a high during this summer's general elections: the opposition was able to stitch together a cohesive coalition and win 234 seats despite ground-level differences and pollsters discounting them. The government should look closely at this world of rising contradictions to recognize a need for some new ideas. The Union budget, to be presented in July, offers the first opening of this exercise. Budget-making mustn't be held hostage by anodyne forces keen only on balancing the books, without making a meaningful economic impact. This may be an opportunity to look beyond the synthetic constraints of a fiscal deficit, or arbitrary limits on the debt-to-GDP ratio. These are important parameters, sure, but the current mix of contradictions demands an innovative budget with a sharp focus on employment creation and income generation.

It is no secret that businesses thrive when engineered for growth. For CEOs, the challenge is how to lead, sustain, recalibrate and drive growth not only when the times are good, but also when the going is tough or when core business expansion has stalled. By adopting a holistic growth mindset, CEOs can kick-start subtle but powerful shifts in work culture and risk appetite that permeate the entire organization to enable sustainable and scalable growth.

The past few years have brought several critical challenges, including the unprecedented covid pandemic and subsequent focus on economic recovery. More recently, the UK has faced a cost-of-living crisis, rising interest rates and an uncertain economic outlook. While it has so far avoided a recession, macroeconomic uncertainties persist, leaving business leaders cautious.

The lessons that have emerged have been invaluable. These challenges have highlighted weaknesses in old approaches and business models. It would pay to explore how to accelerate long-overdue changes in more difficult times like these. Mental models, representing how people view and interpret the world, can limit progress unless actively challenged. That is the secret sauce to driving growth regardless of the macroeconomic landscape.

CEOs must reshape their old mental models to build agility and resilience for

navigating an evolving economic climate, societal changes and an unpredictable future. It is about identifying a seed of opportunity for transformation and growth amid any crisis and creating it themselves if it is not obvious. In practice, this can mean embracing innovation to reimagine an organization for a digital era, capturing cost and operational efficiencies and enriching the end-user journey based on customer demands. It involves flipping the 'back-to-front' model to become customer-centric, rather than service or product-focused, and leveraging data analytics, AI and machine learning to predict future customer needs.

This strengthens customer retention, trust and companies' relevance in a competitive landscape (think, for instance, how Big Tech has entered the financial services market, compelling traditional banks to adopt more innovative strategies and undertake digital and service transformations to keep up). By adopting an attitude of continuous innovation, CEOs can position their organizations for strategic industry co-creation, allowing flexibility to spot gaps and capitalize on profitable cross-selling opportunities.

**Build adjacencies for growth:** A key principle of a growth mindset is to seek ways to expand into breakthrough areas and adjacencies to stay ahead of the curve. According to McKinsey, companies and their CEOs who successfully adopt growth mindsets are 2.4 times more likely to outperform their peers. Further, those that invest in 'growth pathways' into adjacencies by building on the core and innovating into 'break-out' businesses are 97% more likely to gain a competitive edge. For example, Swedish furniture giant Ikea expanded into new areas by empowering customers with integrated solutions, rather than reinventing itself to enter another business domain like the television market. It focuses on equipping customers with all the necessary items for their living rooms in a way that works

best for them, thereby adding value to their everyday lives.

Similarly, Netflix is betting on video gaming and is ahead of rival streaming services like HBO Max and Disney Plus when it comes to subscriber retention. However, like Ikea, its goal is to create an adjacency while leveraging its core product—video streaming. This ties in with founder Reed Hastings' view that Netflix competes with anything customers do to relax, including "drinking a bottle of wine." As video gaming grows rapidly, Netflix aims to retain its vast subscriber base by offering mobile video games at no extra cost.

The McKinsey report further reveals that businesses expanding into adjacent industries are "20% more likely to achieve greater growth." Implementing change and spotting growth opportunities requires CEOs to innovate, secure company-wide buy-in, devise a strategy and ensure successful execution.

**Lead by example:** Some key questions CEOs can ask themselves include: How can the core competency solve global business problems? Which supply chain parts need improvement? What are customers looking for, and what can be done differently to help solve their most pressing problems? In essence, businesses should aim to make themselves indispensable to customers, a win-win scenario because this can build new revenue streams.

Amazon exemplifies this approach. CEO Jeff Bezos applied tools—from inventory management to algorithm-based recommendation engines—that made it the world's digital bookstore as it moved adjacently towards electronics and toys and everything sold online. Amazon then disrupted more markets, from healthcare to payments, including launching a buy-now-pay-later product with Barclays and a home insurance comparison service in the UK.

As businesses look ahead and competition heats up, CEOs must lay the ground for resilient growth with smart, sustainable and future-proof strategies.

## 10 YEARS AGO



## JUST A THOUGHT

Growth is never by mere chance; it is the result of forces working together.

JAMES CASH PENNEY

## MY VIEW | MODERN TIMES

## Why the super-rich and we pay the same for house help

MANU JOSEPH



is a journalist, novelist, and the creator of the Netflix series, 'Decoupled'

Some things that my relatives do every day are crimes in Europe. I was reminded of it when news broke that four members of the billionaire Hinduja family were held guilty by a Swiss court of treating their house staff badly, though the family rejected the charges and have reportedly appealed against the ruling. Like many wealthy people of Indian origin, and some diplomats, they had got house-help from India on pay scales that are generous by Indian standards but illegal in Europe. The prosecution said the Hinduja family paid the staff about \$8 a day and that their work-days could be as long as 18 hours. The prosecution also alleged that family had "confiscated" their passports, which is a dramatic way of describing what I gather is a common practice. The accusations are a few years old. They returned to the news after a financial settlement was reached with the staff members but the prosecution pressed criminal charges.

It is likely that the Indian upper class sees all this as excessive because many of them,

too, make poor people work for more than 12 hours on less than \$8 a day. In their defence, they would say that the cost of living in India is a few times lower than in Europe, so what household staff members are paid in India is not as bad as it sounds.

A prosecutor said that the family had spent almost \$10,000 a year on their dog, while paying low wages to their human staff. This could be true even in a typical upper middle-class Indian household. They may want to point out, though they would never do so in public, that dog-lovers have a bad habit of comparing how much a family spends on their dog with how much they pay their domestic workers. The comparison is absurd. A dog brings a lot of joy to the family, and is even seen as a part of the family, unlike an employee.

The family did not deny the low pay, but said that the long hours' part was an exaggeration. They asked, as my neighbours would, that if a house-help watches a film at home with the children, is that work? Maybe it depends on the film in question. Also instructive would be whether the family's law firm would bill the two hours (or more) its lawyers would take if they watched the same film to ascertain whether the viewing was entertainment or work.

The Hinduja family also pointed out that their domestic staff's compensation was not just the cash they received, but also accommodation and food. That is exactly what my relatives, too, would say. 'Accommodation' in an Indian household is usually a room that appears to be purposely impoverished. In my colony, for instance, the default 'servant quarters' is a windowless room fit for suitcases.

As a boy growing up in Madras, the most fascinating thing I heard about the world outside was that in the US, garbage cleaners would come in cars to clean the streets. That remains, till date, the most impressive thing I have ever heard about wealth. I eventually realized that the information, in word and spirit, was a bit of an exaggeration. But the idea stuck that the best measure of a nation's wealth is the standard of living of its poor. Ideally, there should be a similar measure of an individual's wealth.

"How rich is that guy?"  
"Oh, he pays his driver a lakh."

I really did think in my 20s that was how the world worked.

The rich are willing to talk about how much they spend on cars and carpets and homes. Wouldn't it be just as interesting to know how much the super-rich spend on their servants?

## Even humane writers who moved our souls had servants who were not paid more than market rates

For some reason, you can get to know a lot of obscure things that the rich spend on, but never what they spend on their staff. That is because most rich people pay only as much as what the middle class pays their household staff. My colony probably has the per capita income of Switzerland, but it pays domestic workers half of Europe's minimum wage. I am not lamenting this. After all, I too pay my cleaner ₹5,000 a month for getting into acrobatic positions to clean for an hour every day, and a cook only around the same for working 90 minutes daily on meals.

The rich keep talking about how they subsidize the poor. They do. But it is also a fact that the poor subsidize our lifestyles by sup-

plying labour cheaper than in much of the world. Also, every strata of Indian society subsidizes the lifestyle of the strata above by working for exploitatively low wages. And in the end, we have a situation where Indian billionaires probably pay only as much as I do for domestic work.

No household can be impressive when it comes to the matter of paying its domestic staff. Historically, all the famously humane writers who moved our souls through prose had servants who were probably not paid more than market rates. Merchants and conscience-keepers paid their servants just about the same. Even if some people pay a bit more, it cannot be an impressive sum when spoken out loud, especially if compared with the incomes of famous humanitarians.

What are the consequence of the Hinduja family case? The wages of migrants won't rise; instead, wealthy Indian families living abroad may stop taking domestic workers from India, fearing trouble, ending a way of enriching poor Indian families. And wealthy Indian families in the West would have to hire local help, which must be a bit uncomfortable because those workers have such swag and that always diminishes the experience of being a master.



THEIR VIEW

MINT CURATOR

# Cooperative federalism can plug India's climate adaptation deficit

We need a comprehensive plan backed by resources at all levels and the 16th Finance Commission should make this a priority



**NANDKUMAR SARAVADE & SRINATH SRIDHARAN** are, respectively, former IPS officer and co-founder of DeepStrat, and policy researcher and corporate advisor.

India has seen several transformative innovations in recent years. The development of Digital Public Infrastructure (DPI), particularly the Unified Payments Interface (UPI) and Direct Benefit Transfer (DBT) mechanism, has made lives easier and worked in favour of the cause of financial inclusion. Similarly, the Public Distribution System (PDS) has ensured food security for the underprivileged and proved its mettle during the recent pandemic. These achievements underscore India's ability to solve complex problems through the implementation of ingenuity.

However, if one were to look at our looming challenges, the scariest appears to be that not enough is being done to deal with climate change. Such inertia, which seems most evident in climate adaptation, poses a severe risk to India's future, threatening to undermine all other progress.

With a vast and diverse geography, the impacts of climate change manifest in various devastating forms: erratic monsoons, extreme heatwaves, rising sea levels and increasing frequency of natural disasters like floods and cyclones. Not only do heat waves last longer and touch higher peaks, we also face the rising risk of wildfires in forest areas. Beyond economic concerns, climate change signifies an existential crisis for India, which is home to a sixth of humanity. The majority of our population is vulnerable to climate change-induced disasters. Additionally, India still largely relies on agriculture for employment and food security; this is a sector that critically depends on favourable climatic conditions to thrive.

Despite foreknowledge, India's climate adaptation efforts seem largely reactive. While there have been initiatives such as the National Action Plan on Climate Change (NAPCC) and its associated missions, their implementation has mostly been slow, fragmented and underfunded. The focus of the NAPCC is more preventive than adaptive. Meanwhile, the Prime Minister's Council on Climate Change (PMCCC) meets infrequently and seems understaffed. Local and state-level adaptation plans frequently lack the necessary coordination and resources to be effective, leaving communities vulnerable to the escalating impacts of global warming.

Beyond quality-of-life issues, when people are unable to deal with extreme heat, economic productivity and livelihoods suffer. A large proportion of Indian workers have to work outdoors. Their safety, productivity and daily income are at stake. So far, there seems little-to-nil action on a cohesive climate-action framework for how we can cope with extreme heat waves, and almost no comprehensive data on illnesses caused by extreme weather patterns.

It is clear that the world, and India in particular, is going to get hotter, with heat waves potentially



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becoming the new pandemics, leaving large numbers dead in their wake. Rainfall will become even more inconsistent both temporally and spatially, necessitating aggressive water conservation measures, the creation of strategic water reservoirs, inter-basin water transfers and groundwater replenishment through effective policies. Climate change-resistant crops need to be developed for every region's climatic conditions, with no further time to lose on long lab-to-farm cycles.

All of this will require developing a national awareness and action plan, involving experts, and incentivizing the private sector to create frugal and local solutions.

Domestically, India does not have formal climate legislation at either the federal or state level. To a large extent, the problem lies in our missing institutional design. While the central government drives most of the initiatives along with its financial powers, sub-national units lack the capacity and fiscal resources to take action, despite being tasked with implementing India's international pledges. Most state-level initiatives to implement India's global commitments, such as the big one on net-zero carbon emissions by 2070, are driven under the State Action Plan on Climate Change. Most of these state action plans have lacked committed leadership and made little or no progress in the absence of resources.

While more states are starting to adopt Heat Action Plans (HAPs), there are concerns over the extent to which these are being implemented. For instance, only two of 37 HAPs currently in place in India conduct vulnerability assessments to identify and support affected communities. Further, HAPs include the need to develop and institutionalize

monitoring systems to ensure compliance. As the climate crisis and increasing urbanization start to produce more episodes of extreme heat, we must invest in long-term programmes for reforestation and urban green cover enhancement.

Climate action, including energy transition efforts, can only succeed if they are tied with development promises and communicated in a way that resonates with the country's masses. Currently, there appears to be a disconnect on this front: politically, India's core development agenda aims primarily at the poor, while the country's climate agenda seems directed at global event platforms and domestic elites. For India to see the impact of climate action, more businesses must be asked to effect changes across their entire value chains.

Is there political hesitancy at both the federal and state levels to integrate substantive climate action into public agendas? Is there a fear that it could alienate powerful industrial constituencies and disrupt the politico-industrial status quo?

It's a given that cooperative federalism is essential for the decarbonization of industrial assets as well as for the adaptation efforts needed to mitigate climate change. Therefore, climate adaptation needs to be taken up as an agenda priority by the 16th Finance Commission that was recently set up. It would demonstrate a national commitment to the cause.

The sooner governments at every level accept that development and other fulfillers of people's aspirations have to be designed in the context of climate realities, the smoother our path will be. Indian climate adaptation efforts need to show how innovation can assure survival and ingenuity can outshine denial. Let us treat climate action as a national security issue.

# Shorts as office-wear? It is no longer as unthinkable as it was

The norms of attire need to keep evolving but there's resistance too



**SARAH GREEN CARMICHAEL** is a Bloomberg Opinion columnist and editor.



The US tech sector has made suits and ties seem fuddy-duddy  
ISTOCKPHOTO

As summer heats up, vitriolic debates in the US are peaking. I'm talking about the rift between men who wear shorts to office and those who consider these a workwear abomination. On the West Coast, especially in the tech sector, wearing shorts to work is perhaps unremarkable. But not in northeast US.

"It's a bizarre taboo for me," says Derek Guy, a menswear writer. "It's normal to wear shorts, and whether you can wear them to the office depends on the office." It may be a complete non-issue for, say, graphic designers. But banks and law firms are another matter. Yet, buttoned-up East Coasters are wondering if they can ditch the long trousers. They often point to global warming—last month was the hottest May on record. And women have long had the option of wearing floaty dresses to work. Why can't men show a little leg, too?

But then, whether Bermuda or cargo or athletic, pleated or denim or chino, shorts aren't just shorts, it would seem. Offices are rife with power dynamics and pecking orders, an ecosystem worthy of David Attenborough narration.

Which forms of dress are acceptable "comes down to norms, and belief systems about professionalism and how that intersects with gender, race, and body type and with other structures of power," says Ben Barry, dean at the school of Fashion at Parsons, The New School. There's class too. Shorts may be more closely associated with those doing low-paid physical labour.

Of course, the world of tech and startups invented its own rules. There, the power move is to dress like you don't care. But that too sends a signal. "It wasn't just that people were dressing down," says Guy, "It was a symbol that you only cared about meritocracy and that you did not care about the old ways... the only things that mattered were your skills and your ideas." Think of Mark Zuckerberg's hoodies or Sam Bankman-Fried's shorts-with-tube-socks combo.

Although it's often said that women have more freedom of dress, Guy and Barry think that's been overstated. Women's skin tends to be sexualized in a way men's isn't; a woman showing "too much thigh" in an office is likely to be judged in moralistic terms. A woman might be able to get away with 'formal shorts' (something of an oxymoron) more readily than the average man, but a woman who eschews style to SBF-esque levels runs greater professional risk. And keep in mind that women didn't have 'office clothes' until relatively recently, as women worked mostly at home.

Yet, for men, at home or not, some version of the dark suit has dominated for centuries. Barry points to 18th-century-born dandy Beau Brummell as the one who made it fashionable. And professional clothes seem more resistant to change than casual attire. Even if a London barrister prefers baggy sweatpants on weekends, she'll still argue her cases in a white wig.

But the meaning of clothes does evolve. A century or so ago, a three-piece suit was called a lounge suit and seen as far less formal—a kind of 19th-century athleisure. Think of those grainy photos of men mountaineering in wool trousers, complete with jacket and waistcoat. And if the Patagonia vest was once a symbol of an outdoorsy lifestyle, it's now become something else entirely: a way for desk-bound men to signal their aspiration to spend time in nature, or just a way to display their membership in a particularly preppy tribe.

So, what about shorts? Showing skin used to be a no-no for men in offices. But as dress becomes more casual (a trend that's accelerated with the adoption of remote work) and mainstream men's fashion increasingly borrows from queer culture, says Barry, showing some leg is no longer seen as the same challenge to professionalism or masculinity. "I don't think it's a big deal to see a man's knees," says Guy.

Many younger workers agree with them. Older workers may push back on new fashions not for any practical reason, but because they feel threatened. Changing office fashions are a very visible signal that a new generation is gaining ground.

Back in 1971, *Harvard Business Review* surveyed readers on how they'd respond to a "capable young manager in a financial services company" who suddenly sports "long sideburns" and "bell-bottom trousers." Half said this hippie attire warranted a managerial sit-down, and another third said if his clothes irritated people, he should "change his ways or begin hunting for another job." That leaves fewer than one in five who said his groovy threads were purely his own business.

Today's office may no longer be quite as conformist as it was, but the front-line of fashion is always advancing. Who would have guessed back in 1971, for example, that half a century later we'd be dealing with naked dressing? ©BLOOMBERG

THEIR VIEW

# Ethanol: An eco-friendly fuel or another green mirage?

ADITYA SINHA



is an officer on special duty, Research at EAC-PM.

In the early 20th century, Thomas Midgley Jr, a chemist, introduced tetraethyl lead to gasoline, promising to revolutionize the automobile industry by reducing engine knock. It seemed like a miracle solution at the time, and Midgley was hailed as a hero. However, the dark side of this innovation soon became apparent as leaded gasoline caused widespread environmental damage and severe public health issues, including brain damage in children. This tragic episode reminds us that what initially appears to be a groundbreaking solution can have unforeseen and devastating consequences. In our quest for cleaner energy, we have turned to ethanol, championing it as a green alternative to fossil fuels. On the surface, it seems like a perfect solution—renewable, ostensibly cleaner and easily integrated into our existing fuel infrastructure. But as we delve deeper, we must ask ourselves if ethanol is truly the environmental saviour it's touted to be, or are we being misled by yet another green mirage?

There are six main issues with mandating ethanol as fuel.

**First**, the life-cycle energy demand for ethanol production from sugarcane stands at 4.99 megajoules per litre. Although ethanol's energy return on investment (EROI) or the ratio of energy obtain to what's spent on obtaining it) is 4.26, it pales in comparison with other biofuels. Its modest EROI indicates that ethanol production is not as energy-efficient as it might seem. Studies have shown that sugarcane cultivation's energy-intensive nature, coupled with ethanol's processing needs, significantly undermines its net energy balance.

**Second**, according to a study published in *Elsevier's Bioresource Technology* journal, ethanol's carbon footprint (CF) at 0.295kg CO2 equivalent per litre is lower than that of fossil fuels, but it may be misleading to call it eco-friendly. The production process involves significant emissions and its transportation and processing stages add to this carbon load.

**Third**, the most alarming, is the water footprint (WF) of ethanol: 1,344 litres per litre of ethanol produced. India's heavy use of groundwater for sugarcane irrigation worsens the blue water footprint, posing a major opportunity cost. This misallocation

threatens water security and jeopardizes food security. We thus face a dire trade-off between energy and basic human needs. The high WF contrasts with countries like Brazil, where sugarcane cultivation is primarily rain-fed, resulting in a lower WF. In India, where freshwater resources are already scarce, using such a colossal volume of water for ethanol production is unsustainable and borders on the reckless.

**Fourth**, India's agricultural policy has long been dominated by rice and wheat because of the need to procure these two crops for the public distribution system. However, the Department of Agriculture and Farmers Welfare is now championing a crop diversification programme under the RKVY-Raftaar scheme in Haryana, Punjab and western Uttar Pradesh. This initiative aims to shift crops from water-intensive paddy to sustainable alternatives like pulses, oilseeds, coarse cereals, nutri-cereals and cotton, addressing the country's pressing need for water conservation. Yet, the

recent push for enhanced ethanol production threatens to undermine this progress. Ethanol production is inherently problematic, as it can lure farmers back into cultivating water-intensive crops, creating a paradox that could undo our efforts to diversify and conserve water.

**Its promise as a clean fuel may be outweighed by its hidden threats to food security and the environment**

**Fifth**, intensive sugarcane farming, characterized by monoculture practices, frequent tilling and the heavy use of chemical fertilizers and pesticides, significantly degrades soil health and agricultural productivity over time. Monoculture reduces biodiversity, which is essential for maintaining soil structure, while frequent tilling unsettles the soil, making it prone to erosion. The heavy irrigation required for sugarcane leads to waterlogging and soil compaction, further exacerbating erosion.

**Sixth**, diverting agricultural land for biofuel production poses significant risks to food security. Farm-land diversion can push up food prices by constraining supply. When agricultural land is repurposed for growing

biofuel crops like sugarcane, corn or soybeans, it directly reduces the area available for cultivating food crops. This competition for land use can lead to decreased food crop production. According to the International Food Policy Research Institute, the expansion of biofuel production has led to significant land use changes, often at the expense of food crops, resulting in reduced food supplies and increased prices.

With less land dedicated to food crops, the overall supply of food grains and other essential crops decreases. As a result, the supply-demand gap widens, leading to higher food prices. The World Bank reported in 2010 that food prices are seen to spike during rapid biofuel expansion, making it harder for low-income households to afford basic necessities. This price volatility is compounded by the fact that biofuel crop prices are influenced by both food markets and energy markets, making them more susceptible to fluctuations in oil prices and policy changes in the energy sector.

Thus, we must exercise caution before pressing the acceleration pedal on ethanol. Ethanol's promise as a green fuel might mask dire consequences. Let's not repeat history's mistakes.

These are the author's personal views.



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