HT NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 154

Thursday, June 27, 2024

mint

Think Ahead. Think Growth.

mint primer

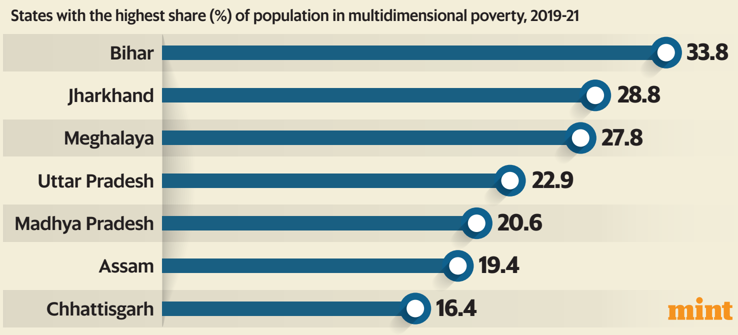
Why India needs a new method to count its poor

BY N. MADHAVAN

While India may be lifting a lot of people out of poverty, the way it goes about counting those living below the poverty line is imprecise. After calls for an overhaul last week, *Mint* looks at issues surrounding poverty measurement and the need for having a more modern model.

The poorer lot

Northern states have the most multidimensional poverty



Source: Niti Aayog

SATISH KUMAR/MINT

1 How is poverty measured?

Poverty is measured by first arriving at a poverty line, the minimum level of income required to buy bare minimum necessities and then identifying those who fall below it by looking at household consumption surveys. The poverty threshold varies from country to country according to people's social and economic conditions. However, the World Bank has an international benchmark—anyone living below $2.15 per day is considered to be in extreme poverty. Multidimensional poverty looks at health, education and standard of living across 12 indicators. It is more survey-based and not on actual consumption.

2 Where does India stand?

According to a recent study by State Bank of India (SBI), the country's headline poverty rate (the share of people who fall below the poverty line) in 2022-23 stood at 4.5% to 5%. The rural poverty rate was 7.2% (it was 25.7% in 2011-12) and the urban poverty rate was 4.6% (it was 18.7% in 2022-23). The SBI study arrived at these figures by taking the Tendulkar Committee's poverty line of 2011-12 and imputing inflation over the past decade to it. The new poverty line was ₹1,622 per month for rural areas and ₹1,929 for urban. It then applied the latest Household Consumption Expenditure Survey (HCES) 2022-23 to it.

REUTERS

3 What are the trends of multidimensional poverty?

A Niti Aayog study has revealed that 248 million people have escaped multidimensional poverty in the past nine years. It also said that the poverty headcount ratio declined from 29.17% in 2013 to 11.28% in 2022-23. Uttar Pradesh showed the biggest decline followed by Bihar, MP and Rajasthan. India may halve multidimensional poverty by 2030.

4 What do economists say about the figures?

Experts questioned the logic behind SBI's move to take Tendulkar Committe's poverty line of 2011-12 and impute inflation for over a decade. The Manmohan Singh government had appointed another committee under C. Rangarajan after it felt the Tendulkar committee poverty line was too low. Some questioned the sampling of HCES 2022-23 on the grounds that it gave a skewed representation to affluent sections of society. A few others said the reduction in multidimensional poverty is out of tune with reality.

5 What is the way forward?

Experts are calling for an all-new estimate to measure poverty. Bibek Debroy, chairman of the Prime Minister's Economic Advisory Council spoke about it last week at a conference. T.C.A. Anant, former chief statistician of India, says the poverty norms not only need updating but the concept of poverty itself needs to be re-visited. Rangarajan agrees. He says there is a need to completely reassess what poverty is. A reasonably accurate estimation of poverty is critical for to come up with the right policies.

QUICK EDIT

Spectrum: 5G fizzle

The sale of 5G telecom spectrum concluded on Wednesday, just the second day of the auction process, with the government reportedly collecting around ₹11,300 crore. This is barely about 12% of the ₹96,238 crore worth of airwaves that had been put up for sale. Clearly, demand didn't turn out as strong as expected. At the last auction in 2022, a staggering ₹1.5 trillion worth of spectrum was sold over seven days. That possibly might have set the expectations high for the latest auction as well. But back then, 5G spectrum was just being rolled out and telecom companies were rushing to get hold of whatever they could get. This time, the situation is different. Telecom firms already have their 5G spectrum requirements met and don't appear to need much more. Market adoption of 5G services has also been underwhelming so far, with its high-speed connections probably helping business customers but not making too notable a difference to individual users. That may explain why service providers are yet to start asking people to pay a premium for it. Most of what smartphone users do can be done with 4G. Like with handsets, recent improvements seem too incremental.

MINT METRIC

by Bibek Debroy

Biriyani without chicken legs
Turns events into powder kegs.
In Bareilly, at a marriage,
Groom and baraat suffered miscarriage,
The thrashing reduced them to dregs.

QUOTE OF THE DAY

The pace at which everything around us is evolving is dizzying. A big challenge of our time is to unleash AI for the next wave of productivity for enterprises.

NANDAN NILEKANI
CHAIRMAN, INFOSYS

MINT PODCASTS

SEBI'S YOUTH ADVISORS

Youngsters in their twenties often don't take investment seriously, seeking advice from multiple, often unqualified sources. A Sebi-registered investment advisor can be the one-stop solution for financial troubles. Listen to Abhishek Kumar, founder of SahajMoney, discuss financial advisory for youngsters.

NEXT-GEN TECH THREAT

India currently 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 Neuralink in the next 10-15 years

RICE INSTEAD OF CASH

The government is exploring the option of providing rice instead of full monetary wages to MNREGS workers. This approach seeks to address nutritional needs, alleviate food insecurity, and promote local economic stability, potentially benefiting rural communities in a sustainable manner.

PLAIN FACTS

Decoding the dissent of RBI's doves, in charts

BY PRAGYA SRIVASTAVA

Jayanth R. Varma joined the Reserve Bank of India's (RBI's) monetary policy committee (MPC) in October 2020, and in his very first meeting, he dissented. Ashima Goyal, who was appointed at the same time, has since emerged as the only other dissenting voice, albeit not as often as Varma, who was a hawk initially, but turned dovish in the middle of 2022. Goyal has always had a dovish tilt. Both these members, whose tenure on the panel will end after the August meeting, have sparked a debate about whether staying with a tighter monetary policy will end up hurting growth, especially since inflation has now largely eased.

Varma had been voting for a reduction in the benchmark repo rate since February, but with Goyal also joining in earlier this month, his case has grown stronger. Both invoked high real interest rates to argue their point, as per the minutes of the latest meeting, while the four other members voted to keep the repo rate unchanged at 6.5%.

Real interest rate refers to the inflation-adjusted cost of borrowing or return on investments. There is no official definition, or an ideal level. The common definition (that is, the gap between the policy repo rate and the expected inflation), would indeed put it quite high at 2%, the highest in the post-pandemic era and the second highest since 2016.

Goyal feels a real interest rate above 1% will hurt growth; Varma says 1–1.5% would be sufficient to glide inflation to the target of 4%.

Jayanth R. Varma has dissented most often, Ashima Goyal is next

Number of times when the two members dissented against the majority vote since they joined the MPC

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	Jayanth R. Varma	Ashima Goyal
Voted for rate cut	3	1
Voted against rate hike/for shallower rate hike	2	2
Expressed reservations or voted against stance	14	2
Voted to change stance to neutral	3	1

"A real interest rate of 2% creates the very real risk of turning growth pessimism into a self-fulfilling prophecy."
Jayanth R. Varma (Feb 2024)

"Status quoism is praised as being cautious. But if doing nothing distorts real variables, it aggravates shocks instead of smoothing them and raises risk"
Ashima Goyal (Jun 2024)

Declining inflation has pushed real interest rate to a post-pandemic high

Real interest rate* (in %)

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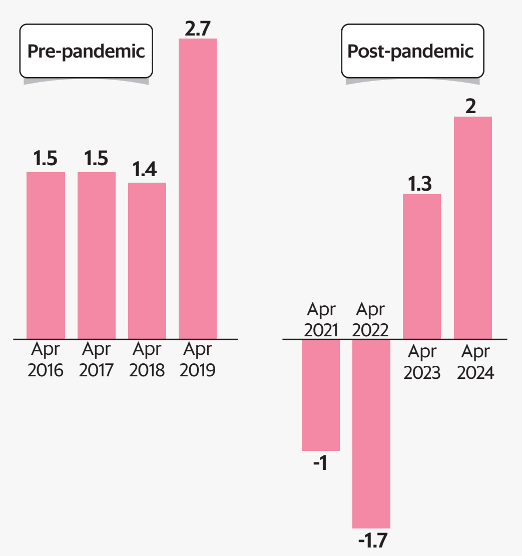

*Policy repo rate minus projected inflation for the year given in April by RBI. This is one of the ways to calculate the real interest rate. India does not have an official method to arrive at the number. No projection was given in April 2020 due to the pandemic-induced uncertainty.

Source: Reserve Bank of India, Mint analysis

Growth Gambit?

INDIA'S GROSS domestic product (GDP) growth is expected to slow down to 7.2% this year from 8.2% in 2023-24. But the better-than-expected growth in 2023-24, too, came on the back of a statistical boost from high net taxes and a low deflator. On top of it, private consumption remains weak.

Doves—those favouring an interest rate cut—believe that the slower growth would mean that India's growth could miss its potential in 2024-25 and 2025-26 if monetary policy is not fine-tuned. Status quoists on the MPC still believe India's growth prospects are promising. The argument that the RBI may be risking growth by keeping the status quo came as early as February 2023, when Varma wrote that the majority MPC view was becoming complacent about growth, after being complacent about inflation a year prior. While the growth in 2023-24 did not turn out to be "unacceptably low" as Varma had warned, it was certainly not as impressive as the headline numbers suggested.

FY24 growth received a statistical boost; slowdown expected ahead

Year-on-year growth (in %) in 2023-24

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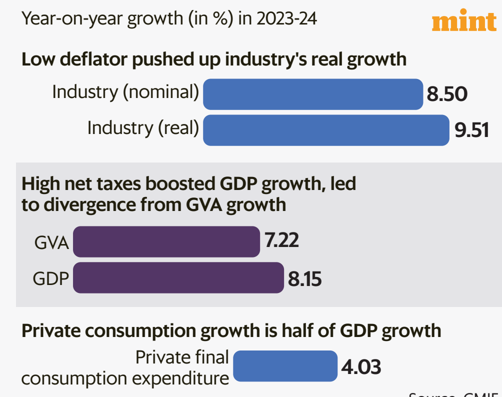

Source: CMIE

Inflation has consistently overshot RBI's initial projection since 2019-20

Year-on-year retail inflation (in %)

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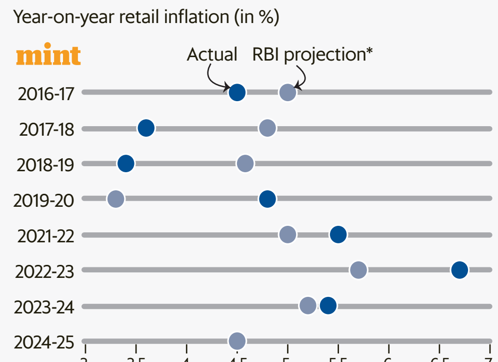


*Given in April of each financial year

Source: RBI, MoSPI

Once Bitten, Twice Shy

THERE ARE several factors—and recent experience—that could be keeping the other members of the MPC cautious about inflation. When the panel had to loosen the monetary policy during the pandemic, it looked over the rising price pressures, which eventually resulted in inflation shooting past the upper tolerance limit of 6% in 2022-23. The RBI was not alone in perceiving inflation as "transitory"; central banks around the world did so. But the failure to contain inflation within the range for three consecutive quarters did result in the RBI having to explain to the government the reasons for its failure and its proposed corrective steps. Varma and Goyal are arguing on the basis of the RBI's expected 4.5% inflation in 2024-25, but for the past few years, actual inflation has overshot the RBI's early projections, a *Mint* analysis shows. Moreover, the climate crisis has also made the trajectory of food inflation particularly difficult to track, adding to uncertainty, and driving caution.

Pivot Incoming?

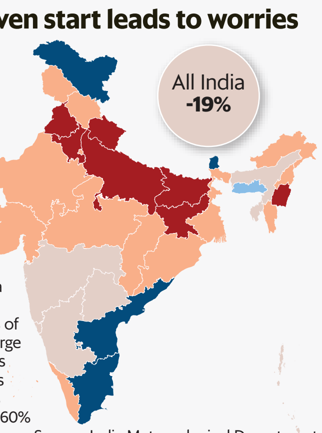
DESPITE COOLING inflation, those who voted for a status quo, including RBI governor Shaktikanta Das, see elevated food inflation risks and a possible spillover onto core inflation and household inflation expectations. Food inflation will depend on the monsoon, which is expected to be "above normal". But the rainfall so far has been uneven—and likely below normal in June. This could delay sowing and potentially push prices up.

Yet, the doves believe that even with slight easing, the real interest rate would still be high enough to contain inflationary risks, and the status quo could end up doing more harm than good. In a note last week, economists at Nomura explained this view by saying that headline GDP growth was "exaggerated" in 2023-24, and while risks on food inflation are always hard to predict, "they have indeed not had any adverse spillovers". A rate cut is expected only from October as the internal MPC members may hold until slower growth forces their hand, Nomura said.

Despite an 'above-normal' rainfall forecast, uneven start leads to worries

Status of rainfall*

Large deficient
Deficient
Normal
Excess
Large excess



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*Cumulative rainfall data for 1 June to 26 June. Rainfall lower than -60% of long period average is large deficient, -59% to -20% is deficient, -19% to +19% is normal, +20% to +59% is excess, and more than +60% is large excess.

Source: India Meteorological Department

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz

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Why GST still sparks Centre-state friction ▶P10

Why influencers are eyeing parallel sources of income ▶P5

SENSEX 78,674.25 ↑ 620.73 | NIFTY 23,868.8 ↑ 147.5 | DOLLAR ₹83.43 ↓ ₹0.14 | EURO ₹89.35 ↑ ₹0.14 | OIL $84.41 ↓ $0.10 | POUND ₹105.88 ↔ ₹0.00

Govt may revive tax sop for new manufacturers

Concessional 15% corporate tax rate may bring investment into manufacturing

Gireesh Chandra Prasad
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The Union budget in July is likely to bring back the concessional 15% corporate tax rate for new manufacturing facilities, a scheme that ended on 31 March this year after being open for a little more than four years, two persons aware of the matter said.

The plan now is to extend this scheme by one to two years to facilitate fresh manufacturing investment, which is a priority for the National Democratic Alliance (NDA) government, one of the two persons cited above said on the condition of anonymity.

The concessional 15% corporate tax rate announced in September 2019 to attract fresh investments into manufacturing and to support Make in India efforts was in effect from FY20 for businesses starting production till end of FY23, and was extended by a year to the end of FY24.

The lower corporate tax is available to businesses that do not make use of any other tax incentive. Their effective tax rate, including surcharge and cess, could work out to about 17%. The move to extend the tax benefit goes well with the other policy measures being taken up to boost manufacturing, said experts.

"The concessional 15% corporate tax rate will naturally provide a boost to the manufacturing sector; and in conjunction with production-linked incentives where they are notified, it will give a strong push to investments and job creation, besides helping to achieve self-reliance in those sectors," said Sudhir Kapadia, tax partner at EY.

A spokesperson for the finance ministry did not reply to queries emailed on Tuesday.

The Centre wants to give a strong thrust to the manufacturing sector as it could generate well-paid employment to a large number of people currently engaged in low-paid farm activities. Besides adding jobs, the sector could capitalize on the enhanced public spending on infrastructure, foster innovation, make Indian businesses perform better in global markets and make the economy more resilient, say experts.

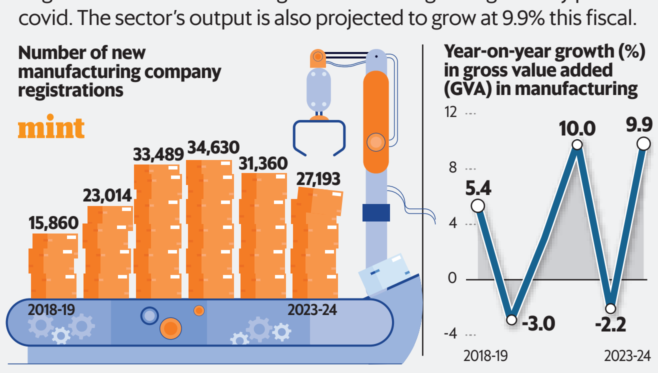
Manufacturing sector, which accounts for 14% of the country's gross domestic product (GDP), expanded 9.9% in 2023-24, after suffering a 2.2% contraction in the financial year prior. India's manufacturing activity had slipped to a three-month low of 57.5 in May as intense heatwaves led to reduced working hours. But in June, the manufacturing purchasing managers' index increased to 58.5. A reading above 50 signals an expansion, and below that signals contraction.

Sandeep Sehgal, partner-tax at AKM Global, a tax and consulting firm, said that besides fiscal measures, tax proposals can also help in meeting the goals of boosting investments and job creation. Sehgal expressed hopes of a five-year extension of the timeline for commencing production under the

TURN TO PAGE 6

CHUGGING ALONG

Registration of manufacturing units has been growing steadily post covid. The sector's output is also projected to grow at 9.9% this fiscal.



Source: Ministry of corporate affairs, ministry of statistics and programme implementation

FAST FORWARD

- **THE** plan now is to extend tax scheme by one to two years
- **FIRMS** not availing any other tax sop will get the benefit
- **THE** effective tax rate with surcharge and cess is about 17%

SARVESH KUMAR SHARMA/MINT

INDIA RISING BUDGET 2024

BPOs turn tech-led, poach senior execs from IT companies

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Business process outsourcing (BPO) companies, including Firstsource Solutions Ltd and Genpact Ltd, have wooed more than a dozen senior executives from top information technology (IT) services companies over the past two years as they seek to scale up operations.

Nine out of 13 executives—ranked senior vice-president and above—joined RP-Sanjiv Goenka-owned Firstsource. Two executives were hired by Nasdaq-listed ExlService Holdings Inc., and one each joined Genpact and WNS (Holdings), per research by *Mint* based on press statements and LinkedIn searches.

The executives previously worked with Accenture Plc, Tata Consultancy Services Ltd, Infosys Ltd, Tech Mahindra Ltd, Mphasis Ltd, Cognizant Technology Solutions Corp., Persistent Systems Ltd, and DXC Technology Co.

Analysts attributed the shift of senior talent to factors such as more lucrative and bigger roles for the executives at the outsourcing firms, a slowdown in IT services, and BPOs looking to scale up their operations. BPOs offer customer support to clients.

Recruiters were divided over whether the rise of generative artificial intelligence (GenAI) played a role in these job transitions.

"The BPO world is becoming tech-oriented and driven by AI," said Navnit Singh, chairman and regional MD of executive search firm Korn Ferry. "In the future, the BPO work will be tech-driven and those companies will need people who understand that technology."

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Over a dozen top executives have left IT giants for BPOs over the past two years. MINT

DON'T MISS

STOCKXPERT

Centre earns ₹11,300 crore in muted close to spectrum sale

The spectrum auction for 2024 concluded on Wednesday with the government netting ₹11,300 crore from sale of airwaves across bands. Bharti Airtel Ltd was the largest buyer, winning bids in over six circles where it seeks to renew its spectrum holding.. >P5

Dr Reddy's to buy Haleon unit making Nicotinell for £500 mn

Drug major Dr. Reddy's Laboratories will acquire British pharma company Haleon's global portfolio of consumer healthcare brands in the nicotine replacement therapy category outside of the US for £500 million. The deal could close in Q4CY24 . >P5

India plans to start new FTA talks with New Zealand, South Africa

India is planning to start new free trade agreement (FTA) discussions soon with New Zealand and South Africa to strengthen its economic ties with the two nations and diversify its trade ties, two officials aware of the matter said. >P2

IT investors turn antsy over advance of generative AI

IT services giants Infosys and TCS faced a volley of questions from their retail shareholders at their respective annual general meetings on how they see generative artificial intelligence, or GenAI, panning out for their businesses.. >P6

Shipping's green shift to get ₹15,000 cr push

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The shipping ministry is preparing a ₹15,000-crore viability gap funding (VGF) plan for companies to shift to greener vessels for inland water transport over the next 10 years, said two persons aware of the development.

"The concept of VGF and other incentives for turning Indian maritime segment green is under formulation and consideration," one of the people cited above said on the condition of anonymity, adding that the Inland Waterway Development Council (IWDC) is working on finalizing the scheme for this green transition, which would be similar to the FAME scheme for promotion of green automobiles.

Many ambitious projects fail to take off since they are financially unviable, and the government often steps up in such cases to provide so-called viability gap funding to support them.

"It should be rolled out soon after getting the finance ministry's approval," the person added.

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Aim is to shift to greener fuels like gas and green methanol

New infra lender enters PSBs' turf

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MUMBAI

India's youngest infrastructure financier is elbowing into large project finance that has so far been the preserve of public sector banks (PSBs), aided by its ability to raise cheap finance and give subsidized loans.

Designed as a development finance institution to support long-term projects, the National Bank For Financing Infrastructure And Development (NaBFID) took birth in 2021. Though it has been in the lending market for a while, it was a recent loan deal that made banks sit up and take note.

In March, NaBFID outbid State Bank of India (SBI) for a ₹9,000 crore loan, two bankers aware of the matter said. While SBI, India's largest bank by assets, pitched 8.2% for a proposal by National Highways Authority of India's (NHAI's) infrastructure investment trust (InvIT) to raise ₹9,000 crore, NaBFID offered 8%.

"This made other lenders

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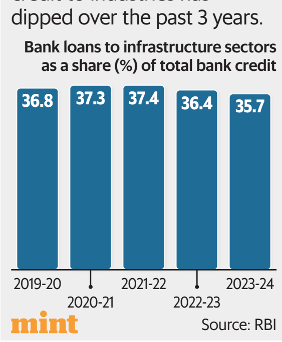
Project path

Infra loans' share in overall credit to industries has dipped over the past 3 years.



Source: RBI

SATISH KUMAR/MINT

AI work assistants need hand-holding

Isabelle Bousquette
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Artificial intelligence work assistants were designed to provide businesses a relatively easy avenue into the cutting edge technology. It isn't quite turning out that way, with chief information officers saying it requires a heavy internal lift to get full value from the pricey tools.

"It has been more work than anticipated," said Sharon Mandell, chief information officer of network tech company Juniper Networks, who is testing tools from several vendors but doesn't feel ready to put any into production.

Tools like Copilot for Microsoft 365 or Gemini for Google Workspace have aimed to put the full power of generative AI capabilities into the hands of corporate workforces—promising safe, prepackaged ways for enterprises to use the technology.

Working in tandem with the Microsoft or Google enterprise suites and large bodies of enterprise data—including emails, documents and spreadsheets—the promise is that the tools can deliver reliable answers to questions such as "what are our latest sales figures?"

But that isn't always the case—in part because the enterprise data they are accessing isn't always up-to-date or accurate and in part because the tools themselves are still maturing.

Mandell said that if she asks a question related to 2024 data, the AI tool might deliver an answer based on 2023 data. At Cargill, an AI tool failed to correctly answer a straightforward question about who is on the company's executive team, the agricultural giant said. At Eli Lilly, a tool gave incorrect answers to questions about expense policies, said Diogo Rau, the pharmaceutical firm's chief information and digital officer.

The stumbles come amid surging corporate interest in generative AI as well as efforts by CIOs to test the potential productivity gains promised by tools that can carry a $30-a-month price tag per user.

"I remain an AI optimist and am confident that we'll get there. It's just taking a little longer than perhaps we thought," Mandell said.

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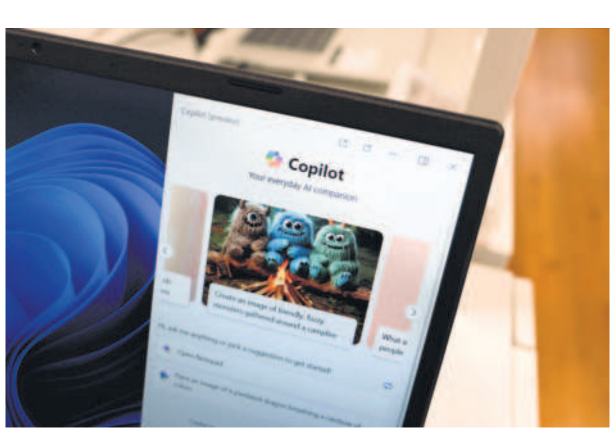

Getting full value out of AI workplace assistants is turning out to require a heavy lift from enterprises. AFP

THE WALL STREET JOURNAL.

India plans to start new FTA talks with NZ, South Africa

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NEW DELHI

India plans to start new free trade agreement (FTA) discussions soon with New Zealand and South Africa to strengthen its economic ties with the two nations and diversify its trade ties, two officials aware of the matter said.

The strategic move is part of India's broader effort to diversify its trade partnerships and reduce its dependency on traditional markets, they said.

The scope of India's trade ties with New Zealand and South Africa, which is a key constituent of the South African Customs Union (SACU), is huge.

Comprehensive FTAs with these countries would further help India to strengthen its position in the global economic order.

"New Zealand has reached out to us for FTA talks. We are taking it with priority," said one of the officials cited above, requesting anonymity.

"The geopolitical landscape has shifted, with most developed economies now keen on forging trade alliances with India, recognizing it as one of the fastest-growing major economies," the official added.

India is the world's fifth-largest economy in terms of nominal GDP and the third largest by purchasing power parity (PPP).

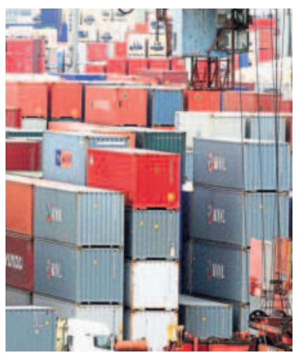
"We are [also] exploring the possibility of initiating trade negotiations with South Africa, a key member of the South African Customs Union (SACU), to broaden our trade portfolio," noted the official.

The commerce ministry held a stakeholder consultation last week to discuss the way forward for holding discussions on new FTA deals.

New Zealand's trade is primarily centered around agricultural products, education services and technology.

The country exports dairy products, wool, and fruits to India, while India exports pharmaceuticals, textiles, and information technology services to New Zealand.

Meanwhile, the trade relationship between India and African nations has been growing steadily, with India serving as a major importer of raw materials and exporter of manufactured goods to the region.


The move is part of India's broader effort to diversify trade partnerships. BLOOMBERG

Isro arm signs $18-mn deal to launch big Aussie satellite

Isro will carry Space Machines' 450-kg satellite inspection and observation payload in 2026

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The Australian government has signed an $18-million memorandum of understanding (MoU) with the Indian Space Research Organisation's (Isro's) commercial arm NewSpace India Ltd (NSIL)—a rare bit of good news amid a dearth of deals in the Indian private space sector.

Under the partnership, announced in New Delhi by Australian high commissioner Philip Green on Wednesday, Isro's Small Satellite Launch Vehicle (SSLV) will carry Australian firm Space Machines' satellite inspection and observation payload in 2026.

Rajat Kulshrestha, co-founder of Space Machines, said the payload will be the biggest Australian satellite launched to date.

The payload will weigh 450kg, and will be manufactured by Hyderabad-headquartered Ananth Technologies, which has previously worked as a vendor partner to Isro.

Subba Rao Pavuluri, founder of Ananth Technologies, told *Mint* that the Optimus mission aboard the SSLV is one of six such projects that will be undertaken as part of the $18-million Indo-Australian space partnership.


Isro chairman S. Somanath said that the eventual goal is 20-30 SSLV launches a year, based on the expected demand for small satellite launch rockets. PTI

S. Somanath, chairman of Isro, said eventual goal is 20-30 SSLV launches a year, based on the expected demand for small satellite launch rockets.

"While Australia has partnerships with multiple nations for space ventures, we are taking our engagement with India to the next level. The partnership will lead to Australian satellites being launched into orbit from Indian soil," Green said at the inaugural keynote at the Indian Space Congress 2024.

$370 mn
Investments attracted by India's space economy

The partnership will involve several stakeholders in India's private space sector including domestic space-engineering firm Ananth Technologies, which has supplied components and engineering services to Isro in many previous missions.

Meanwhile, Pawan Goenka, chairman of the Indian National Space Promotion and Authorisation Centre (In-Space), a government-affiliated space promotions agency, confirmed that the SSLV was being privatized and that the bidding process was still ongoing.

$95 mn
Investment bagged by Skyroot Aerospace

Six bidders have been identified, but a final decision is yet to be taken, he said. Once completed, SSLV will be manufactured and operated by the private sector.

Isro chairman Somanath said at the event, "The Indian space economy has a long way to go. While Isro has the LVM-3 as its heaviest rocket, we need more capacity and capability to be able to reach the lunar orbit and land back on Earth.

The next step after building this would be to further increase capacity and land an Indian on the moon, which will happen by 2040. Going forward, the gap between the strategic and civilian space industries is decreasing.

This will be of help as our space economies progress."

The conference also saw Isro and the Australian government announce joint space conferences in November for more collaboration between the two space economies.

Wednesday's announcement comes amid a downturn in commercial space activities in India.

On Monday, Mint had reported that India's space economy has a dearth of commercial space projects from the Central government and its agencies.

The collaboration marks one of India's first cross-border investments in the space sector since it was privatised in 2020.

India's private space economy has attracted $370 million in investments to date, with Hyderabad-based space launch vehicle provider Skyroot Aerospace leading the pack at $95 million.


Funds will be used to make and recycle lithium-ion batteries in EVs. ISTOCKPHOTO

₹2,000 cr investments expected in energy storage

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India's energy storage sector is likely to see investments worth over ₹2,000 crore in the India Energy Storage Week 2024 next month.

The event will be held on July 1-5 in the national capital.

The India Energy Storage Week is an annual event organized by the India Energy Storage Alliance (IESA), an industry body, to garner investments and highlight developments in green technology, renewable energy, and energy storage.

Addressing a press conference, Debi Prasad Dash, executive director, IESA said domestic as well as international investors are expected commit over ₹2,000 crore to boost manufacturing in the energy storage sector in India.

He said the investments would go towards manufacturing and recycling lithium-ion batteries used in electric vehicles. Dash said investments are also expected in the electric vehicles (EV) and green hydrogen sectors.

The investments into energy storage will push India closer to fulfilling its target of over 81 gigawatt-hours (GWh) by 2026-27, as stated by the Central Electricity Authority in its National Electricity Plan (NEP) 2023.

Around five new battery manufacturing factories are expected to be announced during the five-day long event.

The event will be backed by more than ten government bodies including the ministries of heavy industries, power, new and renewable energy, electronics and information technology.

Singapore-based VFlowTech, will launch its largest long-duration energy storage manufacturing facility in Palwal near Haryana this year. The factory will have a capacity of 100 megawatt-hours (MWh) and will expand into a gigafactory soon with the help of committed investments from VFlowTech's parent company in Singapore over the next two years, said Vivek Seth, managing director (India), VFlowTech India Pvt. Ltd.

Grain-based ethanol production rises

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For the first time, India has achieved a higher ethanol production from grains, especially maize, than sugar-based feedstock, on the back of a government cap on using sugar for producing the biofuel.

The share of grain-based ethanol is nearly 51% so far in the current ethanol-supply year (November 2023-October 2024), said two officials with access to the data.

Till 9 June, 3.57 billion litres of ethanol have been produced—1.75 billion litres from sugar-based feedstock—sugarcane juice, B-heavy molasses and C-heavy molasses—and 1.81 billion litres from grain-based feedstock—damaged foodgrains, surplus rice and maize available with the Food Corp. of India, said one of the officials.

Maize alone has contributed 1.10 billion litres, the official added.

The country produced 13.50 billion litres of the renewable fuel in the supply year 2022-23, of which 37.4% or 5 billion litres came from grains.

India has achieved an ethanol blend of 12.7% with petrol as of 9 June, against the target of 15% for the current year.


In a first, India has achieved a higher ethanol production from grains, especially maize, than sugar-based feedstock. BLOOMBERG

The government, which has set a 2025-26 deadline for achieving E20 (20% ethanol blended) petrol, is trying to diversify sources for ethanol production to reduce its dependency on sugar-based feedstock.

It capped the diversion of sugar for producing the green fuel at 1.7 million tonnes for the 2023-24 supply year in December.

The Centre, in April, had also allowed sugar mills to convert their existing stock of 670,000 tonnes of B-heavy molasses—accumulated before the introduction of the cap—into ethanol.

The share of grain-based ethanol is nearly 51% so far in the current supply year, officials say

Ethanol, a 99.9% pure alcohol, is added to fuel to reduce the country's dependence on imported crude oil. In India, the biofuel is primarily produced from sugar-based feedstock and grains.

Meanwhile, the National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) and the National Cooperative Consumers' Federation of India Ltd (NCCF) are procuring maize from farmers to promote the grain as a major feedstock for ethanol production.

Till 10 June, the two agencies had procured about 3,600 tonnes of maize and received purchase orders of around 9,300 tonnes from distilleries, the second official said.

On Tuesday, at the 64th International Sugar Organization under the chairmanship of India, Union consumer affairs, food and public distribution minister Pralhad Joshi said that the government is committed to achieving 20% blending by 2025-26 and "probably the supply of ethanol from grain-based feedstock will be more than sugar-based feedstock in 2023-24 ethanol supply year".

The government requires 7 billion litres of ethanol to achieve 15% blending in the current ethanol supply year. Oil marketing companies have contracted to procure nearly 6.5 billion litres so far.

In order to achieve the E20 target, the government would require 10.16 billion litres of ethanol, according to NITI Aayog estimates.

Centre seeks to strengthen, restructure drug pricing panel

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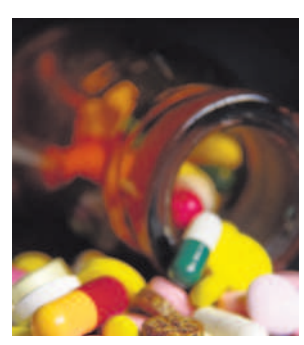
NEW DELHI

The government is planning to make changes to the central committee that fixes drug prices after protests from the pharmaceutical industry over current regulations.

Officials aware of the matter said the Centre is planning to restructure the committee responsible for issuing Drug Price Control Orders, which enable the government to declare a ceiling price for essential and life-saving medicines. According to the officials, the planned move follows some pharma associations expressing their dissatisfaction over existing pricing regulations.

The current committee comprises three core members—Secretary of the Department of Pharmaceuticals, Chairman of the National Pharmaceutical Pricing Authority (NPPA) and the Drug Controller General of India (DCGI).

"There have been a few concerns about the DPCO regarding the price mechanism.


Pharma bodies have expressed dissatisfaction over existing pricing regulations. ISTOCKPHOTO

Pharma companies and associations have expressed dissatisfaction over it. In the month of July, a meeting is expected to be called where the pharma bodies will also be invited and their opinion will also be sought.

Accordingly, the changes will be made. As of now, the focus is to make the DPCO more strong and more effective and then consider of bringing amendments in the relevant Act which is a decade old now," said an official.

The primary task of the committee is to strike a balance between pricing and availability of essential medicines, while offering incentives to the industry to foster growth and exports. Prices of drugs in India are regulated as per provisions of Drugs (Prices Control) Order, 2013, by the NPPA, under the aegis of the Department of Pharmaceuticals, that fixes the ceiling price of scheduled medicines. It also fixes the retail price of 'new drugs' for existing manufacturers of scheduled formulations.

"The committee has always been concerned about ensuring that drug pricing remains at stable position so that it does not affect the consumers. In the past couple of months, there have been some revisions in the pricing and the committee keeps on holding meetings before making such announcements. If there is a requirement of expansion of the committee that will happen," stated another official.

The DPCO lists 680 scheduled drug formulations spread across 27 therapeutic groups. It states that while fixing the ceiling price of scheduled formulations and retail price of new drugs, 16% of price to retailer as a margin to retailer shall be allowed.

MINT SHORTS

'Tolls should not be charged if roads aren't in good condition'

New Delhi: Union roads minister Nitin Gadkari has said that highway agencies should not charge tolls if roads are not in good condition. "If you don't provide good quality service, you should not charge toll...We are in a hurry to start tolling to collect user fees and protect our interest," he said, adding: "...if you collect toll on roads with potholes, mud, there will be a backlash." PTI


HT

Dev commissioners of SEZs to consider solar panel requests

New Delhi: The commerce ministry has asked development commissioners (DCs) of special economic zones (SEZs) to consider requests of developers of these zones for installation of solar power panels under the existing SEZ guidelines. Under the norms, a power plant, to be set up by developer/co-developer in an SEZ as part of an infrastructure facility, will be in the non-processing area of the SEZ only. PTI

India in sweet spot of growth, says economist Surjit Bhalla

London: All systems and events around the world are in favour of India and the confluence of several factors means the economy is in a very sweet spot of growth, economist Surjit Bhalla said on Wednesday. The former executive director at the International Monetary Fund for India, Bangladesh, Sri Lanka and Bhutan, expressed confidence that India will continue on a successful growth trajectory into the next decade and beyond. PTI


HT

Deccan Gold Mines to get ₹60 crore for key projects


ISTOCKPHOTO

New Delhi: Deccan Gold Mines Ltd on Wednesday said it has received an investment commitment of ₹60 crore for developing its key projects—Jonnagiri Gold Project in India and Altyn Tor Gold Project in Kyrgyzstan—from Ardent Steel, Hira Infra Tek Pvt. Ltd and Med Edu Care Marketing Management, Dubai. The firm said it is expecting the funds over the next couple of months. PTI

Punjab prepares ₹500 cr action plan to check stubble burning


PTI

Chandigarh: The Punjab government has prepared an action plan with an outlay of ₹500 crore for providing machinery to farmers and taking other measures to check stubble burning in the state, agriculture minister Gurmeet Singh Khuddian said. PTI

NCAER sees Indian economy growing over 7% in 2024-25

New Delhi: India's economy will grow higher than 7%, even closer to 7.5%, in the current fiscal on the back of expectations of above-normal monsoon and absence of any known global risks, economic think tank NCAER said. It said indicators reveal that the domestic economy has remained resilient and growth projections for 2024-25 have been revised upward by all the agencies. PTI

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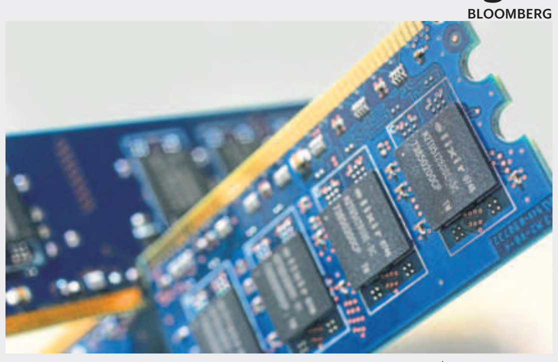
MINT SHORTS

Two Brothers Organic Farms snags funds from Rainmatter, others

Bengaluru: Two Brothers Organic Farms has raised around $7 million (₹58.25 crore) in a Series A funding round led by Zerodha's Rainmatter Foundation. Rainmatter invested ₹50 crore in the startup. The round also saw participation from Raju Chekuri, the founder of NetEnrich, as well as the startup's consumers and active supporters. This funding infusion will help the startup improve its business operation and grow its market presence in India and the US. Founded by Satyajit Hange and Ajinkya Hange, Two Brothers Organic Farms is a farmer-first regenerative organic farm and a consumer brand.

Deeptech startup Morphing Machines raises seed funding

BLOOMBERG



Bengaluru: Morphing Machines has raised $2.8 million in a seed funding round led by deeptech-focused venture capital firm Speciale Invest. The round also saw participation from other investors including IvyCap Ventures, Golden Sparrow, Navam Capital, CIIE Initiatives and DeVC. It also raised venture debt from Force Ventures. The funding will be deployed towards product development, expansion of its engineering team and supporting go-to-market initiatives. Founded in 2006 by S.K. Nandy, Ranjani Narayan and Deepak Shapeti, Morphing Machines is a fabless semiconductor startup. The company was incubated at the Indian Institute of Science, Bengaluru, and is developing Redefinetm, which is a many-core processor Soft IP.

Social media platform O hi raises $1 mn pre-Series A funding

Bengaluru: O hi has secured $1 million (₹8.3 crore) in a pre-Series A funding round led by Jito Incubation and Innovation Foundation. The names of the other participating investors were not disclosed. With the new funding, the startup aims to further develop its artificial intelligence technology as well as expand its presence across geographies, specifically, it targets to expand in the UK. Founded in 2021 by Adeeti Singh and Rupal Sharma, O hi is a social networking platform that is making digital chatrooms at third spaces like cafes, airport lounges and hotels for building communities of humans in the real world.

COMPILED BY K. AMOGHAVARSHA

Yotta price cut to aid AI cloud

Yotta is undercutting its competition by nearly 90% to draw in clientele from North America and Europe

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NEW DELHI

Despite a global supply crunch of Nvidia's coveted graphic processing units (GPUs), Mumbai-headquartered Hiranandani Group's data centre and services firm, Yotta Infrastructure, is sticking to a strategy that flies in the face of the ongoing trend.

Yotta is offering the usage of its Nvidia processing chips to firms at less than 10% of the global average cost, which is a fraction of what companies pay to its competitors to access Nvidia's GPUs for their artificial intelligence needs.

"We have just deployed the first batch of 4,000 Nvidia GPUs at our Navi Mumbai data centre, all of which is now sold out to enterprises. We have now asked Nvidia to expedite supply of the remaining 12,000 GPUs in order to complete our order, based on perceived demand for the AI cloud platform," Sunil Gupta, co-founder and chief executive of Yotta told *Mint*.

In December, Yotta had announced that it had placed an order for 16,000 Nvidia H100 GPUs. Gupta had told *Mint* in March this year that the company's order and project to build cloud infrastructure that supports training of AI models was worth "almost $1 billion".

He had added that the entire GPU deployment would be completed over two fiscals, and the company would look to offer equity to an investment partner in order to raise funds to complete the order.

Sunil Gupta, co-founder and chief executive of Yotta. @YOTTAINFRA/X

Gupta now claims that a higher-than-anticipated order base has led the company to expedite its order. Talks of finding an investor, meanwhile, remain in the works.

Gupta's confidence, interestingly, comes in contrast to what two industry veterans told *Mint* was a case of "empty demand hype" in the industry.

"India's generative AI market is yet to show any substantial maturity in terms of tech spending, which remains conservative. Even startups building and training locally contextual AI models do not have very deep pockets for sustained cloud infrastructure expenditure. Any infrastructure provider offering a GPU cloud to domestic firms is almost certainly going to struggle to find buyers," one of the executives said, requesting to remain anonymous.

The GPU chip, which until the advent of mainstream AI and generative applications, was largely restricted to gaming, has been transformational for some companies.

Nvidia, for instance, is today the world's most valuable company at a market capitalisation of $3.35 trillion, having surpassed both Apple and Microsoft in the past month.

Since the advent of OpenAI's ChatGPT creating a global craze to train AI models, Nvidia's market cap has soared nearly 10x—a rise that many have likened to the dot-com bubble and subsequent crash from over two decades ago.

Nvidia's chips now remain in short supply. Yotta's Gupta said that currently, global hyperscalers offer enterprises on-cloud GPU access for up to $25 per GPU per hour, while the median price worldwide for such access is $12 per GPU per hour.

Yotta, on the other hand, is undercutting its competition by nearly 90% for one purpose—drawing in clientele from North America and Europe.

"At present, 70% of our clients for the AI cloud are from global markets, while 30% are from India," he noted.

Local clients, two industry officials said, are likely to be from India's large-cap IT services base, as well as those looking to build local large language models such as BharatGPT. The latter, though, is currently not working with Yotta, BharatGPT co-founder Ankush Sabharwal told *Mint*.

Underlining the conservative GPU demand among local firms, Sabharwal said that the need to access GPU cloud to train the BharatGPT model has "reduced to 1/6th" of what was required before.

"We're now deploying our models with commercial and government clients to enable use cases, which is developing the datasets and models further. We're not generating heavy revenue—we've just crossed $1 million, and we're rationalizing costs since we want to develop more natural AI use cases such as voice interactions," Sabharwal added.

COST ADVANTAGE

YOTTA is offering usage of its Nvidia processing chips at less than 10% of the global average cost

IT is a fraction of what companies pay to its competitors to access Nvidia's GPUs

Could this balance spell trouble? Jayanth Kolla, an AI industry expert and co-founder of industry consultant Convergence Catalyst, said, "Yotta's business model isn't really new—its business model is akin to that of budget airlines. By placing a huge order, it has created a supply centre in a constricted market. By undercutting its competitors' pricing to such an extent, it may look to create volume—but such a model is not sustainable in the long run."

Yotta would be hoping otherwise. In FY23, prior to the AI boom, Yotta disclosed annual revenues of $12.49 million. Now, the company has targeted to reach annual revenue of $1 billion by FY28—a towering 140% CAGR projection. Gupta said that while a substantial portion of this would come from its GPU cloud, expansion of data centre capacity and demand would fuel the rest.

OTPP leads $148 mn funding round in NBFC Kogta Financial

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Kogta Financial, a retail focused non-banking financial company, on 26 June, said it raised $148 million in a Series E investment led by Ontario Teachers' Pension Plan.

In a statement, the company said that it will use the fresh funds as primary capital to grow its product offerings and expand regional presence.

With this round, Kogta Financial will also provide partial exits to its existing institutional investors Morgan Stanley and Creador.

Founded in 1996 by Banwari Lal Kogta, Bal Mukund Kogta, and Radha Krishan Kogta, the company is currently steered by Arun Kogta, managing director and chief executive officer, Varun Kogta, executive director and chief finance officer, and Nayan Kogta, chief operating officer of the company.

The non-banking financial company functions in the secured vehicle and Micro, Small, and Medium Enterprises financing space and has now expanded across 10 states in India with over 225 branches and more than 5,000 employees.

Kogta will use the fresh funds as primary capital to grow its product offerings. ISTOCKPHOTO

"This is a significant milestone for the company, and we are pleased to welcome aboard Ontario Teachers'. Their experience would help Kogta navigate the next phase of its growth journey, deepening its reach across chosen geographies and product segments. We believe the investment by Ontario Teachers' is a stamp of confidence for the underlying business model built over the years," said Arun Kogta, in the statement.

Kogta will provide partial exits to its existing institutional investors Morgan Stanley and Creador

According to Kogta Financial, it currently manages close to ₹4,800 crore across commercial vehicles, passenger vehicles, tractors, construction equipment and Micro, Small, and Medium Enterprises loans.

As part of the investment, Rahul Mukim, director of private capital, India, is slated to join the board of Kogta Financial as the nominee of Ontario Teachers' Pension Plan.

"Our investment in Kogta underscores our commitment to identifying and backing high-growth opportunities in India's vibrant financial services sector. The used vehicle and livelihood financing segment is significantly underpenetrated, and Arun and Varun have built a scalable business model with a strong focus on asset quality, deep technology orientation, and talent. We are excited to partner with them to further accelerate their growth trajectory," said Deepak Dara, senior managing director and head of India for Ontario Teachers' Pension Plan.

The ice cream category has been seeing significant interest from investors. MINT

Faering Capital in talks to invest in ice cream brand

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Homegrown private equity fund Faering Capital has emerged as one of the frontrunners to invest in a south India-based ice cream brand, in what can also be the first deal of the year for the investment firm, at least two people aware of the development told *VCCircle*.

Faering Capital is in advanced stage of talks to pick up stake in Mangaluru-based Hangyo Ice Creams Pvt. Ltd for an investment of around ₹200 crore, the aforementioned individuals said.

The company is also in talks with quite a few local and foreign investors separately, he added.

The investment banking arm of Axis Capital is said to be helping the company scout for potential investors.

Email queries sent to Hangyo, Faering and Axis Capital remained unanswered till press time.

A trip to Australia in the 1990s inspired brothers Dinesh Pai and Pradeep Pai, to launch Hangyo in 2002. Their debut creation 'Softee' is said to have been an instant hit back then.

Currently, the company operates in seven states—Karnataka, Maharashtra, Goa, Andhra Pradesh, Telangana, Tamil Nadu and Kerala, with a presence in over 30,000 retail outlets.

With a workforce of over 700 people, the company is said to have served over 3 million customers.

The firm had posted net sales of ₹238 crore in FY23 as against ₹158 crore a year before. The company's margins also jumped to ₹5.6 crore from ₹50 lakh during the period under review, as per *VCCEdge*.

The ice cream category has been seeing significant interest from investors.

For instance in March, another homegrown private equity fund Kedaara Capital had invested in Dairy Classic Ice Creams Pvt. Ltd, operator of Dairy Day ice cream brand, which has a presence primarily in South India.

In February, Jungle Ventures doubled down on its investment in ice cream maker Walko Food, which operates the ice cream brand NIC.

Besides popular brands such as Amul and Mother Dairy, regional players that populate the domestic ice cream market include Arun Icecreams and Havmor. International brands such as Baskin-Robbins, Häagen-Dazs and London Dairy have also marked their presence in the country.

InvAscent crosses the halfway mark for new healthcare fund

Sreeja Biswas & Debjyoti Roy
MUMBAI/NEW DELHI

Healthcare focused private equity fund InvAscent, which has already struck three bets so far this year, is soon set to make the final close of its latest domestic vehicle with a slightly larger corpus than its last outing, at least two people aware of the development told *VCCircle*.

The fund is set to hit the final close of its fourth fund at $300 million by the end of the year, one of the individuals mentioned earlier said.

VCCircle was the first to report that the fund managers had hit the markets to raise the fund and aimed at raising somewhere between $250-$300 million, pushing its total assets under management closer to $1 billion. The fund is also said to have earlier this year marked the first close of the fund, with a larger commitment from US-based investors. The investment firm hit the first close at around $150 million.

The firm has since then invested in the likes of sterile injectables manufacturer Maiva Pharma, health-tech firm ABI Health and Fleming Laboratories, a Hyderabad based active pharmaceutical ingredients (API) maker, among others.

The fourth fund would typically invests between $12-$15 million across 14-15 companies from the latest fund.

An InvAscent spokesperson wasn't immediately available for comment.

InvAscent primarily bets on companies in the pharmaceutical, healthcare, animal health and medtech industries. ISTOCKPHOTO

The PE firm had raised $250 million for its third fund, which hit the final close in 2019. Its second fund, India Life Sciences Fund-II, raised ₹875 crore ($146 million at the time) in September 2014. The firm's first fund, which was anchored by Dubai-based fund-of-funds manager Evolvence, raised $100 million in 2006.

InvAscent primarily bets on companies in the pharma, healthcare, animal health and medtech industries. It invests $10-40 million over the durat-ion of the investment, resulting in a significant minority stake.

The fund is set to hit the final close of its fourth fund at $300 million by the end of the year

Overall, InvAscent has invested in about 35 healthcare companies across its three funds, which manage a total of $500 million. Some notable investments include Gland Pharma, Dr Agarwal's, Neuland Labs, Ankura Hospitals, Aizant Drug Research Solutions, Enaltec Labs, Comprehensive Prosthetics & Orthotics and Relisys Medical Devices In 2023, InvAscent also exited five portfolio companies. These include US-based healthcare company Comprehensive Prosthetics & Orthotics, Indian dermatology chain Olivia Skin and Hair Clinic and contract development manufacturer Stericon Pharma.

InvAscent's milestone came amidst a mix of success and disappointment for several homegrown PE funds on the fundraising front.

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	S&P BSE Sensex	Nifty 50	Nifty 500	Nifty Next 50	Nifty 100	S&P BSE Mid-cap	S&P BSE Small Cap
CLOSE	78,674.25	23,868.80	22,436.80	71,235.80	24,867.15	45,887.88	52,141.11
PERCENT CHANGE	0.80	0.62	0.30	-0.18	0.44	-0.29	0.15
PREVIOUS CLOSE	78,053.52	23,721.30	22,370.65	71,360.85	24,757.80	46,020.08	52,064.12
OPEN	78,094.02	23,723.10	22,379.50	71,271.10	24,754.65	46,103.18	52,266.81
HIGH	78,759.40	23,889.90	22,464.85	71,520.10	24,888.30	46,125.20	52,359.45
LOW	77,945.94	23,670.45	22,309.50	71,032.55	24,689.95	45,808.10	52,086.26

MINT SHORTS

Global funds most bullish on Indian equity futures since 2017

Foreigners are ratcheting up their bullish positions on Indian equity derivatives after Prime Minister Narendra Modi's return for a third term promised continuity in policy making. The number of index futures contracts held by global funds with bullish interest versus those with bearish bets rose to 140,835, the highest in seven years, data compiled by *Bloomberg* show. The measure is often seen as a gauge of foreign investors' sentiment for Indian equities. This also coincides with overseas investors piling back into the nation's cash equities, with net purchases of $1.5 billion so far in June. India's main stock gauge hit a record Tuesday, extending this month's gain to about 6%, as investors cheered a commitment by Modi's new coalition for continuity of pro-growth policies. "India continues to offer a strong and stable earnings growth story," HSBC Holdings Plc strategists including Herald van der Linde wrote in a note. **BLOOMBERG**

The onshore 10-year government yield slipped to 2.22%, the lowest since 2002. BLOOMBERG

China's benchmark 10-yr yield down to lowest since 2002

The yield on China's benchmark bond fell to a more than two decade low as investors continued to flock to the notes amid lingering concerns about the domestic economy and expectations for further stimulus. The onshore 10-year government yield slipped to 2.22%, the lowest since 2002. Yields on the 20- and 50-year bonds have been trading at their historic lows for months. The bonds have staged a sizzling rally on the back of China's lacklustre economic growth, dovish monetary policy and the impact of ample liquidity in the banking system with loan demand so weak. An increase in borrowing to ramp up fiscal stimulus has failed to deter investors. "With risk sentiment staying subdued while expectation is still for some form of monetary policy support, there are safe haven flows into CGBs as there is probably a lack of better investment alternatives as seen by investors at the momentum," said Frances Cheung, a strategist at Oversea-Chinese Banking Corp. in Singapore. **BLOOMBERG**

Bharat Forge: waiting to unlock more value

Manish Joshi
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Bharat Forge Ltd shares have doubled over the past one year, beating the Nifty Auto index's 70% returns. The product portfolio of India's largest exporter of auto components is immune to technological changes—a factor that could have aided the stock's outperformance. Whether vehicles use traditional fuels, lithium-ion batteries or hydrogen, they all need forged metal.

The company has diversified its forging business by adding aluminium forging even as steel is still dominant.

The domestic auto sector has been buoyant in recent years. However, Bharat Forge can weather adversities in the local market because exports contribute 70% of total auto sales. Even if there is a slowdown in the auto industry worldwide, its performance is still cushioned as non-auto sales—mainly consisting of industrials—form about 47% of total sales.

So far, so good, although this strong narrative ends here. While Bharat Forge's consolidated FY24 Ebitda margin expanded 250 basis points (bps) year-on-year to 16.3%, this needs to be analyzed closely by bifurcating the numbers into standalone and subsidiaries.

The standalone business continues to chug along with 20% CAGR in sales and Ebitda from FY22 to FY24. But the subsidiaries have been erratic with 26% CAGR in revenue growth, and Ebitda at ₹268 crore in FY22, then turning negative in FY23 at ₹147 crore, before just about breaking even in FY24. The overseas subsidiaries have posted net losses in the past two years.

Bharat Forge's management expects subsidiaries in Europe and the US to be profitable in FY25, but it has not given an indicative margin range.

There could be another factor responsible for the excitement about the stock. That is the transfer of the defence business to Kalyani Strategic Systems Ltd, a wholly owned subsidiary. While the management has not officially commented on this, investors seem to be busy discounting the potential value unlocking.

Bharat Forge's defence order book was ₹5,200 crore in FY24, with almost 80% from the global markets.

The company expects global defence spending to increase, which should help in ramping up the business. Additionally, potential orders for ATAGS (Automated Towered Artillery Guns System) in India could boost domestic order inflow.

Based on the market capitalization (mcap) to annual sales ratio for FY24 of more than 10 times for companies like Hindustan Aeronautics Ltd and Bharat Electronics Ltd, the defence subsidiary of Bharat Forge could get a valuation of about ₹10,000 crore even if 50% discount is assumed for lower scale and Ebitda margin.

This translates into a valuation of ₹200 per share of Bharat Forge. The stock currently trades at ₹1,690 apiece.

In FY25, Bharat Forge needs to achieve 15% consolidated sales growth to meet *Bloomberg* consensus estimates. However, the consensus consolidated Ebitda estimate factors in a margin expansion of 200 bps.

To accomplish that, the company's subsidiaries have to clock an Ebitda margin of almost 6% from 1% in FY24, assuming standalone operations maintain their margin year-on-year.

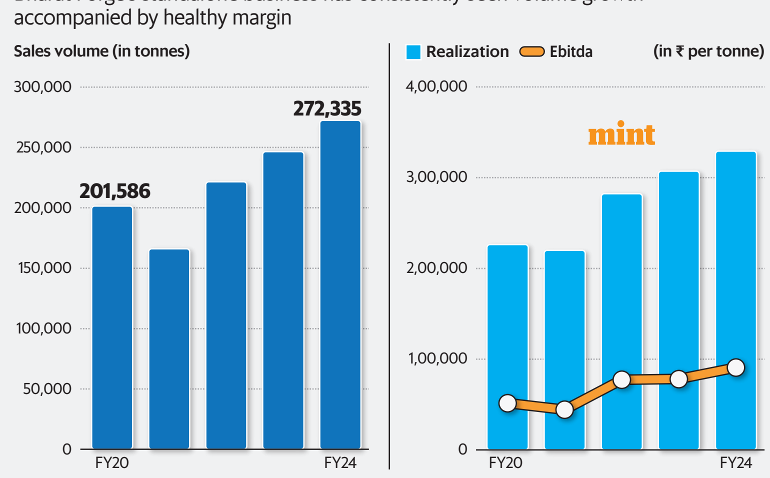
But can such a big improvement be achieved with operating leverage? Essentially, this remains the joker in the pack for Bharat Forge.

The problem is that even after deducting the valuation of the defence subsidiary, the expansion in valuation multiple seems to have factored in most of the positives.

The stock trades at 43 times the *Bloomberg* consensus EPS estimate for FY25, even adjusted for the euphoria about the separation of defence business.

Marching ahead

Bharat Forge's standalone business has consistently seen volume growth accompanied by healthy margin



Note: Ebitda is earnings before interest, tax, depreciation and amortization; Standalone data Source: Company

PRANAY BHARDWAJ/MINT

STRONG FOOTING

BHARAT Forge can weather adversities in local mkt because exports contribute 70% of auto sales

NON-auto sales—mainly consisting of industrials—form about 47% of total sales

THE co expects global defence spends to increase, which should help in the business

Forecast of rain relief aside, risks remain for fertilizer companies

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The stocks of fertilizer companies have surged by as much as 41% over the last one month. The India Meteorological Department's forecast of a good monsoon, after below-average rainfall in FY24, bodes well for fertilizer sales. However, it is still early in the monsoon season, and any delays or suboptimal rains could have negative effects.

The fertilizer industry in India operates under a controlled price regime. The government reimburses the difference between the production cost plus a fixed margin and the sale price as a subsidy. Despite this, the Ebitda margin of fertilizer companies ranges between 6% and 14% owing to the difference in efficiency, share of non-subsidy sales and economies of scale.

The subsidy rate and its timely payment are important variables that determine the financial performance of companies. "Lower NBS (nutrient-based subsidy) rates during the second half of the year were not commensurate with the raw material prices, and therefore, impacted the operational viability of the phosphatic players in the industry," said the management of Coromandel International Ltd in its March quarter earnings call. FY25 is expected to be a strong year for the sector with an increase in subsidy from ₹20.80 per kg in the second half of FY24 to ₹28.70 per kg in the first half of FY25. The MSP hike of up to 12.5%, announced last week, would also spur higher sowing. Additionally, the industry is waiting for a decision on the parliamentary panel's recommendation to exempt the fertilizer sector from GST. However, with limited upside on pricing, fertiliser firms are undertaking backward integration to lower their production cost.

Coromandel is investing ₹1,000 crore to expand its capacity of phosphoric acid and sulphuric acid, key input materials, to be completed by early FY27. This would reduce the company's dependence on purchased phosphoric acid to 25% from 50% and generate additional Ebitda of ₹350 crore, as per a report by Antique Stock Broking. It has also bought a stake in a rock phosphate mine.

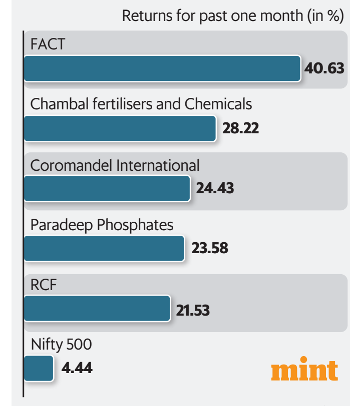
Paradeep Phosphate Ltd is constructing a sulphuric acid plant, expected to be commissioned in FY26, which would increase its Ebitda by about ₹700 per tonne, currently at ₹4,500 per tonne.

Companies are also trying to increase their sales from non-subsidy-based related segments such as crop protection chemicals, even as their contribution would remain at less than 5% in the near term.

For now, investors are optimistic about the brighter prospects of the industry. Fertilisers and Chemicals Travancore Ltd (FACT) has risen almost 41% in the last one month, while Chambal Fertilizers, Coromandel, Paradeep and Rashtriya Chemicals and Fertilizers Ltd (RCF) have gained 28%, 24%, 24% and 22%, respectively. Notwithstanding the strong outlook, the stocks appear to have entered the overheated zone considering the associated risks.

Shining together

Shares of fertilizer companies have risen sharply in the past one month buoyed by normal monsoon forecast, government's incentives



Source: Capitaline

SHREEYA AGGARWAL/MINT

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

Investors gain ₹2.5 tn in 3 days

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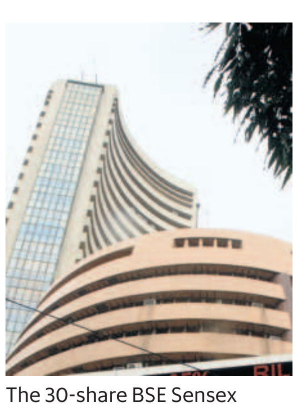
Stock market benchmark indices Sensex and Nifty rallied for the third straight session and ended at their fresh all-time high levels on Wednesday in tandem with Asian peers and buying in Reliance Industries.

The 30-share BSE Sensex climbed 620.73 points or 0.80% to settle at a new closing peak of 78,674.25. During the day, it rallied 705.88 points or 0.90% to hit a fresh all-time high of 78,759.40.

The Nifty went up by 147.50 points or 0.62% to settle at a record closing peak of 23,868.80. Intra-day, it surged 168.6 points or 0.71% to hit the fresh lifetime high of 23,889.90.



The 30-share BSE Sensex climbed 620.73 points. HT

In the past three days of rally, investors' wealth have risen by ₹2.53 trillion.

Among the 30 Sensex companies, Reliance Industries, Bharti Airtel, UltraTech Cement, Sun Pharma, Adani Ports, Axis Bank, NTPC and Bajaj Finance were the biggest gainers.

Mahindra & Mahindra, Tata Steel, Tech Mahindra and JSW Steel were among the laggards.

"The domestic market hit a new peak, bolstered by a rally in large-cap stocks, where the valuation is relatively fair. In contrast, mid and smallcap stocks saw profit-taking due to valuation concerns.

Currently, the financials & consumption stocks are catching up driven by improved balance sheets, a strong GDP growth forecast, and softening inflation.

"Global market sentiments reflected similar trends, with a consensus on imminent rate cuts," said Vinod Nair, head of Research, Geojit Financial Services.

P-notes surge to ₹1.49 trillion

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Investments through participatory notes in the Indian capital markets rose to ₹1.49 trillion at the end of March from the previous year's level driven by a strong domestic macroeconomic outlook.

The latest data includes the value of P-note investments in Indian equity, debt, and hybrid securities.

Participatory notes (P-notes) are issued by registered foreign portfolio investors (FPIs) to overseas investors who wish to be part of the Indian stock market without registering themselves directly. They, however, need to go through a due diligence process.

According to the latest data from markets regulator Sebi, the value of P-note investments in Indian markets—equity, debt, and hybrid securities— stood at ₹1,49,120 crore at the end of March 2024, way higher than ₹88,600 crore in March-end 2023. On a month-on-month basis, the investment number slightly slipped from ₹1,49,517 crore at the end of February.

Market experts said that the influx in March can be attributed to positive economic growth

The growth in P-notes generally aligns with the trend in FPI flows. When there is a global risk to the environment, investment through this route increases, and vice-versa.

Market experts said that the influx in March can be attributed to positive economic growth. India's economic growth accelerated to 8.4% in the third quarter of 2023-24, mainly due to good performance by the manufacturing, mining & quarrying and construction sectors.

EMERGING MARKETS TRACKER

Launched in September 2019, Mint's Emerging Markets Tracker provides a summary of economic activity across 10 large emerging markets* based on seven high-frequency indicators. With a composite score of 70, India topped the EM league table in May. China and Malaysia were second and third, respectively.

Better performance

TOP COUNTRIES

1 **INDIA** retained the first position in EM league table on back of strong GDP growth numbers for the March quarter, outshining peers. PMI reading continued to be the best among others.

2 **CHINA** remained at the second spot for the third straight month on the back of lowest CPI inflation and a decent GDP growth in March quarter.

3 **MALAYSIA** climbed two places to the third position helped by a superior currency growth relative to its emerging market peers. Its stock market performance was also one of the strongest among peers.

Country	Composite index score, May 2024	Real GDP growth (y-o-y, in %)	PMI manufacturing	Export growth (y-o-y, in %)	CPI inflation (y-o-y, in %)	Import cover (no. of months)	Exchange rate movement** (m-o-m, in %)	Stock market capitalization** (m-o-m, in %)
INDIA	70	7.8	57.5	9.1	4.8	11.3	0.0	2.1
CHINA	57	5.3	49.5	7.6	0.3	15.2	0.1	2.6
MALAYSIA	55	4.2	50.2	9.1	1.8	4.9	1.1	5.7
PHILIPPINES	51	5.7	51.9	26.4	3.9	10.3	-1.4	-0.9
INDONESIA	50	5.1	52.1	2.9	2.8	7.8	-0.2	3.2
BRAZIL	43	2.5	52.1	-7.1	3.9	17.3	-0.2	-1.5
THAILAND	41	1.5	50.3	6.8	1.5	8.9	0.3	0.2
MEXICO	39	1.6	51.2	11.4	4.7	4.4	0.0	0.8
TÜRKİYE	37	5.7	48.4	0.1	75.5	3.0	0.3	9.8

Scoring method: The best-performing economy's value on any given indicator gets a score of 100, the worst one gets zero, and the rest are interpolated linearly for their relative scores. A country's composite index score is the simple average of its seven indicator scores. Latest available data used (as of 26 June 2024). Scores/ranks may change as more data comes in.
*Russia has been dropped from the tracker temporarily as some data has not been reliably available since the Ukraine war began.

Source: Bloomberg, Mint calculations

**Change in monthly average. Exchange rate is against US dollar.

Data: Payal Bhattacharya; Graphics: Paras Jain

Spectrum auction sees low demand, gets govt ₹11,300 cr

Only 1.3% sold out of 10,523.2MHz of spectrum worth ₹96,320 crore offered by the govt

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India's spectrum auction ended on Wednesday after seven rounds, with the government collecting ₹11,340.78 crore—the third lowest since competitive bidding began in 2010—from selling 141.4 units of airwaves.

The government had put up 10,523.2MHz of spectrum worth ₹96,320 crore on sale, but managed to find buyers for just about 1.3% of the total radio frequencies on offer, the lowest since 2010. Yet, for the government, the auction results were on expected lines.

Proceeds from spectrum auctions were the lowest in 2013 when the government collected just ₹3,639 crore, and the second lowest was in 2012, when it garnered ₹9,407 crore. This year's spectrum sale collections are the lowest in a decade since 2014, when the government had received ₹61,162 crore.

"Spectrum auction 2024 was part of a continuous allocation process that is transparent, robust and progressive. Telecom service providers have taken spectrum not only for continuity of service but for expanding their services, but the volume is limited because already a large part of the spectrum required was auctioned only last year (2022)," minister of communications Jyotiraditya Scindia said in a statement after the auctions ended.

"We will continue the process with the clear objective of ensuring reliability and growth of telecom services in India," he added. The department of telecommunications (DoT) will issue the letters of allocation in the coming days, which will be followed by handover of spectrum to the carriers.

Auction trend

This year's spectrum sale collections are the lowest in a decade since 2014

	Spectrum put on sale (MHz)	Percentage of spectrum sold	Value of spectrum bought (₹ crore)
2010	465	100.0	76,789
2012	390	32.7	9,407
2013	195	15.4	3,639
2014	431	81.9	61,162
2015	471	88.8	1,09,874
2016	2,355	41.0	65,789
2021	1,360	62.9	77,814
2022	72,000	71.2	1,50,173
2024	10,500	1.3	11,340

Who bought how much?

	Total Spectrum bought	Amount (₹ cr)
Airtel	97 MHz	6,856.76
Vodafone Idea	30 Mhz	3,510.40
Reliance Jio	14.4 Mhz	973.62

Source: DoT

Bharti Airtel was the largest buyer of spectrum this time around, purchasing 97MHz for ₹6,857 crore, DoT data showed, while Vodafone Idea (Vi) and Reliance Jio bought 30MHz spectrum worth ₹3,510.4 crore and 14.4MHz worth ₹973.62 crore, respectively.

2013 witnessed lowest proceeds from spectrum auctions

Officials aware of the details said the auction results were above expectations as the department had estimated bids worth a maximum of ₹10,000 crore. Further, a majority of the airwaves bought—87MHz worth about ₹6,000 crore—was additional spectrum needed for improving services, which sent the bids above expectations.

The officials added that this year's auction should not be seen as a trend for future sales, since the carriers had tanked up on spectrum in the 2022 auctions, where they bought 72,000MHz for a record ₹1.5 trillion, and which was yet to be exhausted. "This year's auction cannot be considered as a benchmark, because demand and supply changes every year. In the previous auction, telcos bought over 10GHz of spectrum and this year, for instance, 99% of the airwaves did not see any demand. As the telcos build out their coverage and rollouts become aggressive, the demand for 5G spectrum will also rise in the next auctions," one of the officials said, asking not to be named.

Telecom companies have the option to pay a partial amount or the full amount upfront or split them into instalments of equal amounts over 20 years on which interest of over 8% is applicable. This means that the first instalment from the total auction proceeds in FY25 could be as little as ₹567 crore. A second official said that the telecom department had accounted for ₹500 crore as proceeds from auction instalment in FY25. "We will get a slightly higher amount than our estimates," he noted.

Officials added that 54MHz was bought for renewing spectrum that had expired earlier this year. The telcos had been granted provisional spectrum which will be valid till the time of the allotment of renewed spectrum.

Bharti Airtel, India's second largest carrier by subscribers, said in a statement that it acquired 97MHz spectrum in the 900MHz, 1800MHz and 2100MHz frequency bands. It successfully renewed spectrum that was expiring in six circles in 2024 and bought additional spectrum to bolster its mid-band holding across key circles. It did not specify the circles in which additional spectrum was bought. From the total, Bharti Hexacom Ltd acquired 15MHz with an outlay of ₹1,001 crore.

Vi bought airwaves in 900MHz spectrum in the Uttar Pradesh-West and West Bengal circles, and added to its holding in seven circles of Andhra Pradesh, Tamil Nadu, Karnataka, Punjab, Rajasthan, UP-East and Kolkata, aimed at enhancing experience of its 4G customers. It also acquired 1800MHz spectrum in Madhya Pradesh and 2500MHz spectrum in Bihar, which will help in increasing network capacity quickly.

54MHz bought to renew spectrum that expired this year

Reliance Jio, India's largest telecom service provider, said it acquired 1.4MHz of additional spectrum in the 1800MHz band in Bihar and West Bengal. Bihar and West Bengal were the only circles to see final auction prices above the base price in the 1800MHz band.

To read an extended version of this story, go to livemint.com.

Vedanta to cut debt with 2.6% stake sale

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Vedanta Resources will sell a 2.6% stake in its Mumbai-listed mining conglomerate to cut debt and support growth plans, the firm said on Wednesday.

Vedanta Resources will sell the stake through its unit Finsider International, which held a 2.63% stake in Vedanta Ltd.

"Finsider International Company Ltd, a subsidiary of Vedanta Resources Ltd (VRL), has accepted a proposal from one of its banks yesterday evening to sell 2.6% shareholding in Vedanta Limited to a group of reputed Institutional investors," a company spokesperson said.

Post the repayments made from money garnered from this transaction, Vedanta Resources would have reduced its debt by over $650 million since the start of the current fiscal year in April. Stock exchange data showed 185 million shares of Vedanta Ltd changing hands in a block deal. The number of shares that changed hands in the block deal amount may be worth ₹7,967.8 crore at ₹440 per share price.

Promoter stake in Vedanta Ltd has dropped from 69.68% in December 2022 to 61.95% in March 2024. In February, promoters had sold some stake in a block deal for ₹2,615 crore.

"This (the current stake sale) is in line with the Group's commitment to significantly deleverage its balance sheet at both the India and the VRL level and in line with the broader initiative to support its strategic growth plans," the spokesperson said.

'Demerger to allow all businesses to unlock potential'

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The firm expects the demerger to take 12 months. MINT

The proposed demerger of Tata Motors—into two separate commercial and passenger vehicle entities—will allow the resultant companies to better utilise their cash flows and sharpen focus on their respective growth strategies, the top management of the automaker said on Wednesday.

The company's commercial vehicles (CV) unit, which has so far been the money-spinner for of the combined Tata Motors, will be able to invest its cash flows for its own strategic goals, they said.

Meanwhile the passenger vehicles (PV) business, which has recently become self-sustainable, will focus on achieving 10% Ebitda (earnings before interest, taxes, depreciation, and amortization, a measure of core profitability) margins across its combustion engine and electric vehicle segments.

As part of the demerger, the CV business along with its related assets will be carved out of the top company (Tata Motors) into a new entity, said P.B. Balaji, the group chief financial officer at Tata Motors. The PV business, now housed in a subsidiary, will then merge with the top company. The electric vehicles business and Jaguar Land Rover will continue to remain as subsidiaries of this top company.

The EV business and Jaguar Land Rover will continue to remain as subsidiaries of the company

"It's about bandwidth, agility and focus. A ₹80,000 crore business (commercial vehicles) is very large. And it is growing and generating tonnes of cash," said Balaji.

"So, you need management bandwidth and the board's time for this. With this split, they can double down on CV and respect the opportunity that CV provides and give it the full muscle that it requires," he said.

The gross debt of Tata Motors will be split between the two emerging companies in proportion to their assets. Currently, the CV business has about 60% of the assets, Balaji said.

The company expects the demerger to take 12 months.

During this period, Jaguar Land Rover, the British arm of Tata Motors, is expected to become net debt free, he said.

The company has no plans to demerge JLR into a separate company at the moment, he added.

Tata Motors' standalone India business achieved zero net debt as of FY24.

For an extended version of this story, go to livemint.com

The payment comprises an upfront cash payment of £458 mn and performance-based contingent payments of up to £42 mn. HT

DRL to buy Haleon's nicotine portfolio for £500 million

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Drug major Dr. Reddy's Laboratories (DRL) will acquire British pharma company Haleon's global portfolio of consumer healthcare brands in the nicotine replacement therapy category outside of the US for £500 million.

The Indian company's subsidiary Dr. Reddy's Laboratories SA will acquire the share capital of Haleon plc's arm Northstar Switzerland SARL for a total consideration of £500 million, Dr. Reddy's said in a statement on Wednesday.

The payment comprises an upfront cash payment of £458 million and performance-based contingent payments of up to £42 million. The amounts are payable in 2025 and 2026, respectively.

The transaction is expected to close in early Q4 of calendar year 2024 with operations transitioning in a phased manner, the company added.

"We see the acquisition of this global portfolio of consumer healthcare products led by the global brand Nicotinell as a logical extension of our efforts in consumer healthcare OTC in recent years, and of our purpose of 'Good Health Can't Wait'. We have been steadily building our OTC presence in various markets and investing in our capabilities," said Erez Israeli, chief executive officer of Dr. Reddy's said in the statement.

The Hyderabad-based company will inherit the global nicotine replacement therapy (NRT) brand Nicotinell with a footprint in over 30 countries spanning Europe, Asia including Japan, and Latin America, along with the brand Nicabate, Habitrol and Thrive in markets outside of the US.

"...The portfolio is attractive for its customer loyalty, its global nature, and the access it provides to key customers," said Israeli.

"We believe we can unlock more value, grow the portfolio further, and increase consumer access around the world to these global brands. Given these advantages, it is the ideal anchor around which to build a larger global OTC platform."

The proposed acquisition, the company said, will be inclusive of all formats such as lozenge, patch, and gum as well as pipeline products, in all applicable global markets. The Nicotinell business had generated revenue of £217 million last year.

Nicotinell is the second biggest brand globally (excluding the US) in the NRT category. It holds the first or second position in 14 of the top 17 global markets, with the lozenge or mini lozenge format holding the top position.

Byju's settles insolvency dispute

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Byju's on Wednesday informed the National Company Law Tribunal that it has reached a settlement with France's Teleperformance Business Services, one of the operational creditors of the beleaguered edtech firm.

Following this, Teleperformance has withdrawn its insolvency petition filed against Byju's, a counsel aware of the matter said on condition of anonymity.

A bench led by Justice K. Biswal was hearing a section 9 petition under the Insolvency and Bankruptcy Code, 2016, filed by the creditor against Byju's for defaulting on repayment of dues worth ₹5 crore.

Earlier in April, Teleperformance cited a business agreement that was the basis of the dispute between the two. It was stated that Byju's started defaulting on the payments from 14 April 2023.

The edtech company's default was of ₹5.03 crore along with an interest of 18% per annum, which was duly agreed upon by both the parties.

The company's default was of ₹5.03 crore along with an interest of 18% pa. REUTERS

At the time, Byju's had acknowledged the default and agreed to a structured payment plan: an initial payment of ₹1.5 crore, followed by subsequent payments of ₹2 crore and ₹2.2 crore.

Since April, the NCLT on various occasions granted both the parties time to reach an amicable settlement for resolving the dispute.

Teleperformance provides business processing outsourcing services to Byju's. Under the agreement, Byju's had contracted the BPO for call centre-related services for the edtech firm.

Byju's is involved in similar insolvency proceedings with various other operational and financial creditors.

Meanwhile, Byjus's has challenged an NCLT order of 13 June before the Karnataka High Court, that essentially halted the company's second rights issue. Byju's launched the second rights issue after it failed to raise the intended capital it needed in the first rights issue that was scheduled from 29 January to 28 February. The second rights issue was held from 13 May to 13 June.

However, the tribunal in its order directed that the company put the funds collected in a separate account after investors petitioned the bankruptcy court alleging mismanagement by Think & Learn, the parent company of Byju's.

AM Naik steps down from L&T's tech subsidiaries

Devina Sengupta & Pranati Deva
MUMBAI

A. M. Naik, chairman emeritus of Larsen & Toubro Ltd (L&T), has stepped down as the non-executive chairman of the construction conglomerate's two listed technology arms—LTIMindtree Ltd (LTIM) and L&T Technology Services Ltd (LTTS). He would also exit the boards of both the companies.

The group ruled out a merger of the two subsidiaries and denied any churn in the senior leadership.

"Our core competency has been engineering. We believe that by focusing on engineering separately will bring an expertise that we will not be able to do perhaps by mixing the two," Naik said in a press conference after the annual general meetings of LTIM and LTTS on Wednesday.

In 2023, the 82-year-old, who has been associated with L&T for nearly six decades, resigned as the non-executive chairman of the $27-billion conglomerate, handing over the reins to the current chairman and managing director S. N. Subrahmanyan.

A. M. Naik, chairman emeritus of Larsen & Toubro Ltd. CNBC

Subrahmanyan will now also be the non-executive chairman of LTIM and LTTS.

Reflecting on his tenure, Naik said:"I am immensely proud of the journey from the early days of L&T Infotech to the IT giant LTIMindtree is today. It has been a privilege to lead such an organization and lay the foundation for future growth. Under Mr. Subrahmanyan's leadership, I am confident LTIMindtree will continue to reach new heights."

LTIM was formed after the conglomerate merged its IT services arm, L&T Infotech, with Mindtree in November 2022. L&T acquired Mindtree through a hostile takeover in 2019.

The L&T chairman emeritus also ruled out any change in the LTIM leadership anytime soon. "I do not see any change in leadership. We have all of our people, we have a CEO, president of sales and a COO. I do not see any change coming in the near future," Naik said, adding it is too early to start looking for a replacement for LTIM CEO Debashis Chatterjee, whose three-year term ends in November 2025.

For an extended version of this story, go to livemint.com

Why influencers are tapping into parallel sources of income

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MUMBAI

Rohit Raghavendra, who has over 200,000 followers on Instagram, launched a content creation course in June to supplement his income. The parody artiste realized within nine months of becoming a full-time creator that content creation would not bring in steady income, and that brand collaborations are "unpredictable."

"There is seasonality when it comes to brand collaborations. During Diwali and Christmas, there are more brand deals, while other months are lean," he said. "I launched my course to avoid stressful periods with no money inflow. This should add another 30% to my existing income in a month."

The Pune-based content maker who pockets ₹140,000 per collaboration is not an anomaly, as the creator economy is brimming with such internet 'influencers'.

"The success rate of influencers is really low," said Prateek Sinha, partner and experience consulting leader at PwC, adding that income is low for most influencers, which pushes them to diversify and create new income streams.

"In India, the industry is still maturing, and the competition is very high—from 'nano-influencers' posting content as a side hustle to mega influencers who are celebrities in their own right," Sinha said.

Nano influencers have fewer than ten thousand followers, while mega influencers boast an audience of over a million. This distinction reveals the broad spectrum of influencer marketing and its differentiated impact potential.

Content creator Rohit Raghavendra launched a content creation course in June to supplement his income.

Another distinguishing feature pertains to the length of content. While short-form creators on Instagram who make reels of less than 60 seconds can only rely on brand collaborations, long-form video-sharing platform YouTube gives creators an option to monetize their content via advertisements.

"For most small creators, monetizing through advertisement revenue is not working well these days, except for some distinctive ones," said Neel Gogia, founder of influencer management firm Iplix. "YouTube often contributes less than 10% of their total revenue."

CASH STREAMS

The success rate for influencers is low, necessitating additional income streams

- **Collaboration:** Seasonality affects brand deals, making income from such deals unpredictable
- **Steady income:** To avoid financial stress during lean periods, influencers diversify their income sources
- **High competition:** The creator economy is rather crowded, making it harder for influencers to stand out

Some creators, like Shlok Shrivastav, a popular technology influencer with 4.6 million followers on Instagram, have launched their own direct-to-customer (D2C), or online-focused, brands.

Shrivastav founded a clothing brand called Overlays in August 2021 and a phone skin brand called Layers in September 2022.

"At the moment, we are looking at scaling the business which we bootstrapped, so we are reinvesting the profits. But it has a very good potential of adding to our earnings," Shrivastav said.

"It can surpass the earnings that we get from YouTube at least fivefold if we do it right," he said.

Companies have also decided to tap into this need for content creators to bank on other revenue streams.

For an extended version of this story, go to livemint.com

IT investors turn antsy over advance of GenAI

AGMs of TCS, Infosys see shareholders' questions about future-proofing

Varun Sood & Jas Bardia
NEW DELHI/BENGALURU

The two biggest information technology (IT) services companies in India faced a volley of questions from their retail shareholders at their respective annual general meetings (AGMs) on how they see generative artificial intelligence or GenAI panning out for their businesses.

On Wednesday, the day of the AGM of Bengaluru-based Infosys Ltd, a third of the 21 retail shareholders present in the meeting sought clarity from company chairman Nandan Nilekani and chief executive officer Salil Parekh on GenAI's impact on the company.

Last month, 20 of the 30 questions posed to Tata Sons chairman Natarajan Chandrasekaran at the shareholders' meeting of Mumbai-headquartered Tata Consultancy Services Ltd (TCS) were on how the company was making itself future-proof.

Infosys chairman Nandan Nilekani (left) and Tata Sons chairman N. Chandrasekaran. MINT

The concern is understandable. Over the years, retail shareholders have benefited from the dividends and share buyback largesse of these IT services firms. Last year, TCS returned ₹47,445 crore to shareholders and Infosys, about ₹19,000 crore. Anything with the potential to negatively impact their business could dent these shareholders' income.

Questions ranged from how these companies were making their large numbers of employees learn GenAI technologies to the future impact of GenAI on business to whether these companies would even look to partner with other leading IT firms.

"I would like to know the contribution from the Generative AI segment. I think Accenture has started sharing that figure...we must share the revenue contribution from that particular vertical," said Vipul, an Infosys shareholder who was introduced only by his first name.

Retail shareholders and non-institutions own almost a fourth of Infosys's total shares, while promoters own 13.1% and public institutions own the remaining 62%. At Mumbai-headquartered TCS, parent Tata Sons owns about 72%, while large investors and small investors own 23% and 5%, respectively.

WIND OF CHANGE

A third of retail shareholders of Infosys sought clarity on GenAI's impact on the firm

MOST questions raised at TCS' recent AGM was also on how that firm was future-proofing itself

MANAGEMENTS of TCS and Infosys have shied away from giving metrics on the subject, for now

"Bulk of retail investors still do not read much about companies. But it is heartening to see many keep themselves abreast of the trends and being allowed by companies to ask these questions," said Shriram Subramanian, founder and managing director of proxy advisory firm InGovern Research.

For now, the management of both TCS and Infosys have shied away from giving any quantifiable metrics, such as revenue or deal wins in the GenAI space.

"GenAI will not only improve productivity, but also create impact we hitherto have not seen or imagined," said Chandrasekaran in his address to shareholders.

"People have accepted that, like any other general-purpose technology be it electricity, nuclear energy, the internet or even a discovery like fire, GenAI has enormous potential for good when explored and advanced within the guardrails of responsibility," Nilekani told shareholders.

Nilekani also said that Infosys is working on 225 GenAI projects, even as it has trained nearly 79%, or 250,000 of its employees on disruptive technology.

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For an extended version of this story, go to livemint.com.

BPOs snag top executives from IT giants

FROM PAGE 1

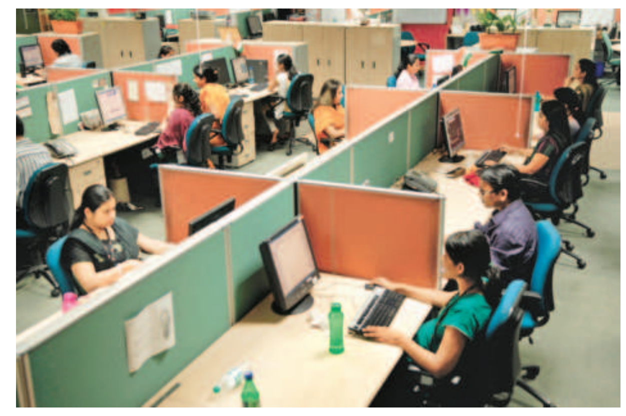
However, the managing director of an executive search firm downplayed the contribution of GenAI in this talent churn as of now, saying there was scope for it in the future.

One analyst said the slowdown in IT services companies led to talent shift from 2022.

"The general slowdown in IT services firms and the senior tenure of many executives present an opportunity for movement across the overall industry," said Ray Wang, CEO and principal analyst at Constellation Research.

Revenue for India's top two IT services companies, TCS and Infosys, grew 4.1% and 1.9% to end FY24 with $29.1 billion and $18.6 billion, respectively. TCS trimmed its headcount by 13,249 and Infosys by 25,994.

Revenue growth varied for BPO firms. EXL and WNS grew in double digits, reporting revenue of $1.6 billion and $1.3 billion in financial years ended December 2023 and March 2024, respectively. But, annual revenue at Genpact and Firstsource grew 2% each.



The movement of top talent from IT companies to BPO firms hints at better career opportunities the latter firms offer. MINT

The BPO units of Infosys and Tech Mahindra also grew at a slower clip. Revenue at Infosys's BPO business unit, Infosys BPM, grew 2% to $953 million as of March 2023, the slowest in seven years. Tech Mahindra's BPO revenue rose in single digits to ₹7,712 crore ($925 million) in FY24 after two years of double-digit growth. Only Infosys and Tech Mahindra disclose revenue from their BPO businesses.

A Mumbai-based analyst attributed the movement of top talent from IT companies to BPO firms to better career opportunities at the outsourcing firms.

"The shift to a pure-play BPO company might just be a function of getting a bigger role in a company. While BPO is just a business unit in an IT services company, the people who joined BPO firms consider this an elevation where they are now a CXO rather than a business head of a unit at an IT services company," the analyst said on the condition of anonymity.

Another analyst attributed the trend to more lucrative options for the executives.

"BPO firms have reached a scale that they are attracting more investment and have large aspirations. This, in turn, has led them to invest in bringing in new talent at the leadership level and the natural place to find this talent is the already scaled IT service firms," said Peter Bendor-Samuel, founder and chief executive officer of consulting and advisory firm Everest Group.

Four executives who joined Firstsource—Sohit Brahmavar, Hasit Trivedi, Anshul Bhargava, and Ritesh Idnani—previously worked with Tech Mahindra. Two of them followed Idnani, who joined Firstsource as CEO and managing director in September 2023. Idnani was a president at Tech Mahindra, heading its BPO, software products and platforms, and experience design businesses globally until September 2021.

Tax sop for new manufacturers may return

FROM PAGE 1

concessional tax regime, beyond the previous deadline of 31 March 2024. On the indirect tax side, reducing GST and custom duty on key manufacturing inputs and capital goods can lower production costs and stimulate industrial growth, he said.

The unexpected turn of events, including the covid-19 pandemic that surfaced in December 2019, a global demand slowdown, and a synchronized interest rate tightening in developed economies, posed challenges to investments. Investments in plants, machinery, buildings and intellectual property rights by private non-financial corporations contracted by more than 9% in the pandemic-hit FY21.

But these investments subsequently rebounded by 17.6% in FY22 and expanded further by 6.4% in FY23 to ₹19.4 trillion, show statistics ministry data.

Many corporate and bank balance sheets have been cleaned up under IBC, supporting a cycle of private investments

Investments by private non-financial corporations stood a tad below that of the household sector in FY23 at ₹21.6 trillion.

Central and state governments together invested ₹6.94 trillion in FY23.

The move to restore favourable tax treatment to fresh investments in setting up factories comes at a time when many corporate and bank balance sheets have been cleaned up under the Insolvency and Bankruptcy Code (IBC), supporting a new cycle of private investments.

Data from the corporate affairs ministry show that the number of new manufacturing companies getting registered has been rising [*See chart on page 1*].

But to encourage more job creation in the formal sector, it would make sense for the government to rationalize tax provisions, EY's Kapadia added. "Deduction of a part of the additional employee cost is available to employers under section 80JJAA of the Income Tax Act where the total emoluments of the hired employees do not cross ₹25,000 a month. Because of this low threshold, it has not made the desired impact," said Kapadia.

"To make this more effective in meeting the objective of job creation, the threshold of emoluments could be raised to about ₹100,000 a month," he said.

Greening water transport may get ₹15,000 cr push

FROM PAGE 1

Currently, diesel is the primary fuel for vessels, ferries and tugboats plying on inland waterways and certain coastal routes.

The financial support to be extended under VGF is based on an estimate done by the shipping ministry, the first person cited above said.

Queries sent to the ministries of ports and finance remained unanswered.

"Converting diesel-run vessels to greener fuels such as LNG/CNG, electricity, green hydrogen, green methanol and more is essential for the sector," said Pushpank Kaushik, CEO of Jassper Shipping, a global logistics and ocean freight shipping company based in Hyderabad. "The VGF will make these projects more viable and attractive for private investors."

The new proposal extends the Harit Sagar plan formulated last year. BLOOMBERG

Overall, the shipping ministry has envisaged several key interventions, including promoting use of renewable energy, reducing air emissions, optimizing water usage, improving solid waste management and reducing carbon emission per tonne of cargo handled by 30% by 2030 and 70% by 2047, in its plan to de-carbonize the sector.

The shipping ministry also plans to roll out a package under VGF scheme to boost building of inland vessels

There are thought to be around 10,000 inland water transport vessels operating on inland waterway and coastal routes in the country, according to the ministry of shipping.

Their numbers are rising every year with the addition of new navigation routes on Indian rivers.

The shipping ministry has identified 25 river systems for development of inland water transportation (IWT) facilities, including the Ganga river system, Brahmaputra river system, and the Cauvery river system.

"The shipping ministry also plans to roll out a significant package under this (VGF) scheme to boost the construction of inland vessels, which will enhance domestic maritime transport and aid India in green shipbuilding and become a leader in sustainable and safe maritime sector," said Kaushik of Jassper Shipping.

The new proposal is an extension of the Harit Sagar plan formulated by the shipping ministry last year to encourage major ports to craft comprehensive action plans for achieving targeted outcomes in terms of quantified reduction in carbon emission over defined timelines. Harit Sagar guidelines also recommended that ports increase the green area cover to capture emissions and lower noise levels. The green belt of the port area is targeted to increase by more than 20% by 2030 and 33% by 2047.

Ports will also be required to achieve electrification of vehicles and port equipment of over 50% by 2030, to be raised to over 90% by 2047.

New infra lender forays into PSBs' turf

FROM PAGE 1

come to the negotiating table," one of the two bankers cited above said. The one-year NaBFID Lending Rate (NLR)—its benchmark rate—was at 8% in March, as per its website. It has since been raised to 8.2%.

Ultimately, the NHAI InvIT loan was sanctioned jointly by NaBFID and the other banks at a rate closer to 8%.

Emails sent to NaBFID, NHAI and SBI remained unanswered.

According to one of the two bankers cited above, NHAI's InvIT has been borrowing from banks led by SBI for the past couple of years. InvITs are collective investment vehicles to monetize infrastructure assets.

A second banker said the NHAI loan was made to the InvIT which has toll-earning assets. Moreover, NHAI's credentials ensure it gets some of the finest pricing on bank loans.

"For banks, it is a challenge to finance such long-duration projects because most loan agreements by commercial banks in project finance have a clause for refinancing after seven to 10 years, whereas a development finance institution like NaBFID can sanction even 30-year loans," the banker said.

Rajkiran Rai G., managing director, NaBFID. MINT

The Union road ministry on 19 March said the National Highways Infra Trust (NHIT), the investment trust set up by NHAI, has raised funds for national highway stretches totalling 889 km. "In the third round of monetization, NHIT has raised unit capital of around ₹7,272 crore from marquee domestic and international investors and debt of around ₹9,000 crore from Indian lenders, to fund the acquisition of National Highway stretches....," it said. The push by NaBFID aligns with the government's plan to invest heavily in infrastructure projects to drive economic growth.

To be sure, top lenders such as SBI have much bigger infrastructure loan portfolios. SBI's infrastructure loan book stood at ₹3.95 trillion as on 31 March, accounting for 12.2% of its aggregate loans. At Bank of Baroda and Punjab National Bank, infra loans were at ₹1.12 trillion and ₹98,494 crore, respectively, as on 31 March.

In comparison, NaBFID had outstanding loans of ₹35,342.4 crore in the same period, though cumulative sanctions of loans stood over ₹1 trillion. Rajkiran Rai G., managing director of NaBFID told *Financial Express* on 10 June that it has already disbursed ₹45,000 crore loans so far, and expects to grow the book to ₹93,000 crore by the end of FY25. Total bank loans to the infrastructure sector stood at ₹13 trillion in FY24, showed data from the Reserve Bank of India (RBI).

Two other bankers said that although NaBFID's loan book is still small in comparison, they believe the lender is intent on growing it.

Analysts believe that going by the NaBFID Act, the government could continue providing support through grants or contributions in the future. Rating agency Icra said in a note on 25 June that if internal capital generation does not keep pace with growth, Centre may continue supporting it whenever required, though this is not expected in the next few years.

Anil Gupta, senior vice-president and co-group head of financial sector ratings at Icra said, "Financing is only one of the roles of NaBFID, and given its developmental role in conceptualizing and planning of such infrastructure projects, NaBFID has a bigger role to play in the overall development of the sector."

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Hyundai IPO: Banks may get $40 mn fees

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Banks advising South Korean automaker Hyundai on its India IPO are set to make as much as $40 million in fees, three people said, a windfall in a market where banks typically struggle to make money given cost-conscious clients and fewer big deals.

That would be the second-highest fee pot ever for investment banks working on an initial public offering (IPO) in India and it comes amid a sharp surge in equity deals in the country, making it a bright spot in an otherwise dull Asia.

Hyundai Motor's India unit this month filed for regulatory approval for a listing, which could be the nation's biggest and will see the South Korean parent raise around $2.5-$3 billion at a valuation for the unit of up to $30 billion.

Hyundai India will pay banks, including JPMorgan, Citigroup and HSBC, 1.3% of the IPO size, the people, who have direct knowledge of the deal discussions, said on condition of anonymity as the talks are confidential.

Citi and JPMorgan declined to comment, while Hyundai India and HSBC did not reply to requests seeking comment.

That translates to $40 million for a single deal at the top end of the deal size, making it the second best payday for banks after Indian fintech firm Paytm's 2021 IPO yielded $44 million for its seven advisers, Dealogic data shows.

Banks in India get between 1% and 3% of an IPO size as fees, with larger deals giving more bargaining power to the issuers. An IPO worth about $3 billion would see banks in New York earning 3%-3.5% in fees, while it could be 2%-3% in Hong Kong. Historically most big equity deals in India have come from state-owned companies that, bankers say, offer very low fees.

AI work assistants still need a lot of hand-holding

FROM PAGE 1

CIOs interested in moving forward with the technology are now working hard to clean up and manage their data so they can take full advantage.

Bala Krishnapillai, vice president and head of the information technology group at Hitachi Americas, said the organization has encountered instances of inconsistent, duplicated, and incorrect data, leading to contradictory information that confuses AI outputs.

He said the company is regularly updating and refining its data to ensure accurate results from AI tools accessing it. That process includes the organization's data stewards validating and cleaning up incoming data, and then curating it into a "golden record," with no contradictory or duplicate information.

"That's the very first thing we focused on," Kyndryl CIO Michael Bradshaw said about cleaning up data as the organization prepared to use Copilot. Bradshaw said Copilot has great capabilities, but a company has to be prepared to use it—by keeping data organized, up-to-date and secure.

Vendors have noted the issue. "As companies started using Copilot, people started finding data that companies didn't know they had access to, or that they realized wasn't as fresh or as valuable as it could be. And then they realized, 'Oh, we've got to do more,'" said Jared Spataro, corporate vice president of AI at Work at Microsoft.

People are reflected in a window of a hotel at the Davos Promenade in Davos, Switzerland, in this file picture.. AP

Complicating matters is the fact that Copilot doesn't always know where to go to find an answer to a particular question, Spataro said. When asked a question about revenue, Copilot won't necessarily know to go straight to the enterprise financial system of record rather than picking up any revenue-related numbers that appear in emails or documents, he said.

To combat this, Microsoft recently introduced a tool known as Copilot Studio, which allows companies to direct Copilot to go to authoritative data sources within their systems for particular questions.

Some of the challenges with Copilot are also related to the complicated art of prompting, Spataro said. Users might not understand how much context they actually need to give Copilot to get the right answer, he said, but he added that Copilot itself could also get better at asking for more context when it needs it.

The desire to use AI tools is pushing firms to do data management they might have been sluggish about in the past

"A lot of people, I think, are having their first initial encounters with the technology and being a little bit disappointed," Spataro said.

Google Cloud Chief Evangelist Richard Seroter said he believes the desire to use tools like Gemini for Google Workspace is pushing organizations to do the type of data management work they might have been sluggish about in the past.

"If you don't have your data house in order, AI is going to be less valuable than it would be if it was," he said. "You can't just buy six units of AI and then magically change your business."

Theatres hope for big-screen revival as *Kalki* arrives

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Theatre owners, who have seen few new films hit the screens since the start of the Lok Sabha election campaign in April, are gearing up for the first big release in many months.

Prabhas and Deepika Padukone-starrer *Kalki 2898 AD*, also featuring Amitabh Bachchan and Kamal Haasan, will hit the screens today. Originally in Telugu, it is releasing in Hindi as well, apart from the other three south Indian languages, and builds on the southern template of action and spectacle, while boasting a pan-India star cast. The Telugu and Tamil movie industries that haven't seen a film break out in the Hindi-speaking belt since 2022 are hoping for things to change with *Kalki*, expecting it to replicate the success of blockbusters like *Baahubali*, *RRR* and *KGF*.

Trade experts predict opening-day collections of the dubbed Hindi version alone to touch ₹25 crore, while all languages together could bring in ₹100 crore across India.

"The anticipation for *Kalki* is particularly high, given the prolonged absence of major releases in Indian cinema since the start of the year. Advance bookings are soaring, with record-breaking pre-sales indicating robust audience interest. Major markets, including metropolitan areas and tier-2 cities, are leading the charge in terms of pre-bookings, reflecting a widespread eagerness to experience the movie on the big screen," Devang Sampat, managing director, Cinepolis India, said. Based on current trends and pre-release interest, Sampat said estimates for the opening-day and week are highly optimistic and Cinepolis expects to garner its best ticket sales for the year, driven by strong marketing efforts, a dedicated fan base for the actors, and positive early reviews. The film's broad appeal is a key factor in this potential success, he added.

Kalki features Amitabh Bachchan and Kamal Haasan

Ashish Saksena, chief operating officer, cinemas, BookMyShow, agreed. The Telugu version has been leading the charts on the platform in terms of ticket sales. About 40% have opted for the 3D format for immersive experience. Nearly 1.5 million tickets have been booked on the platform, with cities such as Bengaluru, Visakhapatnam, and Chennai leading the charts, he added.

Made at a mammoth budget of around ₹600 crore, the theatrical box-office performance will be crucial to *Kalki's* financial recovery, likely contributing more than 60% of the total revenue, trade experts estimate. The budget is indeed substantial, reflecting the scale and ambition of the project, Rahul Puri, MD, Mukta Arts and Mukta A2 Cinemas, said. "We are optimistic that the film will perform exceptionally well..."

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'$90 mn art sales so far in '24'

Indian art market is growing, with collectibles worth $183 million sold in 2023, says Saffronart's Minal Vazirani

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Artworks, including paintings and sculptures, worth $183 million were sold in 2023 in India, as numerous valuable pieces in modern and contemporary art categories were snapped up at auctions both by admirers and investors, a senior executive of a prominent auction house said. The Indian art market has grown significantly after 2020, and the influx of high-quality pieces has considerably expanded the higher end of the market, Minal Vazirani, co-founder of the Mumbai-based Saffronart, said. During the pandemic years starting 2020 and all the way till last year, the sale of Indian artworks surged, Vazirani said. Saffronart sold the most expensive-ever work of art by an Indian artist last September.

In an exclusive conversation with *Mint*, she said that the overall size of the auction market expanded by more than a fifth in 2023, from an estimated $150 million in 2022. And so far in 2024, sales have already reached $90 million.

Minal Vazirani, co-founder of the Mumbai-based Saffronart.

"The market has grown significantly (in value and volume) over the last four years, through the pandemic and the lockdown. One of the reasons that the top end of the market has grown is because there were some particularly important top-quality works that came up for auction and there was competitive bidding for them," said Vazirani, who has also founded an art fair called Art Mumbai. "Across segments during these years, we sold a significantly higher volume of art than in the preceding years, as collectors had the time to focus on art," she said.

In September 2023, the auction house sold a record-breaking Amrita Sher-Gil painting 'The Story Teller' dating back to 1937. The oil-on-canvas masterpiece sold for ₹61.8 crore (including buyer's fee), setting a new record and surpassing the previous one set just a month before. Till date, it holds the record for the highest-ever price fetched for an Indian work of art. The September auction generated over ₹181 crore in total, marking the creation of two other art records. That same month, rival Pundole's auction house in Mumbai sold a Sayed Haider Raza painting titled Gestation for ₹51.75 crore, including the buyer's fee. Next month, in October, an untitled Manjit Bawa artwork depicting the Hindu deity Shiva was sold for $2.3 million (about ₹20 crore), a record sale for the artist done in London by Sotheby's. She said the growth in the Indian art market and the prices fetched have been influenced by the types of works available for sale today.

₹61.8 cr
record breaking sale of Amrita Sher-Gil painting in '23

"Art does not exhibit some of the same characteristics as other asset classes. That means there is no commodity that decides its value and it's not traded on any indices and so it is not as liquid as other investment platforms. But it has, over the years, increasingly been regarded as an alternative asset class. Most importantly, art provides an intangible set of benefits that are difficult to quantify," she said. This week, Saffronart is looking to auction 130 works of art, including those of SH Raza and Gulam Mohammed Sheikh, who will lead the firm's 'Summer Online Auction', and other prominent South Asian artists.

"Online auctions provide access to a much wider community of buyers and collectors globally who may not otherwise come to a traditional auction or are restricted by geography. Additionally, our online auctions provide a transparent process with more information available for the new or young buyer to make decisions.

Over the years, greater price transparency and access have also empowered buyers to make more informed decisions and develop a greater level of trust in the public auction process, sometimes leading to competitive but well-informed bidding and acquisitions at premium prices," Vazirani said.

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Tata Steel commits to DE&I, pioneers transgender recruitment

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Tata Steel aims at having a minimum of 25% of its workforce made up of diverse groups, including gender minorities, marginalized communities, persons with disabilities and LGBTQIA+ individuals, within the next few years, a company official said. It is one of the first companies in the country to roll out a special recruitment drive for transgender talent, having recruited over 100 members from the community for various roles across different locations, the official claimed.

"Continuing this drive, we aim to have 25% of our workforce from diverse groups in the next couple of years," the official said.

A total of 113 transgender individuals have been onboarded and posted at various locations, including manufacturing, operations and maintenance, mining, and services. These employees are stationed in Noamundi, West Bokaro, Kolkata, Kharagpur, Kalinganagar, and Jamshedpur.

A total of 113 transgender individuals have been onboarded and posted at various locations

Some of these employees work all three shifts and operate Heavy Earth Moving Machinery (HEMM) at the Noamundi iron ore mine in Jharkhand's West Singhbhum and West Bokaro coal mine in Ramgarh district.

"Tata Steel appreciates the potential of diversity, equity and inclusion (DE&I) and has a tremendous organizational focus on it," the official said. "In line with this, we renewed our commitment and refocused our approach to DE&I in 2015 by setting up MOSAIC—a platform for pioneering initiatives, diversity targets, and employee-friendly policies conceptualised and executed from the apex level," he added.

The official admitted that the initial planning stage was challenging due to inadequate knowledge about the transgender community. "However, we made a detailed plan and implemented it without any difficulty. To date, we have not received any complaint from either side of the employees since the first batch of transgender individuals was inducted following proper training in 2019," the official said.

On the productivity of these employees compared to the general workforce, he said transgender individuals perform better in some areas. Jaya Singh Panda, chief diversity officer at Tata Steel, said, "We believe in nurturing a workplace where every person, regardless of their sexual orientation or gender identity, feels valued, respected, and empowered."

OpenAI's China block set to reshape artificial intelligence scene as big players pounce

While its exit offers opportunity for sector leaders, it deprives startups to get their AI applications off the ground

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OpenAI's abrupt move to ban access to its services in China is setting the scene for an industry shakeup, as local AI leaders from Baidu Inc. to Alibaba Group Holding Ltd move to grab more of the field.

The ChatGPT creator this week sent memos to Chinese users warning it will cut off access to its widely used AI development software and tools from July, triggering a scramble to fill the void. Since Tuesday, at least a half-dozen companies and startups including Tencent Holdings Ltd and Zhipu AI began offering incentives to developers making the switch.

OpenAI's shift will accentuate the divide between China and the US, which is trying to curb Beijing's AI and chip efforts. While the startup's exit offers an opportunity for sector leaders to grow their user base, it also deprives entrepreneurs and cash-strapped startups of some of the best tools available to fine-tune or get their AI applications off the ground.

For China, that could help usher out many smaller startups created during the "battle of a hundred models," in the wake of ChatGPT's late 2022 debut. And a bigger concern may be whether open-source models like Meta Platforms Inc.'s Llama also cut off access, said Bernard Leong, chief executive officer of Singapore-based Dorje AI.

"There's probably going to be a bloodbath of the large language models and I suspect that there's probably going to be very few players left," said Leong, who's also founder of the tech podcast Analyse Asia. "There will be very few winners, and those will be the biggest in China."

OpenAI's shift will accentuate the divide between China and the US, which is trying to curb Beijing's AI and chip efforts. AFP

Chinese artificial intelligence-related stocks, including Alibaba and Iflytek Co., rose on Wednesday.

The major firms were quick to sense the opportunity.

For users migrating from OpenAI, Baidu promised free AI model fine-tuning and expert guidance on its flagship Ernie model, along with 50 million free tokens that developers can use to query the bot. Alibaba and Tencent posted ads encouraging the shift. Tech pioneer Kai-Fu Lee's 01.AI touted heavy discounts.

Baichuan, which is backed by both Alibaba and Tencent, offered 10 million free tokens. SenseTime Group Inc. dangled 50 million. Zhipu put forth 150 million tokens and a series of training sessions to ease the transition. Even Microsoft Corp.—OpenAI's biggest backer—published a step-by-step guide on WeChat on how to migrate to its local service, operated by local partner 21Vianet.

US firms such as OpenAI, Meta and Alphabet Inc. have led the world in generative AI, which spits out text, images and video from simple commands. Underpinning those models are application programming interfaces that developers use to build up and refine their own platforms to integrate services either with the likes of ChatGPT, or their own proprietary models.

In the long run, industry experts say a lack of access to global tools may further impede Chinese AI players

That was a boon to Chinese developers starting from scratch, who accessed OpenAI's tools through virtual private networks or other ways around the country's Great Firewall. Many local developers—particularly those without deep pockets—favoured training AI systems and applications via OpenAI's tools, because they were regarded as industry benchmarks.

OpenAI is now threatening to sever the connection.

"Leading Chinese large language models can benefit from the restricted access to OpenAI, and it will help to filter out smaller, less effective players from the market," said You Chuanman, head of the Chinese University of Hong Kong-Shenzhen's IIA Centre for Regulation and Global Governance. "At the same time, it will make it harder for Chinese developers to use the most advanced global AI algorithms."

OpenAI's move coincides with rising pressure from Washington to curb Chinese access to the most advanced artificial intelligence and semiconductor technology. The US Treasury Department advanced plans over the weekend to further restrict investments by US individuals and companies into China, with a focus on curtailing next-generation technologies.

In the long run, industry experts say a lack of access to global tools may further impede Chinese AI players in general as they play catch-up to the US. Alibaba Chairman Joe Tsai has said it would take at least two years for homegrown AI models to match US ones.

It could also accelerate a migration overseas by Chinese tech startups seeking faster-growing markets with less political uncertainty.

"This situation is directly related to the ongoing competition between China and the US in frontier technologies," said Neil Zhu Xiaohu, the founder and chief scientist of University AI, which trains Chinese companies.

"We had US laws targeting Chinese semiconductors previously and more recently, there are semiconductor and AI work restrictions, so the restriction of China's API services is not something that happened out of the blue."


The yen has weakened more than 12% this year, raising the price of imports and causing growing unease among businesses. BLOOMBERG

Yen's tumble to weakest since 1986 boosts risk of intervention

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The yen fell to the weakest level since 1986, fanning speculation authorities may be soon be forced to support the currency again in a bid to stem the worst selloff in the developed world.

The Japanese currency fell as much as 0.6% to 160.62 per dollar, blowing past levels that last led officials to intervene in the market in April. The yen has weakened more than 12% this year, raising the price of imports, hurting Japanese consumers and causing growing unease among businesses.

Masato Kanda, Japan's vice-minister of finance and currency chief, said on Wednesday that officials are watching the foreign exchange markets with a high level of urgency and would take appropriate steps as needed. He described the currency's latest moves as "rapid" and "one sided," but refrained from commenting if currency moves are excessive. The yen extended losses after his remarks.

A lot is at stake for Japan, which spent a record ¥9.8 trillion ($61.1 billion) in its most recent bouts of intervention

The vast gap between interest rates in Japan—where borrowing costs remain near zero—and the US has kept pressure on the yen despite attempts contain the slide. The next big pain point may emerge from a readout on the Federal Reserve's favoured US inflation gauge on Friday, which is key to the outlook for monetary policy.

"Rhetoric from the ministry of finance in recent days has signaled increased concern," said Erik Nelson, macro strategist at Wells Fargo in London. He expects officials will hold out for the currency to slide to 165 per dollar before entering the market, a level that banks including Bank of America say is the new "line in the sand" for authorities.

A lot is at stake for Japan, which spent a record ¥9.8 trillion ($61.1 billion) in its most recent bouts of intervention. Citigroup Inc. estimates the country has $200 billion to $300 billion of ammunition to fund any campaign.

So far this week, officials in Tokyo have limited their response to verbal warnings.

Finance minister Shunichi Suzuki said they are closely monitoring developments in the market and will take all possible measures as needed. Currency chief Kanda had warned on Monday that authorities stand ready to intervene, 24 hours a day, if necessary, while reiterating they were not targeting a specific level.

"If the moves start to get disorderly north of 160, they may come in to smooth the move," said Win Thin, global head of markets strategy at Brown Brothers Harriman & Co in New York. "Buy until the BOJ tilts more hawkish, upside for USD/JPY is the path of least resistance."

Previous action by Japan to support its currency market has raise eyebrows overseas, with the US Treasury Department last week adding the nation to its "monitoring list" for foreign exchange practices.

While the US stopped short of labelling Japan—or any other trading partner—as a currency manipulator, officials in Washington wrote that "in large, freely traded exchange markets, intervention should be reserved only for very exceptional circumstances with appropriate prior consultations."

Still, US data Friday may ease some of the pressure on the yen. Economists forecast core PCE inflation—a measure that excludes the volatile food and energy categories—will decelerate, which could bolster the case for the Fed to lower borrowing costs this year.

Volatility also remains relatively low market, making it difficult for authorities to enter the market just yet, many strategists say. One-month implied volatility in dollar-yen has hovered below 9% for much of this month, down sharply from 12.4% in late April.

BHP says carbon offsets still an option on road to cutting emissions

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THE WALL STREET JOURNAL.

BHP Group isn't planning to use carbon offsets to meet its 2030 emissions goals, but hasn't ruled them out, company officials said Wednesday as they highlighted the challenges of eliminating emissions from its global mining operations.

Like many of the world's largest companies, BHP has committed to slashing its emissions to address climate change. The metals and mining industry is responsible for roughly 15% of annual global emissions, according to research firm Wood Mackenzie, and big businesses are under pressure from some investors, customers and activists to find ways to make their operations pollute less.

BHP is on track to reduce its operational greenhouse gas emissions by at least 30% by fiscal 2030 versus fiscal 2020, as targeted, the company's climate vice president Graham Winkelman told an investor briefing. The company intends to meet that goal without the use of offsets, he said.

Yet there remains uncertainty in how quickly the miner can fulfill its ambitions in the medium and long term, in big part due to the pace of technological advancements, said Winkelman. The company expects to record a small rise in emissions this fiscal year due to increased production and activity levels.

"Things may not work out exactly like we think" and the company always wants to "have the option to use voluntary offsets to meet the 2030 target" if required, he said.

BHP isn't facing these challenges alone. Another big miner, Rio Tinto, said last year that it would miss a 2025 emissions goal unless it used carbon offsets, which Chief Executive Jakob Stausholm called a last resort. He blamed the slow deployment of clean energy.


BHP is set to cut its operational greenhouse emissions by 30% by FY30 versus fiscal 2020.

BHP expects it will need to use a "wedge" of offsets in the long run as it works toward an aspirational goal of net zero operational greenhouse gas emissions by 2050, Winkelman said. The miner hasn't disclosed how big its need for carbon credits to offset emissions that are hard to reduce could turn out to be.

"We have deliberately not set that disclosure publicly because we are still really seeking to understand that technology pathway" first, Winkelman said.

BHP is working through a number of challenges, not least how it weans itself off of diesel it uses to run trucks, locomotives and excavators. The company uses roughly 1,850 megaliters of diesel annually in over 1,500 pieces of equipment, with almost half used in its truck fleets.

Trials of some electric equipment at its Australian operations—which include huge iron-ore mines in the country's northwest—have fallen behind schedule versus what officials expected a year ago. Dan Heal, vice president of operational decarbonization, said delays aren't surprising given the complexity of developing new technology on such a large scale.

"Despite this, we still anticipate our first battery-electric truck sites and locomotives to be in operation from late this decade—assuming our trials are successful," said Heal.

A year ago, BHP said it expects to spend about $4 billion on decarbonization investments by fiscal 2030. The company didn't provide an updated figure at its investor briefing on Wednesday.

The war over cheaper Ozempic won't end well for some investors

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THE WALL STREET JOURNAL.

America's insatiable demand for weight-loss medications is minting vast fortunes—and not just for the makers of GLP-1 drugs such as Ozempic. Shares of Hims & Hers Health, the telehealth provider better known for its trendy commercials for erectile-dysfunction medications, are up more than 150% this year.

The company said last month it would start offering compounded versions of the injections that use the same active ingredients as the popular drugs Ozempic and Wegovy. The stock soared before Hims & Hers sold even a single injection.

For now, given the Food and Drug Administration's rules allowing drugs to be compounded during shortages and the fact that most insurance policies don't cover obesity medications, Hims & Hers is filling an important void. But over the longer term, there are questions hanging over its strategy given that those problems might no longer need solving in just a few years.

Hims & Hers's pitch to consumers is pretty appealing. The price for compounded GLP-1 injections will start at $199 a month, a bargain compared with the $1,000 or more it can cost to get Novo Nordisk 's Wegovy or Eli Lilly 's Zepbound without insurance.

The pitch to investors is also, on the face of it, attractive. Over 100 million Americans have obesity. Not everyone is interested in taking the drugs, nor can everyone who is interested afford them. But even if just a portion get on the drugs, the market opportunity for Hims & Hers could be "comically large," at something such as $30 billion annually, noted a recent Citi report. Michael Cherny, an analyst at Leerink Partners, says that in a bullish scenario, the company could make $260 million in incremental operating profit next year. But once supply is more abundant, the opportunity for compounders could shrink, argues Louise Chen, a pharma analyst at Cantor Fitzgerald.

In normal times, it usually takes many years after a branded drug comes to the market before cheaper generics are allowed to be sold. But given the unique supply constraints amid insatiable demand for obesity drugs, pharma companies are essentially facing competition from cheaper versions of their drugs way before their medications go off patent.

Both Novo and Lilly have filed numerous lawsuits to try to stop the sale of compounded versions of their drugs. REUTERS

To be clear, compounded drugs aren't like generics. They don't have FDA approval, but can be made by pharmacies under certain circumstances, such as when there is a shortage. In practice, that means that a whole set of entities, from telehealth companies such as Ro and Hims & Hers, to FDA-registered pharmacy compounders to medical spas using questionable advertising tactics are profiting from the shortage.

Both Novo and Lilly have filed numerous lawsuits to try to stop the sale of compounded versions of their drugs. And while they have had success against spas and wellness centers selling counterfeit versions of their drugs, they have suffered legal losses against compounding pharmacies. In a statement to *The Wall Street Journal*, Lilly noted that only certain dosages of its drugs are currently in shortage and that the company has invested more than $18 billion in new manufacturing facilities dedicated to producing its diabetes and obesity drugs. More broadly, Lilly and Novo have tried to highlight safety concerns around compounded medicines, often pointing out that the FDA itself says that compounded drugs pose a higher risk to patients than FDA-approved drugs.

Scott Brunner, chief executive of the Alliance for Pharmacy Compounding, says the hundreds of pharmacies he represents fulfill a crucial role in filling legitimate prescriptions and they shouldn't be conflated with counterfeit online sellers and other scams.

In the case of Hims & Hers, it is forming a partnership with Florida-based BPI Labs, a manufacturer of generic and compounded injectable medications that is licensed with the FDA. Hims & Hers claims that even when drugs such as semaglutide (the active ingredient in Ozempic) are removed from the FDA shortage list, it could keep selling them. "Compounding has existed for decades and is not limited to medications subject to a shortage," a company spokeswoman wrote. Certain sections of the Federal Food, Drug, and Cosmetic Act permit "the compounding of medications to address patients' clinical needs irrespective of whether a particular drug is subject to a shortage," she added. Brunner elaborates on how that could work in practice: A prescriber could add Vitamin B6 or Vitamin B12 to semaglutide to prevent nausea or they could request a formulation of the drug that is delivered under the tongue, which is different from the injectables marketed by the companies, he argues. "That's not essentially a copy of an FDA-approved drug," he says.

Certainly compounded versions have remained around for many medications even after acute shortages end. But once all GLP-1's come off the FDA shortage list, the legal risks could be different for compounders making them on a large scale, says Josh Oyster, an attorney handling FDA regulatory issues at Ropes & Gray. If entities want to "comply with the FDA limitations, it's going to limit the market share they're going to have," he said.

Given the novel nature of the Ozempic boom, Hims & Hers and others probably aren't too sure how the situation will play out once supply is abundant. For now, they are all too happy to grab a piece of this market and ride the exuberance that is lifting their shares. Investors should beware.

NEWS IN NUMBERS

$18 mn
THE SIZE of a deal signed by Isro's commercial arm and Australia for the launch of a payload using Isro's Small Satellite Launch Vehicle in 2026

₹11,300 cr
THE AMOUNT the Indian government raised from selling airwaves across bands through this year's spectrum auctions. Bharti Airtel was the largest buyer

$148 mn
THE AMOUNT Kogta Financial, a retail-focused NBFC, raised in a Series E investment led by the Ontario Teachers' Pension Plan to expand its business

3.57 bn
THE QUANTITY of ethanol, in litres, produced in India in current supply year (Nov 2023-Oct 2024) as of 9th June, about half of it from sugar-based feedstock

$5 bn
THE AMOUNT Volkswagen invested in EV maker Revian as part of a new JV aimed at developing an automotive software platform based on Rivian technology

HOWINDIALIVES.COM

'Chandra must reply to summons'

The Bombay High Court on Wednesday ordered Subhash Chandra, chairman emeritus of Zee Entertainment, to furnish documents sought by the Securities and Exchange Board of India (Sebi) in its summons issued on 27 March in a fund diversion case.

The court, in its verbal order, said Chandra needed to respond to the recent summons and not the earlier one from 12 January.

A bench led by Justices K. R. Shriram and Jitendra Shantilal Jain was hearing a petition filed by Chandra challenging the summons issued by Sebi and its investigation into the matter. Sebi had alleged that Chandra was trying to stop the investigation because he did not respond to the 12 January summons.

Chandra argued that Sebi's summons contained allegations couched in a language that implied he was guilty and requested the court to declare the summons invalid and unlawful. **PRIYANKA GAWANDE**

The probe into allegations of financial misconduct involving Byju's is still underway. BLOOMBERG

MCA denies giving clean chit to Byju's

The ministry of corporate affairs (MCA) on Wednesday, denied recent reports that edtech firm Byju's has been cleared of financial fraud. The MCA issued a statement clarifying that the reports of Byju's getting a clean chit are "factually incorrect" and "misleading". The ministry added that the ongoing investigation into allegations of financial misconduct involving Byju's is still underway.

"There have been recent reports claiming that Byju's has been cleared of financial fraud in an ongoing investigation by the MCA. It is categorically clarified that such reports are factually incorrect and misleading," said the MCA in its statement.

"The proceedings initiated by MCA under the Companies Act, 2013, are still ongoing and no final conclusion should be drawn in this matter at this stage," it added.

On 26 June, *Bloomberg* reported that the year-long probe carried out by the ministry of corporate affairs had revealed no evidence of fund siphoning or financial manipulation. **NIKITA PRASAD**

DELUGE OF NEGLECT


People walk through a street waterlogged after rains in Ayodhya on Wednesday. PTI

'Space station, Chandrayaan-4 plans ready for govt approval'

Detailed report on the NGLV launch vehicle is also ready for approval, says Isro chief

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NEW DELHI

The Indian Space Research Organisation (Isro) has finalized the plan for building its own space station, Bharatiya Antariksha Station (BAS), and will soon submit it to the government for approval, Isro chairman S. Somanath said at a press briefing in New Delhi on Wednesday.

The final plans for Chandrayaan-4, India's next lunar mission, which includes a crucial space docking station, and the Next Generation Launch Vehicle (NGLV), is also awaiting approval. The NGLV will replace the current heavy space launcher, Launch Vehicle Mark III (LVM3).

"We've completed defining the nature of India's space station, and the way our NGLV will look. We have worked out the configuration of Chandrayaan-4, on how to bring samples back from the moon to earth. We will test this with multiple launches, because our current rocket is not enough to go and bring back the samples," he said on the sidelines of Indian Space Congress 2024. "For that, we need docking capability both in Earth orbit and lunar orbit. We're now developing capability for that—for which our mission, Spadex (space docking experiment), will do a first trial launch this year. It will be implemented in Chandrayaan-4. A project report for it, including detailed study and internal review, with cost has been worked out. This will go for government approval soon."

> Chandrayaan-4 aims to bring back lunar soil samples; its success will be crucial to India's first manned mission, Gaganyaan, by 2040

A detailed report on the NGLV launch vehicle, including "its full design, configuration, architecture, production plan, realisation plan and cost" is ready for government scrutiny and approval, Somanath added.Targeted for a 2028 launch, Chandrayaan-4 aims to bring back lunar soil samples to Earth. The mission will be launched in two phases, and will be key to the success of Gaganyaan, which aims to put an Indian on the lunar surface by 2040.

"We have worked out the first configuration of the BAS. This can be launched using LVM3, which is the only and heaviest rocket available to us. We have mentioned that the first launch of the station will take place by 2028. To make that happen, we've engineered the first module of BAS. A separate proposal is ready on how to build BAS, what technologies are required, and its timeline and cost."

MEIL bags ₹12.8K cr tender from NPCIL

Hyderabad-based Megha Engineering & Infrastructure Ltd (MEIL) has bagged an engineering, procurement, and construction (EPC) contract by the state-run Nuclear Power Corp. of India Ltd (NPCIL) for construction of two 700 MW electrical reactors at Kaiga in Karnataka.

The tendering process began in May 2023, and the technical bids opened in October 2023. Other companies in the bidding process included state-run Bharat Heavy Electricals Ltd (BHEL) and Larsen & Toubro. "MEIL emerged as the lowest bidder, demonstrating its exceptional technical capabilities and cost-efficiency by submitting the lowest bid of ₹12,799.92 crore," the statement said.

Ch Subbaiah, director, MEIL said, "This contract represents the most significant project for MEIL and our strategic entry into the nuclear energy sector." **RITURAJ BARUAH**


Lawsuit was filed to stop Siemens Gamesa from selling country business. ISTOCKPHOTO

Sembcorp sues Siemens Gamesa

Sembcorp's India unit has filed a suit in a Bengaluru court to stop Siemens Gamesa from selling country business before settling an arbitration arising from alleged default in executing a contract.

In its filing before the Principal City Civil and Sessions judge at Bengaluru, Sembcorp sought injunction over sale of the India assets of Siemens Gamesa, including its shareholding.

The court issued notices to Siemens Gamesa, court documents showed.

Sembcorp's India arm has filed a suit against Siemens Gamesa and its parent entity, Siemens Energy AG.

Siemens Energy AG has reportedly put its India subsidiary Siemens Gamesa Renewable Energy's entire India manufacturing, maintenance and services business in renewables up for sale. This is effectively seen as a country exit for Siemens Gamesa. **PTI**

NCR gets plantation target of 45 million

The Commission for Air Quality Management (CAQM) in NCR & Adjoining Areas on Wednesday set a plantation target of 45 million plants and trees for FY25 against last year's target of 39 million and actual plantation of 37 million.

This comes at a time when the northwestern region, including Delhi, has coped for weeks with intolerable temperatures close to 50°C and air quality hovering in the range of 124-167.

At 4 pm, air quality index (AQI) in Delhi was a moderate 136, according to the Central Pollution Control Board data. There are six AQI categories—good, satisfactory, moderately polluted, poor, very poor, and severe.

Recent data from the India Meteorological Department (IMD) shows a trend of snail-paced monsoon rainfall in June, followed by prolonged, heavy rainfall in September. This shift is accompanied by rising temperatures during monsoon months and an increase in the number of dry days, especially over eastern India. **PUJA DAS**

SBI raises ₹10K cr for infra projects

The lender raised the funds at a coupon rate of 7.36%. MINT

State Bank of India (SBI) on Wednesday said it has raised ₹10,000 crore through its fifth infrastructure bond issuance.

The bank raised the funds at a coupon rate of 7.36%.

The issue attracted an overwhelming response from investors, with bids in excess of ₹19,884 crore, and was oversubscribed by around four times against the base issue size of ₹5,000 crore, the country's largest lender said in a regulatory filing.

The total number of bids received was 143, indicating wider participation with heterogeneity of bids, it said. The investors were across provident funds, pension funds, insurance companies, mutual funds, corporates, etc., it said.

The proceeds of the bond issue will be utilized in enhancing long-term resources for funding infrastructure and affordable housing segments, it said.

With the current issuance, the total outstanding long-term bonds issued by the bank is at ₹49,718 crore.

SBI chairman Dinesh Khara said that this issuance will help in developing a long-term bond curve and encourage other banks to issue bonds of longer tenor. **PTI**


Reports say that married women are not being allowed to work at the Foxconn plant. BLOOMBERG

Labour min seeks report on Foxconn

The Ministry of labour and employment on Wednesday said it has sought a detailed report from the Tamil Nadu labour department amid reports that married women are not being allowed to work at the Foxconn India Apple iPhone plant.

Section 5 of the Equal Remuneration Act 1976 clearly stipulates that no discrimination is to be made while recruiting men and women employees, the labour ministry said in a statement.

As the Tamil Nadu state government is the appropriate authority for the enforcement and administration of the provisions of Equal Remuneration Act, the report has been sought from it, it stated.

At the same time, it stated that the office of regional chief labour commissioner has also been directed to furnish the report to the ministry of labour and employment, Government of India.

The labour and employment ministry takes note of media reports on married women not being permitted to work at Foxconn India Apple iPhone plant in Tamil Nadu, the statement added. **PTI**

JSW Neo Energy inks PPAs for 1.3 GW

JSW Neo Energy Ltd, a subsidiary of JSW Energy Ltd, signed power purchase agreements (PPA) for 1,025 megawatt (MW) renewable power with Solar Energy Corp. of India Ltd (SECI) and 300 MW with Gujarat Urja Vikas Nigam Ltd (GUVNL).

The JSW Group company has tied up for 1,025 MW with SECI and for 300 MW with GUVNL, taking the total locked-in capacity of the company to 13.6 gigawatt (GW), said a company statement.

"We are happy to have signed the power purchase agreements with SECI and GUVNL for cumulative renewable energy capacity of 1.3 GW. This includes 1 GW Wind PPA with SECI, which is India's largest wind PPA by a single bidder in a single bid," Sharad Mahendra, joint managing director and chief executive officer of JSW Energy, said. **MANAS PIMPALKHARE**

Ather to set up 3rd unit in Maharashtra

Electric two-wheeler maker Ather Energy will set up its third manufacturing unit in Maharashtra entailing an investment of over ₹2,000 crore, state deputy chief minister Devendra Fadnavis said on Wednesday.

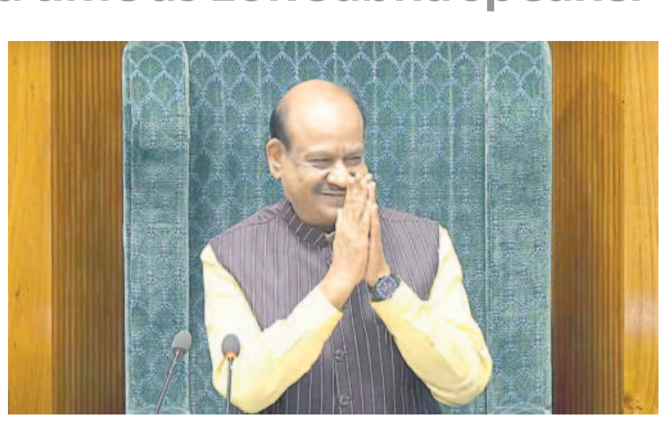
The new facility to be set up at Bidkin, Aurangabad Industrial City (AURIC), will manufacture both electric two-wheelers and battery packs, Ather Energy said in a statement. In a post on X, Fadnavis said, "It is a more than ₹2,000 crore investment, generating employment of around 4,000. Terming it as a big investment in Maharashtra's automotive sector, he said, "This state-of-the-art plant will annually produce up to 1 million units of vehicles and battery packs both." Ather Energy currently has two manufacturing facilities in Hosur, Tamil Nadu, one dedicated to battery production and the other for vehicle assembly. The current facilities will continue to produce battery packs and vehicles. **PTI**

NDA nominee Birla elected for 2nd time as Lok Sabha speaker

NDA nominee Om Birla was elected as speaker of the Lok Sabha for a second consecutive term by voice vote on Wednesday, capping days of intense battle on the issue with the opposition in a rare move proposing its own candidate.

Prime Minister Narendra Modi, who moved the motion for Birla's election as speaker, lauded the balance he showed in maintaining decorum of the House during his previous term. Several opposition leaders, including Rahul Gandhi and Akhilesh Yadav, congratulated Birla too, stressing on "impartiality" and hoping he would allow them to raise the voice of the people and not apply his restraint orders only to opposition benches.

Pro-tem speaker Bhartruhari Mahtab made the announcement of Birla's election after the opposition, which had forwarded the the name of eight-term Congress MP Kodikunnil Suresh as its candidate, did not press for votes to the motion. This is the fifth time that a speaker will serve beyond the tenure of one Lok Sabha. **PTI**


Lok Sabha speaker Om Birla. PTI

WHY GST STILL SPARKS CENTRE-STATE FRICTION

Seven years into GST, states say the tax revenue they receive from the Centre is less than what they gave up

Union finance minister Nirmala Sitharaman chaired the 53rd GST Council meeting, in New Delhi on 22 June.

PTI

howindialives.com
NEW DELHI

July will mark the seventh anniversary of the introduction of the goods and services tax (GST), one of the biggest economic reforms in India since 1991. GST brought the taxation of goods and services under a single umbrella, replacing a range of state and central taxes, many of which had been in place for decades. The aim was to create a single common market, where sellers and buyers didn't have to worry about paying a state tax here and a municipal tax there.

Critics of the current GST setup have pointed out that the original aim of having a single rate for all goods and services was done away with. A multiple slab structure, they added, had introduced needless complexity into the system. It had introduced absurdities, where luxury items like gold and jewellery were taxed at the lowest rate, while essentials like sanitary pads were taxed much higher (though, subsequently, the government exempted sanitary pads altogether from GST).

The larger question is, how has GST performed, and has it been fair and equitable to states? The latest headline numbers paint a rosy picture. This April, GST revenues clocked in at ₹2.1 trillion, the highest ever for a month. GST revenues stood at 6.62% of the gross domestic product (GDP) for the fourth quarter of 2023-24, much higher than the corresponding quarters for the preceding two financial years *(Chart 1)*. But a deconstruction of GST numbers over seven years, especially from the perspective of states, reveals expectations belied and friction points aplenty.

The numbers above cover both so-called 'central' and 'state' GST collections, which are both imposed on goods in equal proportion (usually, at 9% each). States are entitled to all state GST revenues earned from goods bought and sold within a state. If a good is sold across state borders, the GST revenue (called integrated GST) is shared equally between the Centre and the state where the consumer is located. Further, the revenue earned by the Centre by way of central GST, and its share of IGST, is shared with states in the same way as corporation or income tax is—as recommended by the Finance Commission. Currently, that means that around 41% of central GST revenues are shared with states under a predetermined formula.

The GST system made fundamental changes to the financial independence of states. Until the introduction of GST, states and even municipalities had the power to impose a range of taxes on goods entering or leaving their jurisdiction. For instance, octroi imposed on goods entering Mumbai was a major source of revenue for the country's richest municipality, the Brihanmumbai Municipal Corporation (BMC). When GST was introduced and octroi killed, the BMC had to be compensated to the tune of thousands of crores every year for octroi.

Such compensation was part of a broader framework promised to states, in exchange for giving up control over various taxes such as octroi, luxury tax and state value-added tax, among others. For a period of five years, states were promised compensation for the revenue losses they might suffer from the introduction of GST. This compensation was funded through a special cess imposed on certain goods. However, the compensation ended in June 2022 (though the cess will continue to be imposed to pay off loans that the Union government took to pay compensation).

With the ending of the cess, states will have to make ends meet on their own. To what extent have they been successful?

> Tax payers everywhere are subject to the same GST system and both poorer and richer states have achieved similar levels of efficiency in tax collection.

THE GRAND BARGAIN

Underlying the explicit deal between the Centre and states, which promised states compensation for revenue lost from state taxes subsumed into GST, was a deeper if implicit, bargain. This was the creation of a common market for goods and services by the introduction of a uniform tax system applicable across states, at a uniform set of rates. The claim was that by creating such a common market, businesses would find it easier to transact and sell across the country. This would lead to an increase in economic activity, greater tax revenues, and ultimately more money for state coffers.

Chart 2 shows how that bargain has actually worked for state-level taxes included in GST—that is, those taxes that states gave up control over on implementing GST. The state GST revenues as a share of state GDP have actually fallen, from 3% in the pre-GST period to 2.7% in the post-GST years. But this overall number conceals wide variations across states.

The standard narrative is that GST is a consumption-based tax. Hence, states that are richer, and in turn have a higher proportion of richer consumers, stand to benefit from a GST system. Further, consumers in richer states will spend a greater share of their surplus money on luxury goods taxed at the highest GST slabs. Thus, richer states should do well from the shift to a GST system.

'LEVELLING UP' EFFECT

There is certainly evidence for this. India's most industrialised states, such as Maharashtra, Goa or Gujarat, have seen their state GST revenues rise as a share of state GDP. But other states that are also relatively more affluent have actually seen the share of state GST revenues in state GDP decline—Karnataka from 3.4% to 2.8%, Tamil Nadu from 2.5% to 2.3% and Andhra Pradesh from 3.2% to 2.3%. Interestingly, at the other end of the scale, relatively poorer states have seen their state GST revenues rise as a share of state GDP—Bihar from 3.3% to 4.7%, Uttar Pradesh from 2.9% to 3.2% and Jharkhand from 3.1% to 3.9%.

One possible explanation is data found in a Crisil report on extrapolating consumption trends from per capita GST collections in each state. While the report found a sharp correlation between GST revenues and per capita income in each state (in line with expectations), it also found that growth in GST collections was similar across states, irrespective of income.

For example, the average annual growth in GST collections in Telangana (annual per capita income of ₹3.44 lakh) between 2019-20 and 2023-24 was 14.7%. This was similar to the average annual growth in GST revenues in Bihar (15.6%), a state whose annual per capita income was just ₹59,639, for the same period. "One way to think about such a trend is that it likely indicates a similar pace of adoption of GST across states, irrespective of their income levels," says the report.

Seen another way, GST has improved the efficiency of tax collection in poorer and richer states alike. Further, states that were previously less efficient in collecting taxes controlled by them now have greater funds accruing in state coffers simply because taxpayers in that state, and elsewhere, are subject to the same tax collection system as a taxpayer in Maharashtra. There is thus a 'levelling up' effect, where tax administration achieves similar levels of efficiency across all states.

But if this is the explanation, it also implies this is a one-time effect. Improvements in running the GST system cannot last forever, and ultimately, it will be the level of affluence of the state that will affect the future path of GST revenues. States that already had more efficient state-level tax collection machinery in the pre-GST dispensation, such as Tamil Nadu and Andhra Pradesh, would have seen less of a bump from the benefits of an improved GST collection system.

mint SHORT STORY

WHAT

Since GST is a consumption-based tax, states that are richer, and hence have a higher proportion of rich consumers, should benefit from this indirect tax.

WHY

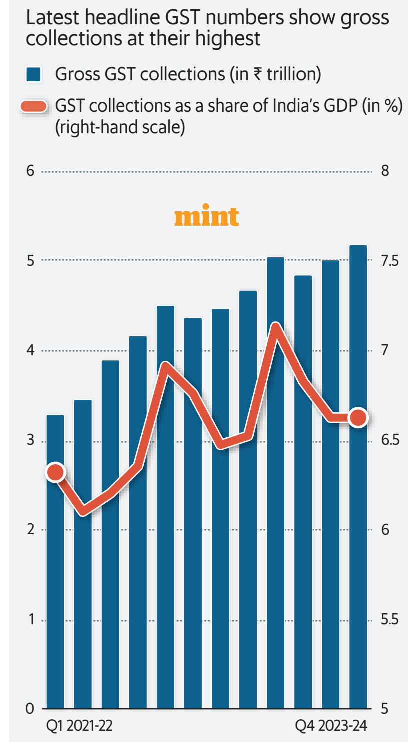
Consumers in richer states spend a greater share of surplus money on luxury goods, which are in the highest tax slabs. Thus, richer states should benefit from the GST system.

BUT

Relatively affluent states such as Karnataka and Tamil Nadu have seen their GST revenue share in state GDP decline, while this metric has risen for relatively poorer Bihar and UP.

ON THE RISE

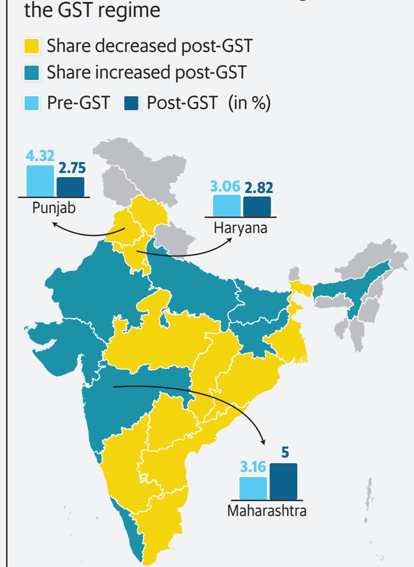
Latest headline GST numbers show gross collections at their highest



Source: Goods and services tax portal; Ministry of statistics and programme implementation (MoSPI); GST system statistics

WINNERS & LOSERS

More states have lost out than gained in the GST regime



1. Pre-GST tax revenues are average from 2014-15 to 2016-17, for taxes that were subsumed in GST. Post-GST covers state GST revenues and is an average for 2018-19, 2019-20, 2022-23 and 2023-24 (2020-21 and 2021-22 are excluded due to Covid-19 lockdown).
2. Data for 2023-24 includes revised estimates.
3. Figures indicate State's tax collection as share of GDP.

Source: GST council; State budgets; Ministry of statistics and programme implementation (MoSPI)

SATISH KUMAR/MINT

THE BIGGER PICTURE

The broader picture of a decline in revenues post-GST holds when we look at overall GST collections, including the Centre's share. A 2023 paper by Sacchidananda Mukherjee of the National Institute for Public Finance and Policy looks at the national level picture in GST collections, compared with tax collections in the pre-GST era.

In the four years up to 2016-17, revenues from relevant taxes as a share of (nominal) GDP averaged 6.13% of the GDP. By comparison, the average intake in the post-GST era (2018-19 to 2022-23, including covid years) was 6.16% of GDP. However, this includes GST compensation paid to states (and raised from a separate cess imposed on taxpayers). Excluding this, as Mukherjee points out, the GST intake falls to 5.68%—well below the rate of pre-GST taxes in GDP.

What about the total revenues that the states earned in the post-GST era, including the amounts due to them from central GST? Before GST, such revenues amounted to 4.15% of GDP. After GST, and excluding GST compensation, that amount falls to 3.63% of GDP. For the Union government as well, the share of GST revenues due to it (after paying out dues to states), compared with taxes it had to forego; fell from 1.98% of GDP to 1.5% of GDP. On the positive side, the so-called 'tax buoyancy'—the extent to which GST revenues increase compared to the rise in GDP—rose in the post-GST era.

STATE COMPLAINTS

Little wonder then that many states, including more affluent ones that were supposed to benefit from GST, have complained about losing out. Last week, in the latest GST council meeting, the forum where the Centre and states sit together to set GST tax rates on various goods, Kerala said states should receive a greater share of GST revenues. Writing in *The Hindustan Times*, *Mint's* sister publication, academics K.J. Joseph and Kiran Kumar Kakarlapudi have argued for something similar and have also called for incorporating the cess into the main GST rate structure.

Elsewhere, analysts have, for long called for a single GST rate on all products, which would simplify the administration of GST drastically. "Of the countries that have GST, 80%, including Singapore, New Zealand, the United Arab Emirates, and Japan, have opted for a single tax rate and were successful in increasing compliance and minimising tax disputes," pointed out Joseph and Kakarlapudi.

Reforms to GST can't be seen in isolation. A major, and legitimate, complaint of states has been that revenues raised from cesses on various products, or even income (not necessarily just under GST), are not shared with them by the Centre. And so, it has a natural incentive to raise more tax revenues this way. The new Finance Commission could seriously explore adding cesses to the pool of taxes shared with states. In return, states and the Centre could agree on a lower, single rate of GST, which could benefit businesses and consumers across the country.

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mint 20 BEST FUNDS

We have hand-picked 20 mutual funds for your portfolio that have jumped through hoops of good returns, low risk, good portfolio hygiene and our own qualitative research. We have restricted the choice universe to 10 categories out of the total 37 and given you at least two options to pick from each.

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
LARGE-CAP			
UTI Nifty Index Fund - Growth	15.17	15.93	16,925
HDFC Index Fund - Nifty 50 Plan	15.07	15.74	14,220
Category average	**14.65**	**15.51**	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	16.33	18.60	12,448
Parag Parikh Flexi Cap	21.06	24.45	66,384
Category average	**17.64**	**18.82**	
EQUITY SMALL AND MIDCAP			
Axis Midcap	21.63	24.55	27,748
SBI Small Cap	24.56	28.28	28,375
Category average Midcap	**25.84**	**25.80**	
Category average Smallcap	**26.62**	**27.71**	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	17.03	20.14	7,926
Mirae Asset Tax Saver	17.44	20.54	22,621
Category average	**19.78**	**19.66**	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	13.28	15.30	11,282
ICICI Prudential Balanced Advantage	13.22	13.30	56,750
Category average	**12.97**	**12.96**	
ARBITRAGE			
Kotak Equity Arbitrage	5.95	5.43	46,308
Tata Arbitrage	5.55	5.32	11,829
Category average	5.60	5.12	

OUT OF THE BOX	Returns since launch	Date of launch	Corpus (₹ cr)
BHARAT Bond ETF - April 2031	5.42	23-Jul-20	13,538
Motilal Oswal S&P 500 Index Fund	18.69	28-Apr-20	3,276

Returns as on 24 June 2024; Corpus data as of May 2024; Growth option in regular plans has been used
Absolute returns for 'Out of box', CAGR for the rest. For detailed methodology refer to:

Keep a smart, flexible and minimalist MF portfolio
https://www.livemint.com/money/personal-finance/keep-a-smart-flexible-and-minimalist-mf-portfolio-11638378827521.html
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*Debt funds can be viewed in the full table online
Data and analysis by CRISIL Research

Compiled by Neil Borate

Why mutual fund industry is betting on duration funds

The funds provide higher returns in a falling interest rate environment. But will RBI oblige?

Anil Poste
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The global economic landscape is shifting as central banks, including those in the UK and Canada, start cutting interest rates after a period of aggressive hikes. India's mutual fund industry, too, is anticipating similar actions from the Reserve Bank of India, and fund houses are strategically positioning their portfolios to capitalise on this anticipated shift by focusing on duration funds.

Why is the mutual fund industry betting on duration funds?

The duration fund strategy is used in managing bond portfolios, focusing on their sensitivity to interest rate changes—bond prices and interest rates move in opposite directions: when interest rates fall, bond prices increase, and vice versa. The longer the duration (in years), the more sensitive the bond is to interest rate changes.

Consider a bond with a face value of ₹1,000, with a five-year duration, and interest rate of 5%. If you buy it for ₹1,000 and RBI cuts interest rates by 1%, the bond's price would increase by 5% (1% change in interest rates multiplied by five-year duration). This, the bond's price would rise to ₹1,050. In effect, longer-duration bonds provide higher returns in a declining interest rate environment. The industry finds duration funds particularly attractive now due to the anticipated interest rate cuts by RBI. If interest rates decline, investing in bonds with longer durations can lead to capital gain. Other key factors that have an impact on duration funds are inflation, the external environment, and global interest cycles.

Easing inflation

According to experts, India's current inflation trajectory is favourable due to a combination of factors indicating a stable and controlled economic environment. These factors include stabilized commodity prices, effective interest rate measures to control money supply, and better-than-expected revenue collections. However, fluctuations in food prices remain a major concern.

"If volatility in food prices eases, RBI will be assured that inflation is heading towards its target of 4%," said Suyash Choudhary, head-fixed income, Bandhan AMC. "Core inflation is quite low, and only food price volatility is standing in the way of monetary easing."

Improving fiscal dynamics

India's improving fiscal dynamics indicate the government is effectively managing its finances. A crucial aspect is fiscal deficit, the difference between the government's expenditure and its revenue. High fiscal deficit can lead to inflationary pressures as the Centre may need to borrow more, potentially increasing the money supply in economy. The government is successful in controlling spending while improving revenue collections, leading to low fiscal deficit of 5.6% of gross domestic product (GDP) for FY24 and an estimated 5.1% for 2024-25.

"India's inflation trajectory remains well-controlled partly due to a measured approach to fiscal stimulus," said Devang Shah, fixed income head at Axis AMC. "Also, the India growth story has been very strong, with GDP growth at about 7% for three years, meaning when it comes to India's rate dynamics, significant interest rate cuts are not likely in near future." There is scope for a 50 basis point rate cut over the next 12 months, he added. Even if rate cuts are gradual, other factors are driving increasing interest in duration bonds.

Core inflation is quite low, only food prices are standing in the way of monetary easing by RBI, say industry experts

External factors

India's potential inclusion in major global bond indices such as the Bloomberg Bond Index and JP Morgan's Index will bring significant foreign investment, and will increase the supply of government bonds, creating favourable demand-supply dynamics.

"India's inclusion in the Bloomberg Bond Index and JP Morgan's Index will add about $30 billion. This translates to ₹2.5 trillion into government bonds, which is 25% of our net supply of government bonds," said Shah.

Additionally, fund managers believe while India does not have strong reasons to start cutting rates, RBI will soon follow global central banks. The European Central Bank and Bank of Canada have started cutting rates, and US Fed is also expected to tilt towards rate cuts.

"Improved fiscal dynamics allow the government to spend without affecting fiscal consolidation. Growth is reasonably robust. We don't see any reason for building rate-cut expectations in India. However, we are bullish on duration because of an improved fiscal position," Rajeev Radhakrishnan, chief investment officer-fixed income, SBI Mutual Fund, said.

What fund managers suggest

"The removal of tax benefits for debt funds has been a big disadvantage for retail investors. For medium-term debt investors seeking a bit higher returns than traditional options, short/corporate bond funds remain viable options," said Shah of Axis AMC. "On the other hand, tactical investors seeking to capitalise on interest rate cycle could consider investing in gilt funds. The longer duration makes them more sensitive to interest rate changes, offering potential gains when rates decline."

How are fund houses managing duration in their portfolios?

Duration strategies suit medium to long-term investors whereas funds with shorter timelines are less volatile.

Debt Funds vs traditional investment options

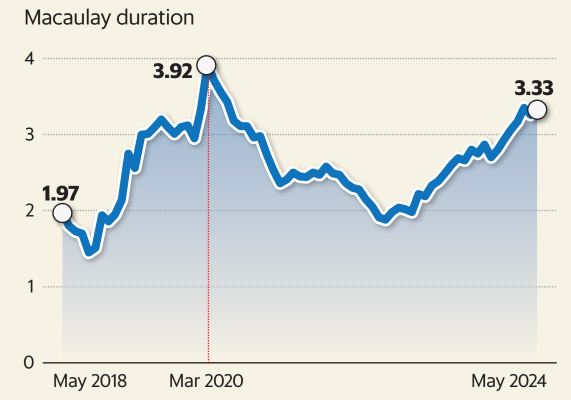
	Active Debt Funds	Bonds	FDs
Liquidity	✓	✗	✗
Flexibility	✓	✓	✗
Transparency	✓	✓	✓
Tax deferment	✓	✗	✗
Systematic investment	✓	✗	✗
Professionally managed	✓	✗	✗
Diversification	✓	✗	✗

Source: Axis AMC

mint

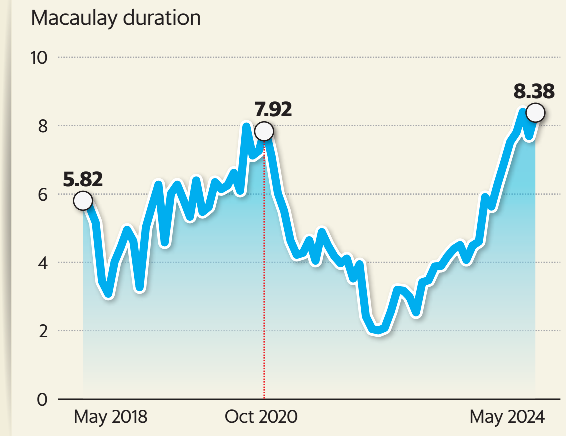
Category average duration- Banking & PSU debt funds

Macaulay duration



Category average duration - Gilt Funds

Macaulay duration



Source: Franklin Templeton Mutual Funds

PRANAY BHARDWAJ/MINT

Building a nest egg: Investment tips for moderate risk takers

Raj Khosla
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ISTOCKPHOTO

ASK MINT
RETIREMENT

I am 35, and have started a new job with a monthly income of ₹1.5 lakh. I have no significant liability and can save 40% of my income. Investments include: ₹10 lakh in MF (large- and mid-cap, and debt fund); ₹5 lakh in fixed deposit; and ₹3 lakh in PPF. I aim to accumulate ₹2 crore in 15 years for retirement and am willing to take moderate risks. Could you suggest a strategy that would help me achieve my goal?

—Name withheld on request.

If you plan to retire at 50, you will need a big enough corpus to last you 30-35 years of retirement, or even longer. Considering inflation, and the extended period in retirement will necessitate a larger corpus than ₹2 crore to provide for your needs. Let's assume you will need ₹75,000 per month. This is 50% of your current income. If your retirement corpus of ₹2 crore (current prices) earns 9% returns, it will sustain inflation adjusted withdrawals of ₹75,000 for 32 years. This factors in 7% rise in withdrawals every year to account for inflation.

Your investment portfolio of ₹18 lakh has roughly 50% in equities and 50% in debt. The post-tax blended returns from this asset mix can be assumed at 9%. While 9% returns can be considered good after retirement, they may not build a big enough corpus for you in the accumulation phase. You can earmark ₹60,000 (40% of current income) for retirement saving. But at 9% compounded returns, your corpus at 50 will be ₹1.08 crore. If you withdraw ₹75,000 a month from it, you will run out of money in less than 15 years (you will be 65).

If you want a bigger corpus to last 30 years-plus, you must increase investment amount every year. 10% increase in SIP and other investments every year will boost the corpus to ₹2 crore. If increasing investment is not possible, you must consider deferring retirement by 3-4 years. It will not only help build a bigger corpus but the required sum will be lower as the retirement period will get shortened. A third way to build is changing your asset mix. Instead of 50% in equities and 50% in FD, opt for 70% in equities and 30% in debt. This has more risk, but your investment horizon is long, so the risk will get evened out and blended investment returns can be at 10%, ensuring you have a bigger retirement corpus by 50.

Raj Khosla is founder and MD, MyMoneyMantra.com.

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

India long-bond demand to rise: ICICI Prudential Life

Bloomberg
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Demand for India's long-duration bonds is likely to be supported from growth in pension funds and the upcoming index inclusion, according to ICICI Prudential Life Insurance Co. Addition of India to JPMorgan Chase & Co.'s emerging markets bond index will provide a further fillip to the notes as 40% of the selected bonds have maturities of 15 years and above, said Vidya Iyer, head, fixed income at ICICI Prudential Life in an interview on Bloomberg TV. "Given the kind of growth the real money domestic investors have seen year on year, given the kind of business these investors are in, demand for long bonds is here to stay," Iyer said.

Addition of India to JPMorgan's EM bond index is likely to draw $20-25 billion of global flows into local debt

Upon inclusion, the bonds will have the highest duration among the index members at 7.03 years, with yield-to-maturity at 7.09%, according to a recent JPMorgan note.

India's index-eligible bonds attracted over $10 billion since the inclusion was announced in September. This event could likely draw $20 billion to $25 billion of global flows into local debt, according to JPMorgan.

The market seems to be broadly positioned for India acquiring a 1% weighting in the index starting 28 June, ICICI Prudential Life's Iyer said. However, yields are set to head lower over the long run with structural forces at work, she added.

"India is in such a sweet spot, I truly believe that it will continue to remain a very preferred investment destination due to strong and stable macroeconomics, prudent fiscal policy by the central government, proactive central bank, and very stable currency."

Iyer projected an economic growth of 7.2%-7.5% in the current fiscal year. "It's a perfect mix and that is why bonds have remained very well anchored."

There isn't much risk of large outflows following the addition to the index as foreign holdings in Indian bonds remain minuscule, Iyer said.

DELAYED GRATIFICATION: THE FORMULA FOR WEALTH CREATION AND HAPPINESS

POWER POINT
JAY PRAKASH GUPTA

Respond to this column at
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Abhimanyu has a Midas touch, whatever he trades, he makes money. I love him". That is how one of his million fans who follow him on social media describe him. Abhimanyu is a smart trader who invests in everything from crypto to derivatives to international stocks. He has made a fortune since he started during covid-19. In his early 20s, his colleague in the US introduced him to the financial markets. Beginners' luck favoured him when he booked profit within a few hours of taking a trade. Since then, he has been trading heavily. He would earn and spend his profits as if there were no tomorrow and show off his newly made fortune to million-plus fans on Instagram. With time, his bets kept growing. He didn't believe in saving. Every day he would bet millions and make millions, until one day when the market gave a wild swing. His entire capital was blown up. He tried again by borrowing money from friends and family only to blow it up again. He is now broke with a huge liability to repay.

His fans on Instagram do not follow him anymore, they tell him he is a fraud. Abhimanyu is not a fraud; he is a victim of his greed, the "Get Rich Quick" syndrome. He believed in instant gratification. He lived up to his name, like the Abhimanyu in *Mahabharata*. He entered the *Chakravyhu* but couldn't escape it.

There is always a lag between an effort and its outcome. That is how nature is designed. It follows a pattern. Sowing seeds does not immediately yield crops. The present-day society is the outcome of the realization by early humans that delaying gratification brings reward and security in the future. Early humans while hunting discovered by accident that not eating the entire hunt immediately and storing the excess would save them from going hungry when they would not find prey for days. They invented ways to preserve the flesh and meat from decaying. Now that daily hunting was not the sole purpose of living, as the hunt was stored for future consumption, they learned to use their spare time in something creative. It wasn't easy to carry stored food everywhere thus settling in one place made more sense. Storing food brought stability and gradually they stopped being nomads.

Exchanging stored food for other essential items began. The idea of barter was born. Delay in gratification gave birth to society, the institution of trust. We started to control our impulses for our future and the benefit of others. The positive relationship between being able to delay gratification and reap its future benefits started getting established into ideology. With time, trade and commerce between clans and kingdoms started to happen. As the commerce started growing, so did the disputes. The need for a rule and an entity to settle disputes arose. Each society had its own rules and a supreme authority. Initially, it was a shapeless form, some divine power. With time, the power shifted to institutions, law bodies, or religious beliefs that had wider acceptance. It resulted in more trust among humans and kingdoms.

Over several thousands of years, mankind has evolved from being a hunter to a social being to a super advanced human processing trillions of data, to finding life in space. The quest for better lives has been growing more than ever.

All this began from the idea of delaying gratification, which is the ultimate pathway to happiness and prosperity.

Our religions have been saying the same. Verse number 47 of Chapter 2 of the Bhagavad Gita says: "*karma yevādhikāraste mā phale u kadācana| mā karmaphalaheturbhūrmā te sa go'stvakarma i||*" (As humans, we have control over our deeds and not on their outcomes. If the deed is good its outcome or result will also be good. There will be delays and let us not instantly expect the outcome. Emphasis is laid more on work).

In the Biblical narrative of Paradise, God tells Adam: "By the sweat of your brow, you will eat your food until you return to the ground,....(Genesis 3:16-19. KJV). The interpretation is that Adam and his descendants need to provide labour to get something in the future.

Craving for the 'Get Rich Quick' syndrome is against the laws of nature. So, be patient and wise

Like everything in nature, in the investing world, too, the effort and its outcome have a lag. Savings when translated into investments become wealth over time. Look around, the land that cost a few thousand rupees a decade ago is worth millions today, the same applies to gold, silver, the Sensex and Nifty, and every asset class you deal with.

The craving for instant gratification, the "Get Rich Quick" syndrome is against the laws of nature. It can make you famous but not wealthy. Instant gratification does not work in investing as the magic of compounding needs time. The longer the time, the better the outcome of compounding.

I wish Abhimanyu would have been patient and kept part of his "hunt" aside for the future. "Always remember: Wealth gets created over time and not overnight".

Jay Prakash Gupta is founder of trading platform Dhan.

OUR VIEW

ISTOCKPHOTO

Time to overhaul India's capital gains tax regime

The Union budget should reset this levy for simplicity, uniformity and fairness. It's high time India relieved investors of the complexity that has made capital gains a bewildering maze

As this year's final budget nears, taxation changes to relieve citizens and stimulate consumption are a subject of speculation. A focus area that awaits attention, though, is India's capital gains tax regime. While changes have been made, it remains complex and unfair. The rates of this tax differ by asset classes, while it also lacks consistency across investments in the way its short-term version is levied more heavily than the long-term kind. Gains from the sale of listed shares or equity mutual funds held for less than 12 months, for example, are classified as short-term, and as long-term beyond that period; the applicable rates are 15% and 10% respectively, with the latter tax kicking in if annual gains exceed ₹1 lakh. In contrast, gains on debt mutual funds are taxed at the marginal rate of income tax, regardless of how long they are held. And in the case of real estate, the cut-off is two years, with capital gains taxed at the marginal rate of income tax in case property is sold within that span, and at 20% (after adjusting for inflation) if it's held longer. Also, this tax can be avoided by reinvesting the proceeds in another property. Equity investors, however, must pay up even if they are only using the money to shuffle their portfolio. Holders of physical gold, meanwhile, must hold this metal for three years for their gains to qualify as long-term.

Each rule may have had a reason, but taken together, their variation makes investment planning painful for those who brave it on their own. Since all taxation should go by the cardinal principle that people should easily be able to work out their liability, it's time to simplify the regime. Rate variation serves as a device to alter investment incentives, no doubt, but the only aspect of it that's easily justified is the heavier burden placed on quicker buying and selling. Speculators paying more is a well-accepted practice, though what counts as short-term should be the same for all avenues. Varied rates across asset classes are harder to explain, since their specific policy aims must outweigh the hidden ill-effects of distorted investment flows overall. The government has lately sought to end anomalies. Debt mutual funds, for instance, no longer enjoy a sweet deal if held long-term. While they have been brought at par with fixed deposits held with banks—which, like share dividends, are also taxed at the marginal rate—we find that investors don't have it any easier when it comes to picking assets. Consider the complexity faced by gold investors. Gains made from gold exchange-traded funds (ETFs) bought after 2023-24 began are taxed at the marginal rate. All gains on physical gold sold within three years are treated the same, but a rate of 20% (with inflation adjustment) applies if liquidated later. Plus, capital gains on sovereign gold bonds are exempt from tax if held for their full eight-year tenure. Sure, stoking demand for paper gold can help contain our bullion imports, but why treat gold ETFs differently?

India's capital gains tax regime needs an overhaul aimed at simplicity, uniformity and fairness. For a non-distortive system that eases investment choices, we could treat all short-term holdings apart from long-term with a common cut-off of one year (and inflation adjustment for a half-decade span or more) and apply the same rates for both across asset classes. Changes may pose a challenge if their impact needs to be revenue neutral. But over time, a regime that's easier to follow will surely enthuse more investors and pay off fiscally.

THEIR VIEW

AI regulation: Let the ordinary citizen be a player and not pawn

Giving people complete control over their data may be the only way to uphold individual autonomy

SAMIRAN GHOSH
is a technology advisor and podcast host of 3 Techies Banter.

Paul Graham of Y Combinator recently shared an anecdote that perfectly encapsulates the challenge of regulating artificial intelligence (AI). When he asked someone helping the British government with it what they would regulate, the response was a refreshingly honest, "I'm not sure yet." As Graham noted, this might be the most intelligent thing anyone has said about AI regulation thus far.

AI creates a "pacing problem," first explained in Larry Downes' book *The Laws of Disruption*. He states that technology changes exponentially, but corresponding social, economic and legal systems change incrementally. Regulators are trying to govern Hogwarts with rules written for a Muggle school. Good luck stopping magical mischief with detention and a dress code.

And they are also faced with the Collingridge Dilemma, the regulatory equivalent of being stuck between a rock and a hard place. A 2023 paper in *Science, Technology & Human Values* analysed 50 cases of emerging technologies and found that in 76% of cases, early regulation stifled innovation, while in 82% of cases, late regulation failed to address societal impact adequately. Regulate too early, and you might accidentally outlaw the cure for cancer. Regulate too late, and you might find yourself in a *Black Mirror* episode.

Governments are aware of the need for regulation, but it is a tough job. A 2022 report by the Belfer Center at Harvard University found that only 18% of US federal agencies have employees with both technical and policy expertise in AI. A similar study by the AI Now Institute found that only 23% of government agencies across OECD countries have this expertise. This lack of skills would be common around the world.

The EU's AI Act and the US's proposed AI Foundation Model Transparency Act, which mandate several disclosures to increase transparency of AI models, are welcome steps. But these measures are still inadequate.

So, who can help? BigTech? Can we count on it to self-regulate? It sounds a little like asking foxes to guard the henhouse. So far, Big Tech has cared little about societal polarization, disinformation on its platforms, or the ecological footprint of its inventions. OpenAI, which has the word 'open' in its name, has repeatedly stated that it will not be transparent about most aspects of its flagship model, GPT-4. It is in it for profit. I would even argue that they don't even pay their fair share of taxes, but that's a debate for another day.

What options does that leave us with? In my view, we should try to make this a fairer fight. Empower ordinary citizens with tools to manage their data and control who has access to it. We need to equip ordinary citizens to protect themselves and, if possible, profit.

The US Second Amendment protects individuals' right to possess firearms and use them for purposes like self-defence within their homes. If this is true, then it is logical to assume that individuals should have the means to defend themselves against misuse of their personal data. It is digital self-defence.

Is this a radical solution? Not at all. Study-after-study has concluded so.

The 2022 Gartner Privacy Survey reveals that 75% of consumers want more control over their data. A 2023 report by the Oxford Internet Institute argues that user-centric data governance models are essential to ensure that AI is developed and deployed in a way that respects user privacy and autonomy. A 2023 report by the World Economic Forum emphasizes the importance of digital identity solutions in enabling individuals to control their data and participate in the digital economy.

So, it's not such a radical idea. And nothing new. These solutions could take the self-sovereign identity (SSI) approach. They could use zero-knowledge proofs (ZKPs). These are matters of detail. A 2023 study in *MIT Technology Review* demonstrated that decentralized identity systems could reduce data breaches by up to 70% while giving users granular control over their information. Furthermore, a pilot project by the EU found that user-controlled data-sharing increased willingness to participate in AI-driven services by more than 60%. It's like having a personal bouncer for your data—you decide who gets in and who gets rejected.

The cost of implementing such systems is significant, but manageable. While India's Aadhaar digital identity programme cost $1 billion, a World Bank report estimates that appropriate agencies could set up a global decentralized identity infrastructure for $25 billion. That's a fraction of the $7 trillion Sam Altman is asking for to reshape the chip industry to power his AI dreams. The point is to stop businesses stealing more data from you and me only to misuse it with some dubious consent.

Regulating AI remains a challenge akin to nailing jelly to a wall. Providing citizens with tools to manage their data offers a pragmatic approach to mitigating risks and ensuring that AI development respects individual autonomy. As we navigate this rapidly evolving landscape, empowering users may be our best defence against the potential misuse of AI and our surest path to harnessing its benefits ethically and equitably. After all, in the high-stakes game of technological progress, it's better to be the player than a pawn.

10 YEARS AGO

JUST A THOUGHT

By far, the greatest danger of artificial intelligence is that people conclude too early that they understand it.

ELIEZER YUDKOWSKY

MY VIEW | WORLD APART

India should rethink its stance on trade policy barriers

RAHUL JACOB

is a Mint columnist and a former Financial Times foreign correspondent.

Thirty-nine years ago this month, trade economist Jagdish Bhagwati submitted an article on the industrial deregulation by the Rajiv Gandhi government to an op-ed editor at the *New York Times*. What the editor was especially baffled by was what Bhagwati had referred to as "broad-banding," a recent liberalization move back then that allowed companies to diversify from one product to another in their factories without seeking permission from New Delhi. The *New York Times* editor could not quite believe that any government would have wanted to restrict product diversification.

The 21st century equivalent of this continuing lesson in illogical economics has been the grand (own) goal of a self-reliant India. To raise tariffs, as we have successively done over much of the past decade on more than 3,000 items, and then expect to see exports grow by leaps and bounds is a peculiar fantasy, given that we have the example of East Asia's export-led growth of the past few decades in our extended neighbourhood to go by.

This week, the Confederation of Indian Industry (CII) in effect made a plea for a return to saner thinking in trade and industrial policy. It underlined how India's much higher tariffs on electronic components set it at a disadvantage against competitors such as Vietnam and, if anything, hinder the localization of components. It pointed out that our tariffs, which range from 10% to 15% on many electronic components and go as high as 27.5%, mean that "tariff-induced cost" often completely neutralizes the productivity-linked incentive scheme, and is made worse by the fact that we are not part of significant regional free trade agreements (FTAs). If the World Trade Organization had the capacity to adjudicate on companies suing their government for assorted tariff and non-tariff barriers, Indian exporters, from electronics to garments, would arguably have a pretty strong case.

The almost 50-page CII study also seeks a rollback of measures taken after Beijing's attacks along our border in 2020, calling for what it calls a "non-restrictive approach" towards technology transfers and foreign direct investment (FDI) from China as well as an easing of the inward movement of Chinese skilled manpower. It points out that openness to component imports in industries that China and Vietnam sought to turn into export powerhouses has been a bedrock of their trade policies. The report notes that China, with its dominating share of trade in electronics—from iPads and mobile phones to computers and countless components—imports more than 40% of its electronic components. The reason is simple enough: making such products requires high-end components such as screens and cameras, as well as chips made in countries such as Korea and Taiwan.

Tariff costs imposed on imports have hurt more than they have helped our self reliance cause

I would argue for a much more calibrated approach than the CII does in liberalizing trade with China. It is not coincidental that most of the developed world is seeking to reduce its dependence on China—and they were not attacked along their border by Beijing in the midst of the covid pandemic. The question is how to do it in a systematic way and how can we quickly build strong links with Taiwan and Korea that could help us acquire the domestic capabilities we lack. As economists Ajay Shah and Ila Patnaik wrote this week in *Business Standard*, "New non-tariff barriers against Chinese imports into India should be accompanied with numerous elements of liberalisation of engagement with other countries."

This, as the CII authors would likely argue, is easier to champion in an op-ed article than to carry out overnight in the real world, given China's huge share of manufacturing different inputs that are critical to industries as varied as pharmaceuticals, garments and electronics. But we need to think along those lines, by starting, as I wrote in these pages in 2021, with building much stronger ties with Taiwan, (*shorturl.at/tVNIv*). What is abundantly clear is that the reflexive attempt after the attacks and incursions in Galwan in 2020 to reduce our dependence on China has not worked. As a 'Mint Primer' observed this week, our bilateral trade deficit with China in the last financial year "touched a record $85 billion, having doubled in the past four years."

We need a rethink of our counter-productive trade policies. If we adjusted our annual merchandise export totals to account for inflation, it would be apparent that we are going backwards. As the Global Trade Research Initiative, a think-tank, observes, China's garments exports last year were $114 billion, Vietnam's $82 billion and India's just under $15 billion and declining. Undaunted, the relevant ministries pluck targets for textile exports out of the air; $100 billion by 2030 is one government projection, $600 billion by 2047 is another. A senior bureaucrat with considerable experience in trade policy points out that our garment industry is hobbled by high tariffs on viscose and polypropylene, both essential for so much of global athleisure demand. Unsurprisingly, my last orders from Marks & Spencer India, of T-shirts and trousers in cotton and a gift of a tuxedo made of man-made fibre, were from Bangladesh and Vietnam. Alarmed by this foreign invasion of my wardrobe, I am trying to help the self-reliance cause by buying handloom sarees for friends instead, but am well short of my lofty targets.

THEIR VIEW

India should treat e-commerce exports as a national imperative

Adopt an action plan that helps Indian businesses exploit a global opportunity and rival China while world trade is in flux

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In 2023, the Indian government set an ambitious goal of achieving $2 trillion in exports by 2030, evenly split between merchandise and services. However, India's merchandise exports decreased by 3% from $451 billion in fiscal year 2022-23 to $437.1 billion in 2023-24. To reach the $1 trillion merchandise export target by 2030, India's exports needs to grow by $570-600 billion, at a 15% compounded annual growth rate. Given the absence of a clear path to boost exports through traditional methods and anticipated geo-economic changes disrupting manufacturing and distribution across the world, India must prioritize e-commerce exports.

Currently, India's annual e-commerce exports are in a range of $4-5 billion, with the government striving to increase this to $250-300 billion by 2030. This growth target represents 43-50% of India's merchandise export growth aspirations. Achieving this requires collaboration among the government, state governments, Reserve Bank of India, e-commerce platforms and service providers to empower Indian micro, small and medium-sized enterprises (MSMEs) to compete globally.

Despite a global trade slowdown, e-commerce continues to expand at a 9% annual rate; its size as a market is projected to reach $8.1 trillion and capture 47% of worldwide retail sales by 2026. China leads in e-commerce in terms of market size, followed by the US, UK, EU, Japan and South Korea. India's domestic e-commerce market is valued at $70 billion and forecast to reach $325 billion by 2030. However, a significant portion of products sold on global e-commerce platforms are Chinese-made and sold by third-party sellers. In 2023, China's e-commerce exports were estimated at $300-350 billion. According to Marketplace Pulse, Chinese sellers comprise 50% of the top sellers on Amazon.com. Amazon even acknowledged its heavy reliance on Chinese sellers, suppliers and marketing budgets in a regulatory filing. Additionally, platforms like TikTok Shop, Shein and Temu allow Chinese sellers to sell directly in international markets, bypassing Amazon, Walmart and eBay. While China progresses up the e-commerce exports value chain from 'Made in China' to 'Marketed by China,' India's e-commerce exports lag behind.

Since the early 2000s, the Chinese government has fostered an enabling policy environment, establishing cross-border e-commerce pilot zones in over 100 cities. For millions of Chinese sellers, these zones offer seamless customs, taxation, forex, financing and transportation services under one roof. China's customs procedures not only provide an efficient green channel for e-commerce exports, but also simplify international customer returns, a critical feature of e-commerce. China has also streamlined processes for foreign remittances and regulatory compliance. It also actively promotes Chinese brands and soft power to address perception issues and stimulate global demand. While China's e-commerce growth is driven by focused government support, it is powered by a smooth seller and manufacturer experience.

In contrast, India's e-commerce journey has suffered from inadequate policy support. Before the 2023 Foreign Trade Policy, which included a chapter on e-commerce exports, e-commerce exports received minimal attention. Even now, the extant export rules favour low-volume, high-value business-to-business (B2B) conventional exports over low-value, high-volume business-to-customer (B2C) e-commerce exports. For example, an Indian e-commerce exporter who sells a product at $50 could earn a gross profit of $10-15. However, like B2B exports, she must spend ₹1,000-2,000 to complete the RBI-mandated EDPMS closure, incurring a net loss. Other challenges include: a) customs clearance taking 1-6 days compared to under 24 hours in China; b) a consignment limit of $12,000 versus China's $50,000; and c) having to write off international customer returns, which account for 15-25% of sales.

To enhance India's export competitiveness, the government must prioritize e-commerce exports as a key element of its 100-day agenda. This requires revising the Foreign Trade Policy, eliminating EDPMS closure charges for e-commerce exports and implementing bold reforms across payment reconciliation, customs clearance, customer returns and compliance burden. Establishing rules for e-commerce export hubs and setting up 25 such hubs over the next five years are crucial steps. State governments must formulate dedicated policies, invest in infrastructure and provide financial incentives to early-stage e-commerce exporters. Accessible credit financing, insurance, bill discounting and factoring services must be made available to such exporters. Ending the prohibition on FDI-funded e-commerce marketplaces from holding inventory would boost e-commerce exports. It would spur innovative e-commerce export models, enable e-commerce export adoption among MSMEs and engender contract manufacturing on a larger scale.

India's strong brand image and demand for its products abroad, combined with cost advantages, position it potentially as a global e-commerce export hub across labour-intensive sectors such as Ayurvedic products, furniture, toys, apparel, kitchenware, and home décor.

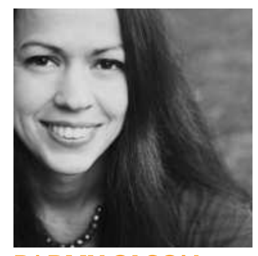
E-commerce exports will mean millions of sellers from any corner of India selling to customers in every corner of the world; an Indian seller on Amazon and eBay could sell in 200 countries. This also aligns with China-de-risking strategies pursued by several multinational corporations and advanced economies.

E-commerce exports will create millions of jobs in India's semi-urban and rural areas, thereby geographically expanding the sweep of economic gains. Through timely and focused implementation of the required reforms, e-commerce exports can become a real economic growth enabler. However, this begins with the government recognizing exports not just as an economic opportunity, but as a national imperative.

MINT CURATOR

Digital education: It can grant even prisoners tech sector jobs

Tablets without net access can be loaded with training material



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Recidivism among prisoners taking some education is seen to decline ISTOCKPHOTO

James Tweed has always been fascinated by the act of learning in isolation. Having started life as a maritime derivatives trader, he founded his company to provide education for people on ships, where there was "not a lot of internet," he says. In recent years, he discovered a new cohort of learners who also can't get online: prisoners. Today, Coracle Online Ltd has distributed 2,600 laptops loaded with educational software to most of Britain's prisons, or about one for every 30 prisoners. The results may well show that digital education can have an edge when it cuts out the distraction of the internet.

For all the potential that online learning brings, with platforms like Google Classroom distributing coursework more efficiently, a constant internet connection also comes with noise. Learners who are connected to the web are more likely to struggle to stay focused on the task at hand, whether that's due to their phones or web-connected Chromebooks. Little wonder that banning phones from classrooms can improve grades, or that high school teachers say their students now find it more exhausting to read long text without regular breaks. Recent studies recommend that when educators teach something online, they should interact with students more to keep their attention, and students must turn their cameras on to stay accountable.

Compare that with trying to get an education in prison, which until now has been like something out of the Stone Age. Effectively, it's distance learning with pen and paper. The Chromebooks that Coracle distributes to prisoners offer something more reminiscent of those pre-internet days of Encyclopedia Britannica CDs. Plenty of varied educational content, but locked down from the internet for security reasons, such as preventing them from planning illegal activities or contacting victims. Prisoners who use Coracle Chromebooks typically spend a few hours each day on their devices in their cells, reading journal articles or watching videos from higher-education courses provided by other academic institutions.

The one drawback of being offline is that if they want to go deeper on a topic like criminal justice, the inmates have no hyperlinks to click on to read more. Some prisoners found this frustrating, according to Paul Hamilton, one of the authors of a recent study by Nottingham Trent University, which followed five prisoners using Coracle's laptops.

Even so, all of them completed the course and their assessments, "often with high grades," says Hamilton. The benefits aren't just improved prospects for employment once they get parole, but a greater sense of empowerment, agency and confidence. Fuzzy concepts, but crucial ones for integrating back into society and staving off the risk of reoffending.

The US already has broader efforts in place to teach prisoners with digital devices, with several states pursuing schemes that distribute tablets and Zoom lessons, though some charge high prices and appear exploitative. One organization, called The Last Mile, says that graduates of its digital courses on topics like coding and web development have a recidivism rate of about 4%, a fraction of the national rate of 61%. Several alumni have landed jobs in the tech industry with companies including Slack, Zoom and Dropbox, and its learners never have direct access to the internet.

There are no clear-cut solutions in criminal justice. Even with the Nottingham Trent study, which took place between 2023 and 2024, one participating inmate dropped out at the very beginning, and another said he spent the first two weeks with his Chromebook playing chess. But he eventually delved into the course and completed it like the others.

The evidence is clear that educating prisoners works. In the UK, around three-fifths of incarcerated people leave prison without employment or education, yet research shows that when prisoners participate in some form of education, recidivism rates fall by between 20% and 40%.

With any luck, Coracle can secure more deals with the British prison system, which operates as Her Majesty's Prison and Probation Service, and expand its educational content so it's less like a limited version of Encyclopedia Britannica and more like a ring-fenced microcosm of the web. Over time, its participating inmates might find their isolation from the web's never-ending diversions comes with an advantage.

Hamilton notes that some of his students sometimes do a year's placement as prison officers. "The spooky thing is that when they finish... they say the most liberating thing about working in the prison is that, 'I don't have my phone,'" Hamilton says. "'I don't have that noise of social media.'" That is an obvious bonus—one that should be capitalized on.

MY VIEW | BEHAVIOUR BY BRAIN

Social media addiction is about pleasures of the hunt

BIJU DOMINIC

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Vivek Murthy, surgeon general of the United States, recently proposed that all social media platforms should carry a warning that it could harm the mental health of teenagers. A similar proposal by the surgeon general that all cigarette packages carry a warning that smoking "may be hazardous to your health" is what kick-started efforts to tackle this addiction. Will the surgeon general's warning about social media addiction bear fruit ?

The biggest problem with social media is that it is anything but social. British anthropologist Robin Dunbar was the first to do a comprehensive study of the social connections of humans. His study concluded that a human could have five intimate friends, 15 very good friends, 50 friends, 150 meaningful relationships and about 500 acquittances. This study was done before the advent of social media and there was curiosity about how these numbers would pan out now that online platforms have changed our interactions. Dunbar found that social media has increased the number of weak ties, the count of acquittances and of those you recognize, but the number of deep personal connections has not increased.

The worrisome statistic, though, is that close to 33% of today's younger generation do not even have a single intimate friend. So this is possibly the loneliest generation ever in the history of mankind. Murthy, in a report, has described loneliness as an epidemic on par with tobacco use. Loneliness is as bad for people as smoking 15 cigarettes a day. A lonely generation with their heads craned over smartphone screens, oblivious of the world around them, all alone in the big large world, is what social media has ended up creating as an online society.

As steps are taken to tackle social media addiction, one should expect pushback from the technology giants who own many of these digital platforms. As soon as warnings about the dangers of smoking began, several 'scientific studies' did appear to suggest that smoking is not as major a health problem as it was being made out to be. Similar studies trying to allay fears of social media addiction are bound to appear soon.

There is an irony that looms for those wanting to fight social media addiction. Today, social media is the most powerful media vehicle available to deliver any message, more so to address the younger generation. So any message about the addictive nature of social media will have to be communicated through social media itself. Just imagine a teenager receiving a warning about the ill effects of social media while the person is fully immersed in some activity or the other on a social media platform. It seems similar to talking to a person about the dangers of smoking while enjoying a smoke.

The US surgeon general wants warning labels for it but only human insights can give us a real solution

In taking on smoking, alcohol or drug addictions, the satiability mechanism of the human body comes handy. For most people, after taking any of these addictive substances, there is some time gap before which they consume that particular substance again. But the brains behind social media platforms have perfected the art of making their product's usage a continuous activity, without a break. The fact that the modern smartphone is an 'always-on, always-with-you' device has made that job a lot easier.

Those writing the algorithms that run such social media platforms would appear to have a very good understanding of the neuroscience of addictive behaviour. There are also learnings from studies on rats. Two sets of rats were involved in the following experiment. One set of rats were given an assured reward of sugary water on pressing a lever. The other set were not given assured rewards. They got the sweet water on pressing the lever only once in a while.

The study showed that the first set of rats, the rodents that were given assured rewards, stopped pressing the lever after some time. But the second set of rats who received rewards intermittently, continued to press the lever. Uncertain rewards sensitize reward pathways of the brain and promote continuous reward-seeking behaviour. This unexpectedness is integral to the way social media delivers its content. There is always an unexpectedness at the end of the next scroll of the smartphone screen.

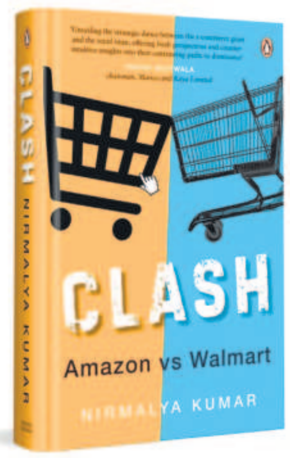
According to brain studies, there are two chemically and psychologically distinct type of pleasures involved in an addiction. Psychiatrist Donald Klein has characterised them as the 'pleasures of the hunt' and 'pleasures of the feast.' While studying addiction, much of the focus has been on pleasures of the feast, the feelings felt after the consumption of an addictive substance. The pleasures of the hunt are all about the high derived from desire, a sense of power and confidence in the chase for the addictive substance. The dopamine rush addicts get at this hunting stage is the real force that propels many an addiction.

Smartphone makers and social media platforms accentuate pleasures of the hunt by playing up anticipation among its users. Every ping sound of a smartphone that some message has landed in one's inbox creates this sense of anticipation and the ensuing dopamine rush. It might actually be a routine sales message from your credit card company. But then, the brain of the smartphone user is eagerly waiting for the next ping. It is a pleasure of the hunt.

No doubt, social media addiction should be tackled. But on closer inspection, it looks like we are dealing with a different brain game altogether.

When the world's largest retailers go head-to-head

PHOTOGRAPHS VIA GETTY IMAGES



Clash: Amazon vs Walmart *By Nirmalya Kumar; published by Penguin Business 272 pages, ₹799*

Clash, an analytical account of the fight between Walmart and Amazon, serves as a warning for those bullish on e-commerce globally

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New retailers typically attract customers by offering lower prices in order to beat incumbents. They do this by making do with fewer staff, by adopting bare-bones store designs or offering limited services. For example, Ikea requires customers to assemble their own products; the D-mart chain, for another, isn't known for its store aesthetics.

Online retailing, however, "flies in the face of historical precedent," writes Nirmalya Kumar, former head of strategy at the Tata Group, in his new book *Clash: Amazon vs Walmart*. Not only do Amazon and other online retailers offer excellent service—they pack and deliver products reliably and quickly, saving customers time, effort and transportation costs—they do so "without a price penalty," he writes.

Clash is primarily an analytical account of the fight between the world's largest retailers, Walmart and Amazon, in their home market of the US. But the book is intended as a warning for all those who are bullish on e-commerce around the world. Kumar, who teaches marketing at Singapore Management University, shows that Amazon still loses tens of billions of dollars every year in online retailing in North America, which contributes a majority of its retailing revenues worldwide. "If Amazon, after almost thirty years of operations, is unable to break even on its online retail business in its best market, then it is unlikely that others can do better," Kumar writes.

Customers at a Walmart store in Beijing; (top) Amazon workers unloading boxes in New York City

Since Amazon doesn't publish independent numbers of its different businesses in North America, Kumar relies on the company's annual reports and other publicly available data to arrive at his estimates. Online retail refers only to the direct sales of goods by Amazon to customers; it doesn't include Amazon's marketplace business through which it facilitates the sale of products from independent sellers.

Kumar estimates that Amazon's online retailing business in North America posted an operating loss of at least $20.5 billion, and more likely, $27.5 billion, in 2021 on revenues of $171 billion. According to Kumar, ironically, what contributes most to this woeful financial picture is Amazon Prime, the popular subscription program that is arguably the single most important driver of Amazon's dominance. Prime increases Amazon's delivery costs to such an extent that the more people buy more from Amazon, the more money it loses. "Amazon, no matter its fame for exceptional execution, is a terribly run business when it comes to capital efficiency by traditional standards," Kumar writes. And if Amazon, the paragon of online retail, cannot run a profitable business, no one can.

> On the whole, for e-commerce firms in India, what Amazon's success in US online retailing shows is that dominance pays

However, Kumar's emphasis on Amazon's retailing business doesn't give a full picture of the company's overall financial health in e-commerce. If one includes its marketplace business and its advertising revenues, even according to Kumar's own estimates Amazon seems to break even or even show a decent profit from e-commerce.

What Kumar's analysis ends up showing is not the futility of online retail but the singular business model of Amazon that is perhaps nearly impossible to replicate. Amazon is not just a sophisticated technology firm, it is also a hugely successful retail business, a complex logistics machine, a content platform, publisher and more. Its success in e-commerce was achieved through luck and the uncommon perseverance of Jeff Bezos. The thriving e-commerce business enabled the company to launch Amazon Web Services. This hugely profitable cloud computing service in turn allowed Bezos to keep expanding the e-commerce business even though margins were contracting. Many other CEOs would have traded sales growth for margins. But Bezos was unwavering in his quest for dominance. More importantly, Amazon's track record and the ruthless, unforgiving work culture that Bezos cultivated has convinced investors that regardless of ups and downs, Amazon will continue to be one of the world's dominant technology companies for a long time.

On the whole, for e-commerce firms in India, what Amazon's success in US online retailing shows is that dominance pays. Which is not to say that Kumar's grim analysis of e-commerce is untrue. The Indian market, with its much smaller size, poor infrastructure and intense competition, is considerably worse for generating profits than the US.

In the financial year ended 31 March 2023, the latest for which numbers are available, both Amazon India and Walmart-owned Flipkart, the two dominant e-commerce platforms, reported huge losses. Amazon Seller Services, Amazon's main India entity, posted a loss of ₹4,854 crore, while Flipkart Internet, the company's marketplace business, reported a loss of ₹4,026 crore. Despite this, Flipkart was valued at $36 billion in its latest funding round, according to a 24 May report in *Mint*.

For more than a decade now, investors around the world have backed and rewarded the pursuit of dominance in digital businesses rather than profits. Unless that mindset changes, e-commerce will continue to thrive, notwithstanding sober reminders of its profit-destroying characteristics.

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Jodie Comer and Austin Butler in 'The Bikeriders'

Bringing *The Bikeriders* to the big screen

Jeff Nichols' film, running in theatres, follows a 1960s motorcycle club

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Jeff Nichols had dreamt of making a film about a 1960s motorcycle club for over 20 years. The obsession started in his brother's apartment, when he first cracked open Danny Lyon's book *The Bikeriders*, a New Journalism-style account of the Chicago Outlaws Motorcycle Club in the mid-1960s. He could see the movie in his mind: A story about rebels, romantics, frauds and the end of an era. But he didn't quite realize just how terrifying it would be to film the motorcycles in motion.

The bikes were vintage. The actors, including Austin Butler and Tom Hardy, would be riding at high speeds. And there would be no helmets. At some point, one of his stunt coordinators just came out with it: "There is no way to make this 100% safe."

"Your life is in your hands,'" Butler said. "But it's also an incredible act of self-love. You have to look out for yourself. Nobody else can do it for you."

The Bikeriders is a rare summer gem: An original film with stars (including Jodie Comer, Michael Shannon, Norman Reedus and Mike Faist), cool cred, pathos and a clear-eyed wistfulness for a moment, and a type of guy, that was vanishing even as it was happening.

Nichols has always had luck with casting, getting movie stars in his films right as they're about to break big. Before he made *Take Shelter*, he remembered a producer asking, "who this Jessica Chastain was." For *The Bikeriders*, it was Butler. *Elvis* had yet to come out. He didn't yet know about *Dune: Part Two*. But when he met him, he was certain. "This guy's a movie star, you know?" Nichols said.

> Nichols has always had luck getting stars in his films right as they're about to break big

"I read a lot of scripts and this one just felt different," Butler said. "It felt full of humanity and these cinematic moments I could see in my mind's eye. ... I felt like I was being invited into this other world. And he was one of the coolest characters I've ever read."

In his many years of thinking about how to make *The Bikeriders* work one of Nichols' biggest breakthroughs was when he realized who the narrator should be: Kathy. Based on a real woman, she falls for Benny at first sight and gets wrapped up in the club. "If you ask Danny, Kathy was one of the most interesting people there. She just pops off the page," Nichols said. "She's witty, she's introspective, she's self-deprecating, she's infuriating at times. She is a real person."

Comer saw in her a fascinating character, an "ordinary" but still extraordinary person: Strong willed and funny and authentic. She worked tirelessly to nail Kathy's very specific Chicago accent, using the hours of taped interviews with Lyon as a roadmap.

The Bikeriders is a work of fiction. Nichols didn't want to be the historian of the Outlaws, a group that still exists. He mostly wanted to capture this time and culture and evoke the feeling he got when he opened that book so many years ago. But he also draws heavily on Lyon's images, some of which are recreated, and reporting.

An experimental playground for chefs across India

The team at The Conservatory has curated avant-garde dining experiences over the past couple of years

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Earlier this month, The Conservatory, a space dedicated to food pop-ups in the heart of Bengaluru, celebrated its second anniversary by hosting a series of culinary events around the theme 'Double Trouble'. The team at The Conservatory, which has curated several avant-garde dining experiences in the city over the past couple of years, paired up chefs who don't normally work together, and got them to create unique, one-time tasting menus; chefs Kavan Kutappa of the Naru Noodle Bar and Adithya Kidambi of Mossant Fermentary paired up, for instance, to cook a meal that blended Japanese and southern Indian ingredients and techniques, while chefs Brehadeesh Kumar of Gingko, Pune and Dina Weber of Sapa Bakery, Mysuru, created a menu influenced by German and Japanese working lunches.

The programme, involving four pairs of chefs, was such a hit that the space is repeating the experiment next week with two chefs at the forefront of the Goan culinary explosion: chefs Rahul Gomes Pereira of Jamun and Ralph Prazares of Padaria Prazares. "They also happen to be best friends who have never cooked together," Akhila Srinivas, founder of The Conservatory, tells us over coffee on a slow Monday afternoon. "It should be interesting."

It's this ability to create playful, innovative experiences around food and culture that have made The Conservatory one of the most watched food spaces in the country—despite not being, in any sense, a restaurant with a fixed theme or menus. Located on the top floor of the Courtyard, a converted heritage home that has had many avatars over the years, from a tech/culture community space to a cafe and events venue, it is one of a handful of dedicated spaces for pop-ups in India, and it is ever changing. Currently, the Courtyard has settled into its current identity of being an F&B hotspot, with the Naru Noodle Bar and cozy wine bar WIP being permanently housed here, and the first full-size outlet of Subko Coffee Roasters in Bengaluru coming up soon. "The whole space is like a living organism. It keeps growing in ways we didn't even anticipate or plan for... things just happened," says Srinivas, who runs the show. Her family owns the property, and Srinivas, an architect and urban designer, has always been driven by culture and community. "We see the Conservatory as more than a pop-up space—it is a joining of the dots of who we are. It is for conversations around how culture influences food, and an experiment to perhaps give a larger definition to what art is," says Srinivas.

The Conservatory specializes in playful, innovative food experiences

The Courtyard Cafe had been hosting food workshops, pop-ups and private dinners since 2019, giving space to talented chefs like Kanishka Sharma and Pallavi Menon, who went on to open their own restaurant in Bengaluru: the edgy, ingredient-led NĀVU. During the pandemic, the cultural events and workshops had to be put on hold because of lacklustre attendance—"but food bucked that trend," says Srinivas, leading to the team creating more events around culinary experiences. "We have always been about storytelling, whether it be through food or art. Our curated dinners, even before we opened The Conservatory, told a story. That's part of our DNA," says Srinivas. At the same time, people were hungry for meaningful fine-dining experiences in Bengaluru—not everyone enjoyed going to loud, crowded, massive microbreweries. "We are grateful for that, actually, because it made the pendulum swing the other way," says Srinivas. Sensing a gap and an interest from chefs who wanted to expand their horizons, she opened The Conservatory in 2022, its design inspired by the 200-year-old greenhouse at nearby Lalbagh Botanical Gardens.

In many ways, form led to function: the conservatory is a hothouse that encourages cooking talent. Chefs can be creative with menus that push their boundaries without the pressures of sustaining interest over time at a full-fledged restaurant. Most agree that the Bengaluru diner is open to new tastes and experiences—though the pop-ups here usually cost over ₹2,000 per person and settle down around the ₹4,000 mark, they are routinely sold out. "The audience in Bengaluru is super-attentive, engaged and constantly surprises us," says Avinandan Kundu of Sienna, Kolkata, which has hosted one pop-up at The Conservatory earlier this year and will be doing one in July as well, bringing the "whole Sienna experience" with pottery, workshops and textiles from its Kolkata cafe.

"A pop-up for a chef is like an ice bath for someone who goes to the gym regularly. You are suddenly immersed in a new environment and experience, and it's necessary to break away from the safety of what we do in our regular kitchens," says Gresham Fernandes, whose Mumbai restaurant Bandra Born did a pop-up at The Conservatory in May. It is this risk-taking energy that was missing from the Bengaluru food scene for years, and places like The Conservatory, which toe a fine line between the commercial and the experimental, are leading this shift. "It doesn't matter how much space you have. What matters is the intent," says Srinivas.