HT NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 158

Tuesday, July 2, 2024

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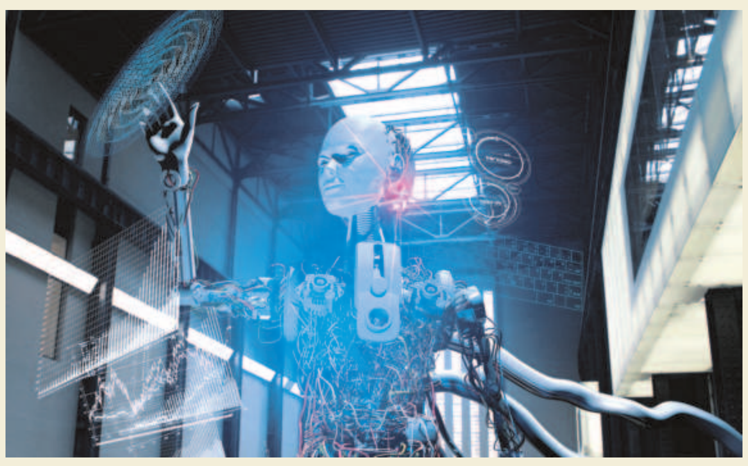
Think Ahead. Think Growth.

mint primer

AI can make you immortal. What's the problem?

BY LESLIE D'MONTE

AI now allows us to build and communicate with digital avatars of the dead. These so-called 'deadbots', 'ghostbots', 'postmortem avatars' or 'griefbots' may provide comfort to some (including those doing legacy planning), but they raise difficult ethical questions.



1 Who is building these deadbots?

In March, SenseTime Group founder **Tang Xiao'ou** (below) used AI to deliver a 'live' speech—four months after his death. Korean firm DeepBrain AI's 'Re;memory service' lets our dead departed parents "live" in the cloud, and talk to relatives. It cites the film Coco: "When there is no one left in the living world who remembers you, you disappear from this world." MIT Media Lab's Augmented Eternity project focuses on creating digital avatars for dead CEOs, scientists, etc. HereAfter AI, MyHeritage, Super Brain, Storyfile, Silicon Intelligence, Eternime and Somnium Space also provide such services.

2 Isn't all this a bit morbid?

Not necessarily. We use photo albums to preserve memories of dead friend and family—deadbots could provide comfort. Besides, some religions assure the living of a reunion after death. Avatars can maintain family histories, enhance historical education and aid legacy planning. There are endless possibilities: Students interacting with an Einstein avatar about relativity; a grandmother's avatar sharing recipes; a renowned surgeon's ghostbot guiding medical students, a life-like avatar of a dead pop singer performing at virtual concerts; a child seeking advice from a late parent's avatar for comfort and guidance.

SENSETIME

SenseTime founder Tang Xiao'ou.

3 How much do avatars cost, and how big is the market?

The global chatbot market is forecast to grow to $15.5 billion by 2028 from $5.4 billion in 2023, says MarketsandMarkets. A voice avatar could cost $500- $15,000. But sophisticated ones could cost much more. China-based Super Brain's founder, Zhang Zewei, told *Forbes* that "customized griefbots can cost between 50,000 and 100,000 yuan ($6,860 to $13,710)".

4 Can AI truly capture a deceased's essence?

Chatbots now use GenAI models, including large language models that train on text, photos, audio, video recordings and other data. HereAfter AI uses recorded interviews to create interactive avatars that reflect the person's mannerisms and speech patterns. Eternime taps social media posts, emails, and wearable data to simulate personality traits. However, ghostbots cannot fully replicate a dead person's essence—personality, knowledge and mannerisms, their ability to learn, grow and make nuanced decisions.

5 So, what's there not to like about AI avatars?

Deadbots, especially those built without consent, raise serious ethical concerns. Think about the distress caused to Robin Williams's daughter Zelda by online deepfake videos of her late father. Ethicists from Cambridge's Leverhulme Centre for the Future of Intelligence caution that even those who take initial comfort from a 'deadbot' may eventually get drained by daily interactions. Companies could use them to "stalk" the living with spams. They could be exploited for personal gain, impacting inheritance.

QUICK EDIT

Boeing's safety buy

In-house work versus outsourced? This big debate was reopened by Boeing's reported move to acquire a supplier called Spirit AeroSystems for about $4.7 billion, aimed at improving product safety, an issue that has dogged the US-based planemaker ever since the scandal over its 737 Max aircraft. Spirit, which makes the fuselage for these planes, was owned by Boeing before it was spun off in 2005. The spin-off was meant to deliver efficiency gains overall, with separated units free to focus on distinct zones of competence and separate finances in their pursuit of profit. Critics of Boeing have held that its earlier mission to raise shareholder value led to a neglect of safety. Does part of the solution lie in the extra control it could exercise over Spirit once it's folded back in? If this turns out to be so, it would be a blow to the usual management advice to maximize the value of specialization by using a vast network of external suppliers. Quality checks for such supplies, it would signal, can prove dangerously inadequate. Of course, no two cases are alike. So, the jury will be out for some time on what works best. For its high profile alone, Boeing's case will be under watch.

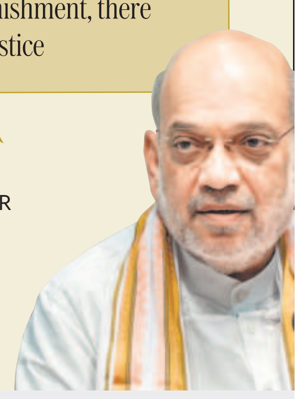
MINT METRIC

by Bibek Debroy

In Maharashtra, a boy was surprised
To find he had been circumcised.
A leg surgery admission,
Doctors changed his condition.
With such negligence is treatment devised.

QUOTE OF THE DAY

About 77 years after independence, our criminal justice system is becoming completely indigenous and will run on Indian ethos... instead of punishment, there will now be justice



AMIT SHAH
HOME MINISTER

MINT PODCASTS

NVIDIA OUTPACES MICROSOFT

Join *Mint's* Leslie D'Monte and Jayanth N. Kolla, co-founder and principal analyst, Convergence Catalyst, as they delve into Nvidia's unprecedented ascent, surpassing Microsoft to become the world's most valuable firm with a $3.3 trillion market cap.

ROAD PROBLEMS AHEAD

Get ready for more roads under construction! The government plans a substantial increase in capital expenditure on roads and highways, as reported by Subhash Narayan. This boost is expected to lead to some significant infrastructure developments. Prepare for enhanced connectivity and improved roads.

RISING PHONE BILLS

India's telecom leaders, Reliance Jio, Bharti Airtel, and Vodafone Idea, have raised tariffs on voice and data for the third time since 2019. This move, driven by competitive pressures, reflects ongoing pricing adjustments. Consumers should brace for higher prices as firms adapt to market dynamics.

Capex proposals down to multi-year low in Q1

BY MANJUL PAUL

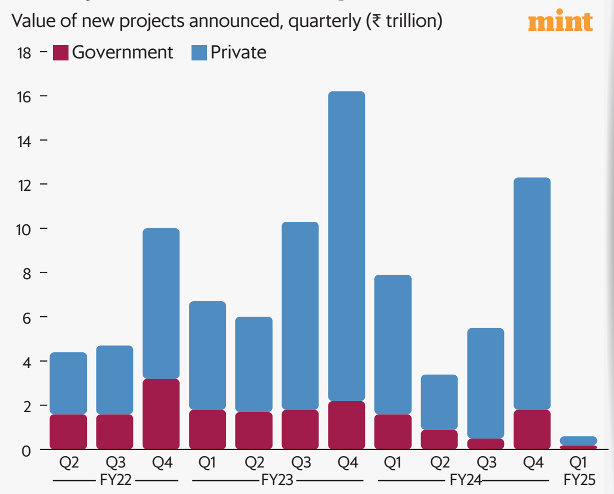
Capital investment announcements in the first quarter of this fiscal year were at a multi-year low, in a continuation of the lull from the previous fiscal. Economists attribute this largely to the prolonged, seven-phase general elections. Much of government activity halts and companies pause plans when the model code of conduct kicks in ahead of elections.

Companies announced only ₹59,931 crore worth of new projects nationwide in the quarter, the lowest in over a decade, and down 92% year-on-year, showed the latest provisional data from the Centre for Monitoring Indian Economy (CMIE). But private companies led new investments—worth ₹35,206 crore against ₹24,725 crore of the government sector— in the June quarter, too. Private investments, though, totalled below ₹1 trillion for the first time since the June quarter of 2020, which had been hit by the covid-led national lockdown. In 2023-24, capital expenditure announcements had declined by 31% to ₹27.1 trillion.

Among sectors, new investments were down across the board. Manufacturing, which had seen the highest sequential jump in the preceding two quarters, took the biggest hit, dropping from over ₹7 trillion in the March quarter to ₹20,568 crore. Amid this cautious mood, other sectors, including electricity, construction and real estate, and services experienced sequential declines of 84-93%. Latest data for the mining sector was not available.

Project announcements dropped to a multi-year low in the first quarter of FY25

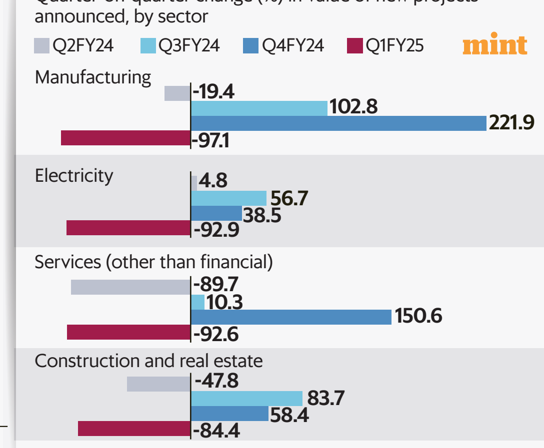
Value of new projects announced, quarterly (₹ trillion)



The numbers for the latest quarter are provisional.

New investments down across sectors after a pick-up in previous two quarters

Quarter-on-quarter change (%) in value of new projects announced, by sector



Excludes mining as the latest data for the sector is not available.

Source: CMIE CapEx, Mint calculations

'Green' Shoots

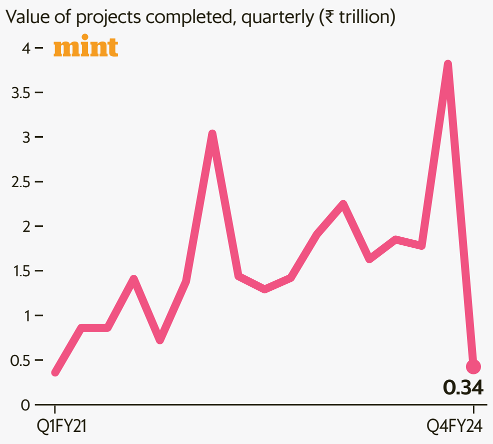
WHILE NEW investment figures were dismally low in the June quarter, historical data shows that a weaker investment mood is typical of the first quarter of a fiscal year, especially in Lok Sabha election years. But among election years, too, this is the first time since the June quarter of 2004 that overall new announcements fell below the ₹1-trillion mark.

"While the new project announcements typically see a seasonal dip in Q1 (April-June) vis-à-vis Q4 (January-March), the new numbers are particularly low, partly owing to the general elections as well as a very high number seen in January-March 2024 (₹12.4 trillion)," said Aditi Nayar, chief economist at Icra Ltd. She further said that these figures are subject to upward revisions, and should be interpreted with caution.

Meanwhile, project-wise investment data throws some enlightening focus on the country's growing sustainable energy grid. The renewable energy sector led the top five announcements in the June quarter. Two central government solar power projects for Solar Energy Corp. of India and NHPC Ltd, each worth ₹7,800 crore, were announced in the quarter. Two other private proposals in Rajasthan, one for a wind power plant project and another related to a solar power plant, worth ₹2,412 crore and ₹4,500 crore, respectively, were among the biggest ones.

Project completion rate was also weak, even lower than the lockdown quarters

Value of projects completed, quarterly (₹ trillion)



Source: CMIE CapEx

Eyes on Budget

EARLIER THIS year, a higher allocation has been made to capital expenditure in the provisional budget for the ongoing fiscal year. Estimates showed that capital expenditure will increase to 3.4% of the projected nominal GDP in FY25 from 3.2% of GDP in 2023-24. However, project completions in the June quarter have begun at a snail's pace, figures indicate.

The value of projects completed during the quarter was about ₹33,581 crore, compared with ₹35,513 crore in the same quarter of the pandemic year 2020. The costliest completed projects in the June quarter were Shree Cement Ltd's integrated cement project (₹2,500 crore) and a solar power project in Madhya Pradesh by Agar Solar Park (₹2,275 crore).

As India moves past the election period, the coming quarters will be crucial in determining whether the investment slowdown is a temporary blip or a signal of economic challenges ahead. The post-election budget due this month could try to restore investor confidence.

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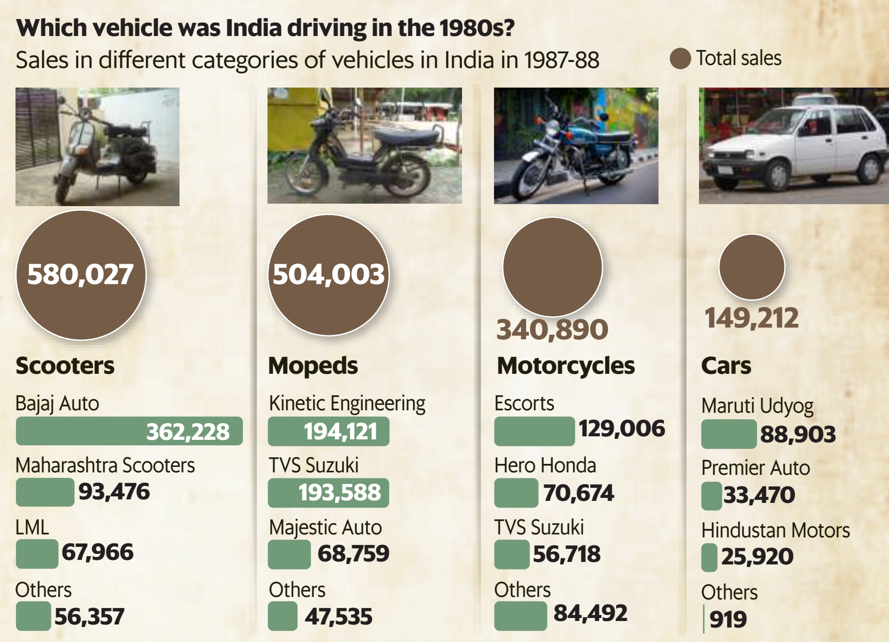
DATA REWIND

Data Rewind is an occasional Plain Facts feature that brings you interesting statistics and charts from yesteryear.

In the late 1980s, India's automobile industry was primarily led by domestic players such as Maruti, Bajaj and Hindustan Motors. While Maruti Udyog (now Maruti Suzuki) led the car segment, Bajaj Auto was the leader in scooters. Among two-wheelers, scooters were the most popular, followed by mopeds and mototcycles. Escorts and Hero Honda were the biggest sellers of motorcycles. Kinetic Engineering was the biggest seller of mopeds, followed by TVS Suzuki and Majestic Auto.

Which vehicle was India driving in the 1980s?

Sales in different categories of vehicles in India in 1987-88



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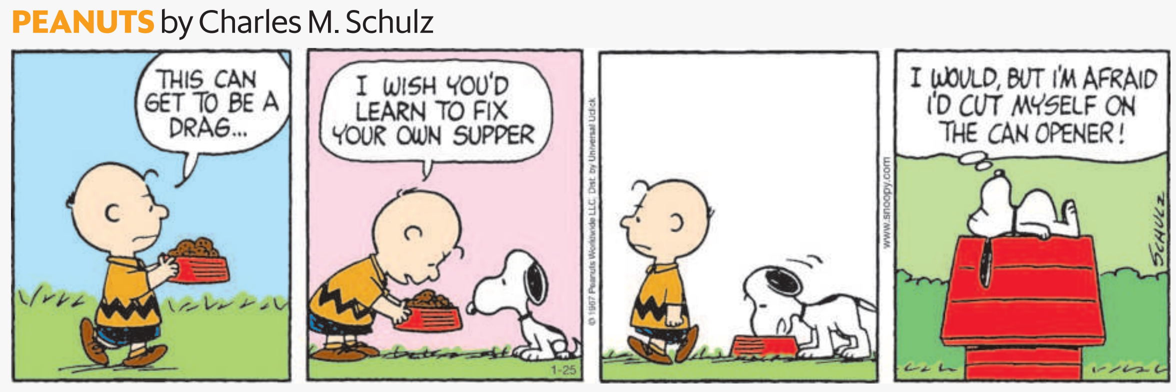
Compiled by Shuja Asrar

Source: Association of Indian Automobile Manufacturers (via CMIE)

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz



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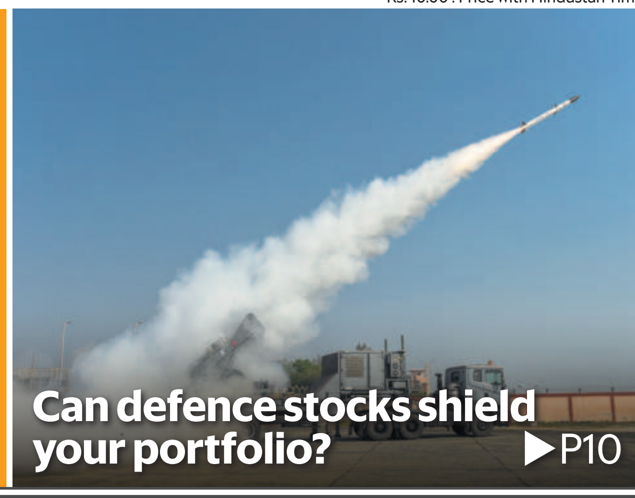

Can defence stocks shield your portfolio? ▶P10

Will Sebi's new exam help you in stock market trading? ▶P11

SENSEX 79,476.19 ↑ 443.46 NIFTY 24,141.95 ↑ 131.35 DOLLAR ₹83.45 ↓ ₹0.06 EURO ₹89.78 ↓ ₹0.48 OIL $86.17 ↑ $0.94 POUND ₹105.74 ↓ ₹0.26

PLI push likely for parts makers of Vande Bharat

Budget move may incentivize domestic production, reduce reliance on imports

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NEW DELHI

The Union budget may unveil a production-linked incentive (PLI) scheme for manufacturing components of Vande Bharat and Linke Hofmann Busch (LHB) train sets, two persons aware of the development said, as the government expands its Make in India push in railways.

Under the proposed scheme, the government will provide output-linked incentives to companies for making parts that are usually imported. The incentives may vary from 5-10%, but actual benefit will be decided after the scheme is finalized.

The first person cited above said that the PLI has been proposed for a period of three years and expected incentives may be in the region of ₹1,000-1,500 crore.

"The finance ministry will evaluate the proposal on its merit to decide the quantum of support that would be extended by the centre for rail component makers," the person said on condition of anonymity.

The scheme would support entities that manufacture rail components like wheels, axles, braking systems, track machines, transmission systems for LHB and Vande Bharat train sets, and parts required by new-generation green trains that would run on alternate fuels and hydrogen.

Queries sent to the ministries of railways and finance remained unanswered till press time.

The initiative is expected to incentivize domestic production, reduce reliance on imports, and encourage foreign manufacturing companies to establish or expand their railway rolling stock units within India.

Top global rail systems and rolling stock manufacturers such as Alstom, Siemens, Stadler, Hitachi, and Hyundai Rotem have presence in India with their own manufacturing facilities or through joint ventures with other Indian entities.

A PLI scheme for rail components will also help these entities to bring their vendors to set up component manufacturing facilities in India and help both their operations and that of the railway sector to grow.

"The PLI scheme is a visionary initiative poised to creating an entrepreneur-friendly ecosystem for the rail components sector in India," said Vivek Lohia, MD, Jupiter Wagons Limited, adding that such a scheme would support import substitution, export-led growth and foreign investments that would provide a supportive environment for MSMEs in the sector.

"With sustained and targeted support from the government, we anticipate significant advancements in the rail components sector, driving India towards a self-reliant and globally competitive manufacturing landscape," said Lohia.

According to industry estimates, India's railway equipment market was valued at about $12 billion in 2023 and is expected to record a CAGR growth of more

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MINT

ENGINE ROOM

FAST TRACK

BUDGET is likely to propose PLI for a period of three years

EXPECTED benefits may be in the region of ₹1,000-1,500 crore

MAKERS of wheels, axles and braking systems to benefit

INDIA RISING BUDGET 2024

Edgy investors tap forensic auditors to vet portfolio firms

Sneha Shah
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Private investors are bringing in forensic auditors early to scan the books of portfolio companies after serial implosions at high-profile startups crushed valuations and wiped out investments. According to investors and auditors, the aim is to detect and fix issues before it becomes too late to put out the fire.

Earlier, private equity and venture capital funds hired forensic auditors only after financial mismanagement and corporate governance issues surfaced.

"There has certainly been a bullish trend in the quantum of forensic investigations and reviews on portfolio businesses, as triggered by the investor community at large, including private equity funds and venture capitalists. The investor community has developed a mature outlook towards forensic activity and a positive acceptance on commissioning of such mandates over a period of time," said Geetu Singh, a partner at KPMG in India.

"There is a conscious acknowledgement that forensic activity is fundamentally a fact-finding mechanism, and now seen as a "need to have" risk management instrument in the investment lifecycle," Singh said.

In the last two years, investors have ordered forensic audits at high-profile startups such as BharatPe, Byju's, GoMechanic, Trell and Zilingo after cases of fraud, financial mismanagement, or corporate governance missteps. However, now, investors are stepping in early.

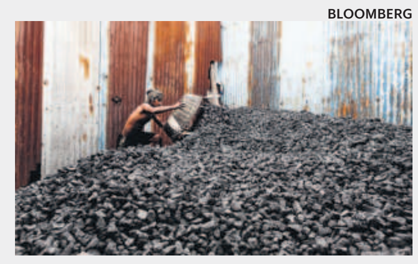
"Earlier, most forensics were being done as part of a new funding round where an incoming investor was seeking diligence report on the prospective investments. But now, the existing portfolio is being scrutinized by these investors," the head of forensic services at

TURN TO PAGE 6

In past 2 years, investors have ordered forensic audits at high-profile startups. ISTOCKPHOTO

DON'T MISS

BLOOMBERG



Tweaks to coal auctions may expand access to more users

The coal ministry is in the process of proposing changes in the way coal auctions are done so that small businesses from a diverse range of sectors are able get steady and long-term supplies of the fossil fuel. >P2

Sensex, Nifty close at new records as banks, IT rise

Benchmark Sensex rose by 443 points to close at a new record high while Nifty settled above the 24,100 mark on Monday on buying in banking and IT shares in line with gains in Asian and European markets. >P4

Beauty firm Purplle raises ₹1,000 cr in round led by ADIA

Omnichannel beauty and personal care products platform Purplle Group on 1 July, declared that it has raised ₹1,000 crore in a funding round led by Abu Dhabi Investment Authority's arm, along with participation from other marquee investors. >P3

Centre to make National Test House as apex certification body

The Union government is working on making the National Test House, an industrial testing lab that reports to the consumer affairs ministry, the apex certification body for all Indian products, two people directly involved in the process said. >P2

Till FY24-end, Punjab's excise policy had allowed distributors and retailers to pick up unlimited stock. MINT

Liquor firms in a twist over permit rollout in Punjab

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A quota introduced on purchase of Indian Made Foreign Liquor (IMFL) by retailers in Punjab has caused consternation among large and mid-scale spirit manufacturing companies alike.

A circular issued in Ludhiana district defined that retailers or retail groups can only buy 1,000 cases of IMFL spirits in a month. If they want more, they would need to apply for an additional permit after submitting a utilization report of the first 1,000 cases. The quota is applicable for the entire state of Punjab. *Mint* has reviewed a copy of this circular.

Companies are estimating that the state's IMFL market of one million cases (of 9 litres each) per month, primarily driven by whisky, could shrink to a fourth because of the new rule. Till FY24-end, Punjab's excise policy had allowed distributors and retailers to pick up unlimited stock.

Poonam Chandel, managing director of NeuWorld Spirits, which makes whiskies like Downing Street and Royal Tribe, said the company is already seeing an impact on business. "Our sales have dropped by 50% since this circular was issued last week," said Chandel. "If it isn't revoked, it will be the death knell for mid-segment and smaller players in Punjab." NeuWorld Spirits began business about two years ago.

According to industry estimates, Punjab has about 230 retail groups with about 6,500 stores. The state had recently announced its FY25 targets for excise revenue to touch ₹10,000 crore from liquor sales, 13% higher than last year's ₹8,850 crore.

Chandel said that while NeuWorld's exports to other states are intact, Punjab remains a major consumer of whisky and vodka. "Both whisky and vodka sales are significantly impacted in the state across a number of companies," she said. "Punjab is a crucial market for us as we are working hard to establish our presence in the state."

Other manufacturers *Mint* spoke with have said that retail groups are only buying in bulk popular brands of bigger companies as they cannot afford to stock products that sell less frequently.

In fact, even the larger players, which may have potentially

TURN TO PAGE 6

Power demand heats up in 2024

By Shuja Asrar and Manjul Paul
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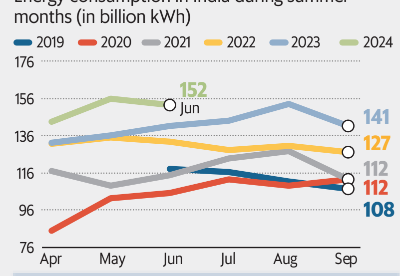
India's power consumption continues to break records in 2024, even though June's heatwave conditions were less severe than those in May. Energy use increased by 8% compared to the same month last year, though it was lower than in May due to the arrival of the southwest monsoon in some parts of the country. June recorded the third-highest energy consumption in the country ever. But more could be in store for the rest of the season: in August last year, energy consumption hit 153.1 GWh, the second highest ever.

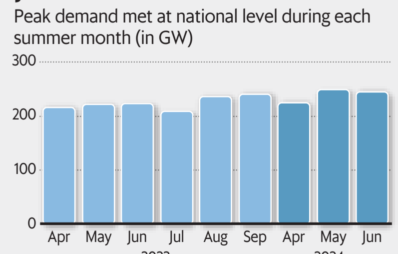
2024 summer all set to create new record

Energy consumption in India during summer months (in billion kWh)



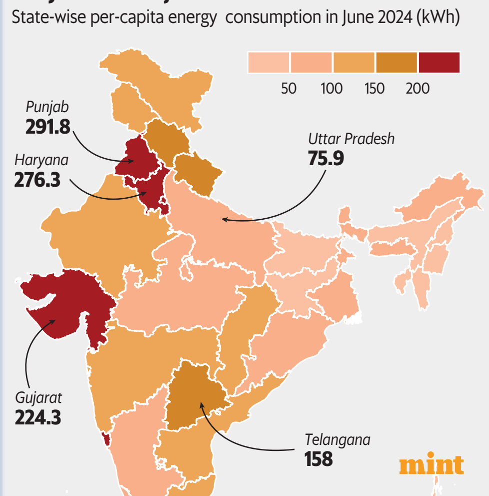
Summer peak demand surpasses last year's levels for 3 consecutive months

Peak demand met at national level during each summer month (in GW)



Energy consumption highest in Punjab, Haryana and Gujarat

State-wise per-capita energy consumption in June 2024 (kWh)



Source: Grid Controller of India, CMIE, Aadhaar population projections, Mint calculations

Demand is measured in kilowatt, and is recorded at a given instant, while consumption is measured in kWh (kilowatt-hours) and denotes a given demand sustained over an hour. 1 gigawatt is a billion kilowatt.

SARVESH KUMAR SHARMA/MINT

KKR sharpens healthcare focus with Kerala BMH bet

Sowmya Ramasubramanian
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BENGALURU

Private equity giant KKR on Monday scooped up a controlling stake in Kerala-based Baby Memorial Hospital (BMH), doubling down on India's healthcare sector where it has made a series of investments in the recent past.

Financial details of the acquisition were not revealed; however, a person familiar with the deal said KKR's KKR's Asian Fund IV bought 70% stake in BMH for ₹2,000 crore, valuing the multi-specialty hospital chain at ₹2,500 crore.

The investment will help the hospital chain's pan-India expansion and medical infrastructure, the private equity firm said.

The deal is part of KKR's effort to increase its exposure to India's growing healthcare sector after making several investments in the space including healthcare revenue solutions provider Infinx and injectables company Gland Pharma. The US private equity fund's India portfolio also includes drugmaker JB Chemicals and Pharmaceuticals Ltd, health tech firm Infinx, and PHC. Recently, KKR acquired a controlling stake in medical device maker Healthium.

According to the Bain India Private Equity Report 2024, healthcare investments in India hit a record $5.5 billion in 2023, with 20% of the capital raised for healthcare allocated to single-specialty hospitals.

Founded in 1987 by K.G. Alexander, BMH operates 1,000 beds across Kozhikode and Kannur in Kerala, offering a range of services from cardiology to orthopaedic care.

Akshay Tanna, KKR's head of India private equity, emphasized the firm's strategic focus on India's healthcare, aiming to extend BMH's reach to more patients across the country.

"We are pleased to be strategic partners with Dr K. G. Alexander and family through this investment, which will aid BMH in expanding its network of hospitals and continuing to invest in medical infrastructure so that its medical services can

TURN TO PAGE 6

KKR plans to support BMH's pan-India expansion plans.

Tech industry wants to lock up nuclear power for AI

Jennifer Hiller
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THE WALL STREET JOURNAL.

Largest tech companies are looking to buy nuclear power directly from plants, which could sap the grid of critical resources

Tech companies scouring the country for electricity supplies have zeroed in on a key target: America's nuclear-power plants.

The owners of roughly a third of U.S. nuclear-power plants are in talks with tech companies to provide electricity to new data centers needed to meet the demands of an artificial-intelligence boom.

Among them, Amazon Web Services is nearing a deal for electricity supplied directly from a nuclear plant on the East Coast with Constellation Energy , the largest owner of U.S. nuclear-power plants, according to people familiar with the matter. In a separate deal in March, the Amazon.com subsidiary purchased a nuclear-powered data center in Pennsylvania for $650 million.

The discussions have the potential to remove stable power generation from the grid while reliability concerns are rising across much of the U.S. and new kinds of electricity users— including AI , manufacturing and transportation—are significantly increasing the demand for electricity in pockets of the country.

Nuclear-powered data centers would match the grid's highest-reliability workhorse with a wealthy customer that wants 24-7 carbon-free power, likely speeding the addition of data centers needed in the global AI race.

But instead of adding new green energy to meet their soaring power needs, tech companies would be effectively diverting existing electricity resources. That could raise prices for other customers and hold back emission-cutting goals.

Even if tech companies were to offset nuclear-power deals by funding the addition of renewable energy, experts say the likely result is more reliance on natural gas to replace diverted nuclear power. Natural gas-fired plants produce carbon emissions but, unlike renewables, can provide round-the-clock power and are cheaper and more practical to build than new nuclear plants.

The nuclear-tech marriage is fueling tensions over economic development, grid reliability, cost and climate goals in states including Connecticut, Maryland, New Jersey and Pennsylvania.

Amazon's deal in Pennsylvania set off alarm bells for Patrick Cicero , the state's consumer advocate. Cicero said he is concerned about cost and reliability if "massive consumers of energy kind of get first dibs." It is unclear if the state currently has the regulatory authority to intervene in such deals, he said.

"Never before could anyone say to a nuclear-power plant, we'll take all the energy you can give us," said Cicero.

"To supplement our wind- and solar-energy projects, which depend on weather conditions to generate energy, we're also exploring new innovations and technologies, and investing in other sources of clean, carbon-free energy," an Amazon spokeswoman said.

A new arrangement

The data center that Amazon purchased in Pennsylvania can receive up to 960 megawatts of electricity, enough to power

TURN TO PAGE 6

The new interest in nuclear power is part of a reversal of fortune for firms that own power plants in competitive markets. BLOOMBERG

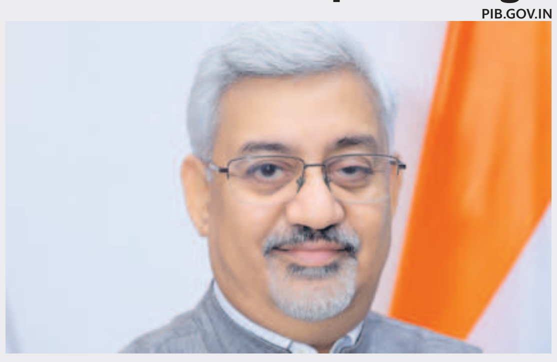
MINT SHORTS

India, four SE Asian countries plan instant cross-border payments

Mumbai: The central banks of India, Malaysia, Thailand, Singapore and the Philippines are working together to start an instant cross-border retail payments platform by 2026, the Bank of International Settlements (BIS) said on Monday. BIS said it aims to link each country's instant digital payment system—like India's United Payment Interface—as part of Project Nexus, its initiative to enhance cross-border payments. REUTERS

India, Australia eye deeper ties in critical minerals, processing

PIB.GOV.IN



New Delhi: India and Australia are looking at ways to increase cooperation in critical minerals and their processing besides battery production, commerce secretary **Sunil Barthwal** said on Monday. Both countries have signed an interim free trade agreement and are in talks to expand that into a comprehensive pact, he said. Australia is the largest producer of lithium in the world. PTI

97.87% of ₹2,000 notes back with RBI, ₹7,581-cr worth still with public

Mumbai: The Reserve Bank of India (RBI) on Monday said 97.87% of the ₹2,000 denomination banknotes have returned to the banking system, and only ₹7,581 crore worth of the withdrawn notes are still with the public. On 19 May 2023, RBI announced the withdrawal of ₹2,000 denomination banknotes from circulation. The notes worth ₹3.56 trillion were in circulation at the close of business on 19 May 2023. PTI

Jet fuel price increased by 1.2%, commercial LPG rate cut by ₹30

MINT

New Delhi: Jet fuel price was hiked by 1.2% on Monday while that of commercial cooking gas (LPG) used by hotels and restaurants cut by ₹30 per 19-kg cylinder in line with international oil price trends. Aviation turbine fuel price was hiked by ₹1,179.37 per kilolitre, or 1.2%, to ₹96,148.38 per kilolitre in the national capital, according to a price notification of state-owned fuel retailers. PTI

Coal India's production grows 8% in June qtr to 189.3 million tonnes

New Delhi: State-run Coal India Ltd (CIL) has reported a near 8% year-on-year increase in coal production for the first quarter of FY25, reaching 189.3 million tonnes (mt). This is up from 175.5mt in the same period last year, exceeding its target of 189.2mt. All seven of CIL's production arms recorded positive growth, with five surpassing their targets, according to a company statement on Monday. RITURAJ BARUAH

Comm min seeks views of depts on measures to revive SEZs: Official

New Delhi: The commerce ministry has sought views of departments on proposed measures to revive special economic zones (SEZs) and facilitate business transactions between SEZ and the domestic market, a senior official said on Monday. The official said the ministry has suggested allowing the sale of products manufactured in SEZs in the domestic market on payment of duty foregone on inputs as that would help promote value addition. Units in SEZs now are allowed to sell their products in the DTA on payment of duties on an output basis (finished goods). PTI

Govt set to outline changes in coal auction policy soon

It will soon circulate a draft note for the cabinet; the move aims to benefit small businesses

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NEW DELHI

The coal ministry is in the process of proposing changes in the way coal auctions are done so that small businesses from a diverse range of sectors are able get steady and long-term supplies of the fossil fuel.

It will shortly circulate a draft note for the Cabinet outlining changes in the policy on auction of linkages—industry jargon for supply contracts—to benefit small businesses in sectors such as steel, cement, fertilizers and captive power producers.

It will also advocate setting up a separate window of e-auctions for long-term coal linkage without "end-use restrictions" that determine what the coal is being used for.

These e-auctions are conducted by state-run companies, including Coal India Ltd. E-auctions allow spot and short-term purchases.

This would mark a radical change in policy as, so far, only power companies and companies in non regulated sectors, mostly large steel and cement makers have been allowed to participate in long term coal supply auctions, with restrictions on the use of coal.

The policy under works is largely focused on micro, small and medium enterprises (MSMEs) from the non-power sectors, which also fall under the category of non-regulated sector or NRS.

Their exclusion has meant that MSMEs have to depend on spot e-auctions, prompting them to turn to imported coal in order to get some long-term certainty of supply.

This would allow not only MSMEs but also coal washeries and traders to tie up long-term supply of coal. The idea is to provide long-term supplies to these segments through a separate auction window for state-run coal companies, said two people in the know of the development.

"For medium and small consumers the only window available is e-auction window. And in that e-auction, the quantities are low and availability is erratic. So, e-auctions do not assure sustained availability of coal in higher quantum for these small consumers," said one of the two people mentioned above.

"Then these small business and traders turn to imports to ensure availability of coal, leading to the increase in the country's import dependency. To avoid that, we are going to open a separate window for long term linkage without end-use restriction. It will require the cabinet's approval for which the draft note is being prepared and will be circulated soon."

Another person said that the possible change in the auction regime for coal linkages comes as the market dynamics in the country have changed over the past few years due to increased availability of coal and the government's focus on reducing imports.

"The ministry has been contemplating to modify the NRS Policy 2016, to include a separate window having without any specific end uses for the NRS linkage auction and last week it also held stakeholders consultation on the same," said the second person, adding that the move would widen the market for domestic coal.

Recently, *Hindu BusinessLine* newspaper had reported that the ministry is planning to offer long-term coal linkages to the non-regulated sector consumers, without end-use restrictions.

In the last financial year, coal mining companies dispatched almost 163 million tonnes of coal to the non-regulated sector, a growth of around 22% compared with FY23.

The plan comes at a time when investors are losing their appetite for fossil fuels and the global energy investment landscape is rapidly changing to a focus on environmental, social and governance (ESG) investing.

Queries sent to the ministry of coal remained unanswered till press time.

The coal ministry plans to advocate the setting up of a separate window for e-auctions for long-term coal linkage without "end-use restrictions". MINT

163mt Coal mining cos sent in FY24 to non-regulated sector

22% The rise in coal despatches from FY23

Rain below normal in June; July to see pickup

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India recorded below-normal rainfall in June, but the India Meteorological Department (IMD) expects above-normal precipitation across most parts of the country in July.

The forecast comes as a relief for the agriculture sector, as June and July are considered critical months for sowing *kharif* crops. According to agriculture ministry data released on Friday, farmers have planted kharif crops over 24.1 million hectares, up 33% compared to last year.

India recorded 16 days of below-normal rainfall between 11 and 27 June, ending the month with an 11% rainfall deficiency, the highest in five years.

The country received 147.2mm of rainfall compared to the average of 165.3mm in June, the seventh lowest since 2001. June precipitation accounts for 15% of the total rainfall during the four-month monsoon season (June-September), which averages 87cm, IMD director general Mrutyunjay Mohapatra said at a press conference on Monday.

However, the IMD expects normal to above-normal rains in July, with rainfall expected to be more than 106% of the long-period average of 87cm, barring some parts of north-east, north-west, east and south-west peninsular India.

June GST proceeds swell 7.7% to ₹1.74 tn

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Central and state governments collected ₹1.74 trillion in Goods and Services Tax (GST) receipts in June, 7.74% more than the proceeds from the indirect tax a year ago, a person with direct knowledge of the matter said on Monday.

To be sure, June's GST proceeds were lower than the record GST collection of ₹2.1 trillion reported in April. But they were in line with the trend of robust GST revenue receipts.

GST collections during May stood at ₹1.73 trillion.

GST revenue in May and June, representing transactions in the first two months of the new financial year (FY25), was expected to come down from April's high—the outcome of year-end sales by companies.

As part of the settlement of taxes on account of inter-state sales, the Central government collected ₹39,586 crore while states collected ₹33,548 crore in June, the person mentioned above added, under the condition of anonymity.

During the April-June 2024 period (Q1FY25), gross GST collection stood at ₹5.57 trillion, up from ₹5.06 trillion during the year-ago period.

A finance ministry spokesperson didn't immediately respond to emailed queries.

"Overall GST collections have shown an encouraging trend over last few months," Pratik Jain, Partner, PwC India.

"The industry hopes that the trend will enable the GST council to reinitiate the rate rationalisation exercise as indicated in the last council meeting," Jain added.

The GST proceeds for June came from sales in May.

Gross GST collections have nearly tripled annually from ₹7.41 trillion in FY18 to ₹20.18 trillion in FY24.

During Q1FY25, gross GST collection stood at ₹5.57 trillion, up from ₹5.06 trillion during the year-ago period

India eyes Bharat foods to cut inflation

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The Centre has spent nearly ₹2,000 crore on providing Bharat rice and wheat under the price stabilization fund (PSF) scheme to help tame food inflation.

In the interim budget for FY25, the budget estimates for food subsidies is ₹2.05 trillion against the FY24 revised budget of ₹2.12 trillion and FY23's expenditure of ₹1.97 trillion.

Experts said the government's retail interventions on food—buying grains, milling them and selling them at discounted prices—has helped the poor.

"The proportion of income used by people at the bottom of the pyramid for consuming cereals is more than the people in the upper bracket.

If you look at it that way, you will find that the people at the bottom of the pyramid, or the lower 50% or so, are facing higher inflation than the rest and that is reflecting on slower consumption growth," said Devendra Pant, chief economist of India Ratings.

While food inflation in May eased a tad to 8.69% from 8.7% in April, retail inflation in wheat rose to 6.5% last month from 6% a month ago but cooled to 12.3% from 12.5% in the case of rice.

Retail inflation in May dropped to 4.75% from 4.83% in April.

The government spent ₹947 crore on Bharat chawal and ₹956 crore on Bharat Atta since their launch in November until June, a senior official said.

The government launched Bharat atta at a subsidized price of ₹27.5 per kg after it announced the scheme in February 2023 at ₹29.5 a kg to keep prices in check. Bharat rice was launched this February at ₹29 per kg amid a steep rise in retail prices of the grain.

These two kitchen staples are supplied by the Food Corp. of India (FCI) to the government's three central procurement agencies—National Agricultural Cooperative Marketing Federation of India (Nafed), the National Cooperative Consumers Federation of India Ltd (NCCF) and Kendriya Bhandar.

These are then sold to consumers or given free of charge to the poorest, through mobile vans, fair price shops and online sellers.

These three agencies have so far sold 991,000 tonnes of rice and nearly 1.3 million tonnes (mt) of atta.

The PSF was set up in 2014-15 with a corpus of ₹500 crore to maintain a strategic buffer stock that would discourage hoarding and unscrupulous speculation, protect consumers by supplying commodities at reasonable prices through the calibrated release of stock from the buffer, and incentivize domestic production through direct purchase from farmers and farmers' associations at the farm gate or mandi.

Until the launch of Bharat atta and rice, only onions, potatoes and pulses were part of the PSF. Now, the government gives a payout to FCI for supplying Bharat atta and rice to Nafed, NCCF and Kendriya Bhandar.

The FCI is getting a subsidy or discount from PSF in the range of ₹435 to ₹585 for a quintal of wheat and ₹541 per quintal of rice supplied to Nafed, NCCF and Kendriya Bhandar for processing these and then selling under the Bharat brand.

The government launched Bharat atta at a subsidized price of ₹27.5 per kg after it announced the scheme in February 2023. PTI

Bharat rice was launched this February at ₹29 per kilogram amid a steep rise in retail prices of the grain

National Test House to be apex certification body for Indian products

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The Union government is working on making the National Test House (NTH), an industrial testing lab that reports to the consumer affairs ministry, the apex certification body for all Indian products, two people directly involved in the process said, after a string of export order rejections.

A series of labs will be set up across the country to work under the NTH. They will be responsible for issuing the final certification for all products, including food, spices and organic products. The NTH will ensure the products meet global standards and are internationally recognized, the people cited above said.

The establishment and operation of NTH labs are expected to be completed within the first 125 days of the new government. The testing is meant for those regions where there is a critical need for certification.

Agencies with doubts about the quality of any product can also ask manufacturers to obtain an NTH testing certificate. Companies can directly approach NTH to have their samples tested at NTH labs to avoid any lapses.

This move to enhance the reliability and credibility of product quality assessments in India comes against the backdrop of Indian products being rejected in other countries over sub-standard quality, denting the country's image globally.

"In recent months, the rejection of spices and other food products, including organic foods, by Hong Kong, Singapore and the US has highlighted the need for an apex testing body," the first person said.

"This agency would be responsible for counter-validating samples that have failed tests in other countries."

The NTH labs would certify organic food products for both domestic consumption and products intended for export, this person added.

"The certification by NTH will be final, and companies or food regulators can send their certified samples for re-validation of a product," this person said.

Currently, samples are certified by the testing labs of the Bureau of Indian Standards (BIS), the Agricultural and Processed Food Products Export Development Authority (Apeda), and the Food Safety and Standards Authority of India (FSSAI).

These agencies have their own labs across the country and accredit private labs for this purpose. In the event of a test failure, there is no apex body to retest. "It is being developed based on the testing protocols of world-renowned global testing agencies. This will help ensure the smooth export of food products and various other items like drones and electrical goods," the second person said.

"Not only manufacturers, but consumers can also have their products retested at the NTH labs."

The century-old NTH is also testing drones among other products.

Queries sent to the spokesperson of the consumer affairs ministry and NTH remained unanswered till press time.

The establishment and operation of NTH labs are expected to be completed in the first 125 days of the new government. JACOB KOSHY

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First published in February 2007 to serve as an unbiased and clear-minded chronicler of the Indian Dream.

RAVI KRISHNAN (EDITOR); PUBLISHED/PRINTED BY **MANHAR KAPOOR** ON BEHALF OF HT MEDIA LTD, 18-20 Kasturba Gandhi Marg, New Delhi 110001

Printed at HT Media Ltd presses at •Plot No. 8, Udyog Vihar, Greater Noida, Distt Gautam Budh Nagar, Uttar Pradesh 201306; •MNSPrinters Pvt. Ltd, 345/4, Bhatrahalli, Near KR Puram RTO, Old Madras Road, Bangalore 560049; •Saraswati Print Factory Pvt. Ltd, 789, Chowbhaga (W), Near China Mandir, Kolkata 700 105; •MNSPrinters Pvt. Ltd, 76/1, Poonamallee High Road, Velappanchavadi, Chennai 600077; • Bhaskar Print Planet, Survey No. 148P, Changodar Bavla Highway, Sanand (Tal), Distt Ahmedabad, Gujarat. •Jagati Publications Ltd, Plot No. D75 & E52, APIE Industrial Estate, Balanagar, Rangareddy Distt. Hyderabad 500037 *Also available in Chandigarh, Pune and Lucknow.
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MINT SHORTS

Wify raises funding from Mount Judi Ventures and others

Bengaluru: Wify has raised around $3 million (₹25 crore) in a round co-led by Mount Judi Ventures, and Capria Ventures. The round also saw participation from Blume Founders Fund and other undisclosed existing investors. The funds will be used to penetrate deeper into existing categories with value-added services, expand into new categories, hire talent and develop its software, and technological capabilities. K. AMOGHAVARSHA

Govt to hold 'Global IndiaAI Summit' to discuss AI issues

REUTERS

New Delhi: The ministry of electronics and information technology will organise a global AI summit on Wednesday and Thursday in New Delhi to discuss issues related to AI, with India firmly committed to ethical and inclusive growth of the technology. Through the 'Global IndiaAI Summit 2024', India aspires to establish itself as a global leader in AI innovation, ensuring that AI benefits are accessible to all and contribute to the nation's socio-economic development. The summit will provide a platform to leading AI experts to share insights on key AI issues and challenges. PTI

Antler, 8i Ventures and others back video telematics startup Cautio

Bengaluru: Cautio has raised $779,006 (₹6.5 crore) in a pre-seed funding round. The funding, which was a mix of equity and debt, saw participation from Antler, 8i Ventures, and AU Small Finance Bank; along with Cautio's early customers and undisclosed angel investors. The startup, however, did not disclose the exact split of the equity and debt secured. K. AMOGHAVARSHA

Healthtech startup Shealth.AI secures seed funding

Bengaluru: Healthtech startup Shealth.AI has raised $100,000 (₹83 lakh) in a seed funding round from XVC.Tech. Shealth.AI, an artificial intelligence (AI)-based platform, has developed AI-based tools, such as virtual health assistants, medication management systems, and digital consultation services. The primary targets for the firm are healthcare institutions. K. AMOGHAVARSHA

Indian astronaut will fly to space; you can apply too

US agency Sera says anyone with proof of Indian citizenship can apply to fly for a fee of $2.5

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Jeff Bezos-backed Blue Origin does not publish its launch schedule ahead of time. BLOOMBERG

The Space Exploration and Research Agency (Sera) has included an Indian in an upcoming suborbital manned spaceflight as part of a programme designed to increase interest in space activities.

This will be the second time that an Indian citizen will fly to space and also the second time an Indian-origin individual will travel on a Blue Origin mission.

The mission was announced on Monday, and registrations will begin in August. Sera, a US agency, said in a statement that any individual with proof of Indian citizenship can apply to be chosen to fly aboard a Blue Origin space tourism mission for a fee of $2.5 (~₹200). Six astronauts from various participating nations will fly on Blue Origin's reusable New Shepard rocket.

The timeline for the launch of the mission was not disclosed. Joshua Skurla, co-founder of Sera, told *Mint* in an interview that the process of voting and selection of the astronaut will run for about six months, and the mission will take place in the coming years. Jeff Bezos-backed Blue Origin does not publish its launch schedule ahead of time.

Individuals who register will get to put up their own astronaut page and will be needed to seek out public votes. The final candidate will be the individual who gets the most number of public votes, and will be flown to Blue Origin's Texas base for a three-day training period prior to taking off.

Sam Hutchinson, cofounder of Sera, confirmed that all costs of the mission will be borne by the body, which counts Blue Origin as one of its partners.

"We are a privately funded space company, and we're looking at establishing a commercial platform to offer space launch and scientific experiment services in the near future. We'll draw revenue from such operations going forward—as of now, all costs of the mission will be funded for the participants," he said.

Sera, a privately funded entity, has raised capital many times since 2022. Skurla and Hutchinson did not disclose the quantum of funding raised so far.

Blue Origin, which is owned by Amazon founder Bezos, is a commercial space firm that specialises in building reusable rockets akin to Elon Musk's SpaceX—in a bid to make space travel more affordable. The ongoing crop of missions seeks to establish commercial space tourism and also carry scientific payloads for ancillary experiments.

The spaceflight in question is suborbital, which suggests that the New Shepard launcher will not attain escape velocity to go beyond earth's gravitational forces.

However, Blue Origin and Sera advertise that the mission will go beyond 100 km above the earth's surface, surpassing the Karman line—the globally accepted threshold between the earth's atmosphere and outer space. The entire duration of the spaceflight will be 11 minutes.

The chosen candidate will become only the second Indian citizen to fly to space, four decades after squadron leader Rakesh Sharma flew into orbital space aboard the erstwhile Soviet Union's Soyuz-T11 mission. However, the Blue Origin mission will be suborbital, keeping Sharma the only Indian citizen to cross into outer space.

Read an extended version of this story at livemint.com.

UNIVERSAL INDIAN

THIS will be the second time that an Indian-origin individual will fly to space.

THE mission was announced on Monday, and registrations will begin in August.

SIX astronauts from various participating nations will fly on Blue Origin's New Shepard rocket.

VOTING, selection will take about six months. Mission will be undertaken in the coming years.

Meta hit by EU warning on ad-free Insta, FB

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Meta Platforms Inc. has been slapped with a warning over its subscription model for ad-free services on Instagram and Facebook, risking potentially heavy fines in the European Union's latest attack on Big Tech under tough new rules.

EU regulators announced Monday that the so-called pay-or-consent policy falls foul of the EU's Digital Markets Act (DMA) because the new model "forces users to consent to the combination of their personal data," while not being offered a less personalized version of either Facebook and Instagram.

"Our preliminary view is that Meta's advertising model fails to comply with the Digital Markets Act," said Margrethe Vestager, the European Commission's antitrust chief. "We want to empower citizens to be able to take control over their own data and choose a less personalized ads experience."

The DMA lays out a series of dos or don'ts for some of the world's largest tech platforms. The EU's move is a preliminary step. But eventual fines for breaches can be as high as 10% of global annual revenue, or 20% for repeated violations.

Meta introduced separate, ad-free versions of Facebook and Instagram in November to ward off regulatory pressure on processing of users' data. The company said in a statement that the new model complies with the DMA and the company looks forward "to further constructive dialog with the European Commission to bring this investigation to a close".

Fibe to focus on profitability after big rise in FY24 AUM

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The lending platform expects business growth to moderate this fiscal year. ISTOCKPHOTO

Digital lending platform Fibe, which closed a $90 million financing round last month, expects business growth to moderate this fiscal year as it intends to sharpen its focus on improving operational efficiency and boosting its bottom line, a top executive told *VCCircle*.

Fibe, which operated under the EarlySalary brand earlier, nearly doubled its assets under management during the year ended 31 March 2024 and now expects the AUM to grow by 50-60% this fiscal year.

"It's also not the time to grow too fast, risk levels are high in the market. Controlled growth is important," said Akshay Mehrotra, co-founder and chief executive of Fibe.

The company says it is prioritizing acquiring high-quality customers instead of merely boosting volumes. "Our focus is on achieving controlled growth in a sustained manner by building a strong and reliable customer base. This approach ensures long-term stability and better operational efficiency, which aligns with our strategic objectives," he said.

VCCIRCLE

The Pune-based startup ended FY24 with an AUM of about ₹4,000 crore, up from ₹1,963 crore a year earlier and ₹1,091 crore at the end of FY22. A 50-60% growth would take the AUM to nearly ₹6,000-6,500 crore by March next year.

Like other fintech lenders, Fibe's lending operations and its tech platform are housed under different entities. While EarlySalary Services Pvt. Ltd, a non-banking finance company, actually disburses the loans to its clients, the tech platform is operated by the parent company Social Worth Technologies Pvt Ltd.

The nine-year old startup, backed by the likes of TR Capital, Amara Partners, TPG Rise, Norwest Venture Partners, offers personal loans and impact loans such as healthcare loans, edtech loans, insurance financing, and school fee financing. Except for FY2021, during which the company's revenue took a hit due to covid like most companies, Fibe has been growing at a rapid pace.

Brainbees IPO gets Sebi nod

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Three more companies obtained Sebi's approval to float initial share sale. REUTERS

Brainbees Solutions Ltd, the parent firm of online e-commerce platform FirstCry, has received Sebi's approval to raise funds through an initial public offering (IPO), an update with the markets regulator showed on Monday.

Apart from this, three more companies—SaaS platform Unicommerce eSolutions, Maharashtra-based Gala Precision Engineering and Interarch Building Products—obtained the regulator's nod to float the initial share sale.

These companies—who filed their preliminary IPO papers with Sebi between January and May 2024—obtained the regulator's observations during 25-28 June, according to the update.

In Sebi's parlance, obtaining its observations means its approval to float the public issue. According to the fresh draft red herring prospectus (DRHP), Pune-based Brainbees Solutions' proposed IPO is a combination of a fresh issue of equity shares, aggregating up to ₹1,816 crore ($217 million) and an offer for sale (OFS) of up to 54.4 million equity shares by existing shareholders.

Under the OFS, SVF Frog, a Cayman Islands-registered entity of Softbank, will sell 20.3 million equity shares of Brainbees Solutions Ltd, and automaker Mahindra & Mahindra (M&M) will offload 2.8 million shares of the company.

Currently, Softbank holds a 25.55% stake in Brainbees Solutions, and M&M owns a 10.98% stake in the multi-brand retailing platform.

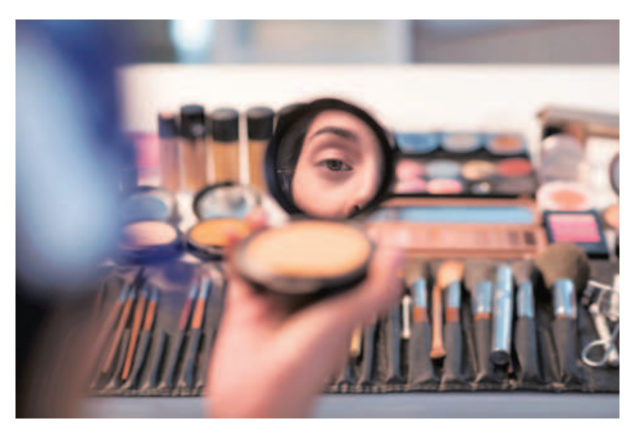
Apart from Softbank and M&M, other entities selling shares in the OFS are PI Opportunities Fund, TPG, NewQuest Asia Investments, Apricot Investments, Valiant Mauritius, TIMF Holdings, Think India Opportunities Fund and Schroders Capital.

Brainbees Solutions re-filed preliminary papers with Sebi in May after the company was directed by the regulator to re-file the draft papers, citing insufficient disclosure of key performance indicators (KPIs), market sources had said.

The firm's key performance indicators include its number of orders, average order value and annual transacting customers.

Unicommerce's issue is entirely an OFS, aggregating up to 29.8 million equity shares by selling shareholders.

Under the OFS, SB Investment Holdings (UK) Ltd, an affiliate of Japan's SoftBank, will offload 16.1 million shares, promoter AceVector Ltd will sell up to 14.1 million shares, and B2 Capital Partners will sell up to 2.2 million shares.



The beauty and personal care products platform plans to open more offline stores this year. ISTOCKPHOTO

Purplle Group raises ₹1,000 cr in round led by ADIA

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Omnichannel beauty and personal care products platform Purplle Group on 1 July, announced that it has raised ₹1,000 crore ($119 million) in a funding round led by an arm of Abu Dhabi Investment Authority (ADIA), along with participation from other marquee investors.

Cumulatively, the start-up has now raised more than $500 million, while its pre-money valuation has increased to $1.25 billion in the latest funding round, from the $1.1-billion valuation it had received in its previous funding round. Pre-money valuation refers to the company's valuation before it goes for the next external funding round.

Purplle, in a statement, said that the latest funding round includes a combination of primary and secondary shares.

"In increasing its shareholding in Purplle, ADIA has continued to support us as we pursue our vision of building a sustainable and profitable business," said Manish Taneja, co-founder and CEO of Purplle.

Mint had reported on talks of the funding round in April and said that the company plans to open more offline stores this year, as it seeks to keep up with the changing preferences of customers looking for more hybrid modes of shopping.

Founded in 2012 by Taneja and Rahul Dash, Purplle sells beauty and personal care products, typically catering to households with an annual income of ₹5-30 lakh.

Most of its target market resides in tier II and tier III towns, and it gets about half of its revenues from more than 78 cities, such as Mysuru, Coimbatore, Kochi, Ernakulam, Kozhikode and Siliguri.

"It is our mission to democratise beauty and make it accessible to all, and while we have reached many beauty enthusiasts across India, we have a long way to go," said Taneja.

"We will constantly innovate and leverage our technology and data capabilities to provide our customers with the best omnichannel experience," he added.

Taneja told *Mint* in April that the company, which has just two offline stores currently, plans to open five to 10 more in the next few months.

Pre-money valuation of the omnichannel platform has risen to $1.25 billion in the latest funding round

MSMEs bet on creator economy, ditch traditional marketing

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MSMEs are recruiting influencers as they are affordable, help to create brand awareness, trackable and attributable to sales.. MINT

Micro, small and medium enterprises (MSMEs) are recruiting influencers for marketing instead of the traditional routes as the former is affordable, helps to create brand awareness, is trackable and is attributable to sales. Some have raised their expenditure on influencer marketing by three to four times to reach out to their target customers.

"Influencer marketing is a very productive medium for MSMEs to build their brand as it is both affordable and targeted," said Anil Bharadwaj, secretary general of the industry association Federation of Indian Micro and Small & Medium Enterprises (Fisme). "A targeted approach helps influencers raise awareness for a product or service among a specific niche group of audiences that fall under the total addressable market," he told Mint.

MSMEs are typically businesses with an annual turnover of less than ₹250 crore, and many of them sprouted during the pandemic, around the same time that social media influencers gained popularity.

Ghar Soaps, a Pune-based skincare brand incepted in 2019, has been leveraging influencer marketing "aggressively" for the past two years. "Earlier, we spent ₹5,000-10,000 a month on influencer marketing. But when we realized that it helped us grow our revenue threefold, we started spending up to ₹50 lakh a month collaborating with around 40-50 creators," said Sunny Jain, co-founder of the soap brand, which now has a turnover of ₹50 crore.

Since the budgets are smaller than what a large company can afford, MSMEs look at influencers who are starting out.

Neha Sharma, a beauty influencer with 100,000 followers on Instagram handle @that_dusky_beauty and 210,000 subscribers on YouTube, did her first paid collaboration with Ghar Soaps when she had 50,000 followers in June 2023.

"MSMEs see a higher return on investment in influencer marketing due to its affordability. They are keen to pay us a good price, which is way higher than our regular job salaries, so it is a win-win for both," said Sharma, 60% of her collaborations every month are with MSMEs, while she is also getting offers from larger brands. Some are targeting a younger customer base aged 18-24 years who are more digital savvy, they are building teams to track influencers and get them on board for a contract period of six months.

"Digital marketing tools and social media platforms offer MSMEs low-cost opportunities to reach their target audiences through influencers. Micro-influencers, in particular, are helping small businesses push their brand narratives at a fraction of the cost of larger brands' ad and TV campaigns," said Neha Aggarwal, a partner at Deloitte, who tracks the MSME sector. Micro-influencers are creators with a follower count between 10,000 and 100,000.

Sam and Marshall, a Delhi-based eyewear brand, is collaborating with influencers to push their premium products among young audiences. "As a micro MSME, we want to use our money at places that can bring us higher returns," said Anushka Raj, the brand manager of the firm.

Some raised their expenditure on influencer marketing three to four times to reach out to their target customers

	S&P BSE Sensex	Nifty 50	Nifty 500	Nifty Next 50	Nifty 100	S&P BSE Mid-cap	S&P BSE Small Cap
Close	79,476.19	24,141.95	22,727.60	72,197.25	25,155.70	46,670.66	52,951.73
Percent change	0.56	0.55	0.74	0.94	0.59	1.11	1.58
Previous close	79,032.73	24,010.60	22,559.70	71,523.45	25,007.25	46,158.35	52,130.41
Open	79,043.35	23,992.95	22,580.40	71,727.50	25,004.00	46,344.08	52,404.70
High	79,561.00	24,164.00	22,739.70	72,247.65	25,172.95	46,711.27	52,981.03
Low	78,971.79	23,992.70	22,570.40	71,536.05	24,996.65	46,220.02	52,371.12

MINT SHORTS

Mid-east sovereign-backed deals at 15-year high

Sovereign wealth funds controlled by oil-rich Middle East countries have furthered their domination of deals done by global state-backed investors to the highest levels in about 15 years. Institutions including Saudi Arabia's Public Investment Fund, Abu Dhabi Investment Authority and Qatar Investment Authority made up 54% of the $96 billion deployed by state-controlled funds globally in the first half of 2024, according to data from GlobalSWF. That's the highest rate since 2009, it said. The figures reinforce how important the Middle East's funds, which together control over $4 trillion of assets, have become for global capital flows. Bankers, investment titans and tech industry chiefs from around the world have been increasingly drawn to the region. "Gulf-based and particularly, Abu Dhabi-based funds, have received significant windfall from oil," Diego Lopez, managing director of GlobalSWF said in a report. BLOOMBERG

The BOE is expected to start easing policy as early as August. BLOOMBERG

UK yield curve inversion ends as BOE rate cuts come into view

An anomaly that has plagued the UK bond market for more than a year ended on Monday, with the 10-year yield rising back above the two-year. The move restores what is considered to be a normal state of affairs, and shows investors are pricing an end to the era of tight monetary policy that had distorted rate markets. Ever since May 2023, two-year notes have yielded more than 10-year securities. That's known as an inversion, because it upends the traditional relationship between long- and short-term rates. It comes as the Bank of England drove up borrowing costs to a 15-year high last year to quell inflation. The BOE is expected to start easing policy as early as August, with odds of a quarter-point cut next month holding close to 55%. The market is pricing a high chance of one more additional reduction this year, bolstered by data that showed consumer prices in May slowed back to policymakers' 2% target. BLOOMBERG

Will mfg PMI's Jun comeback last?

Harsha Jethmalani
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The momentum in business activity in India's manufacturing sector has bounced back. The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index (PMI) rose to 58.3 in June from a three-month low of 57.5 in May. A reading above 50 indicates expansion.

The headline index remains well above the long-term average but final June reading was a tad below the preliminary estimate (Flash PMI) of 58.5.

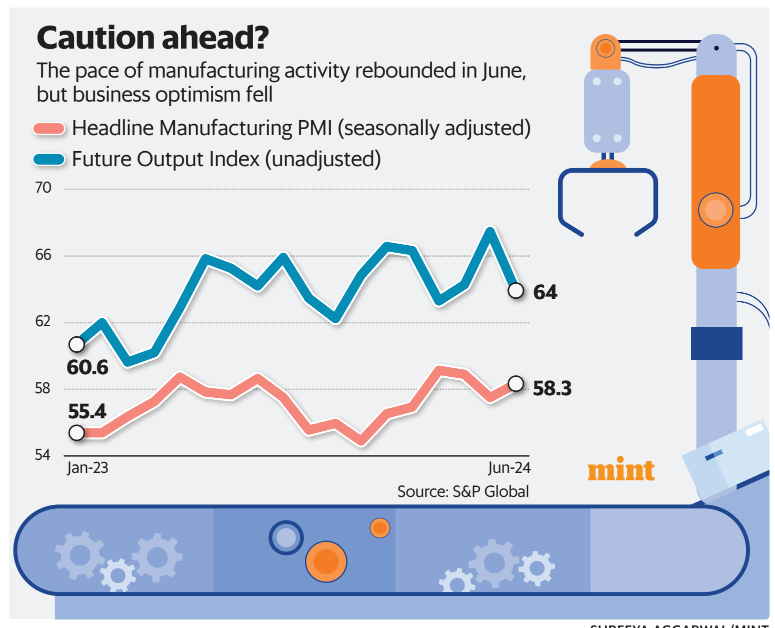
The improvement in business conditions was attributed to buoyant domestic demand that brought more new orders. The PMI sub-index tracking new export orders saw a slower rate of expansion in June than May. But given the slow growth in developed economies, trends in exports must be watched.

For now, to meet higher demand, Indian manufacturers have pushed the pedal on hiring. In fact, the rate of job creation in the manufacturing sector was sharp and the strongest seen since PMI data collection began in March 2005. So, staff expenses rose in June.

This comes when input cost pressures are already elevated. Rising material (aluminium, plastic and steel) and transport costs caused overall increase in manufacturers' operating expenses.

The rate of input price inflation has eased since May, but was nonetheless among the highest since August 2022.

Solid demand has meant companies are enjoying pricing power. They continue to pass on the burden of increased costs to end-consu-mers in the form of price hikes. Selling charges were raised to the greatest extent in over two years in June, said the PMI report. For how long this pricing power lasts will depend largely on sustenance of demand.



SHREEYA AGGARWAL/MINT

Nearly 29% of those surveyed for the report expect manufacturing output to grow over the coming year. According to the PMI report, firms are forecasting further improvements in demand and order book volumes in the year ahead, with advertising and greater client enquiries underpinning the optimism.

Even so, the overall level of confidence among Indian manufacturers receded to a three-month low in June. The Future Output index—a PMI gauge of business optimism—declined to 64 in June from 67.4 in May.

A look at actual data of macro-economic parameters points to some downside risks to gross domestic product (GDP) growth in FY24-25. For instance, the sluggishness in domestic demand remains a concern.

Retail sales growth in May, based on the Retailers Association of India's survey, fell deeper into the red in May on a CPI-adjusted basis, dropping to -1.7% year-over-year, from -0.8%. This is the fifth negative reading in six months, said economists at Pantheon Macroeconomics in a recent report.

STUMBLING BLOCKS

RISING material (aluminium, plastic and steel) and transportation costs are a hurdle

THE rate of input price inflation has eased since May, but was among the highest since Aug '22.

Also, the seasonally and CPI-adjusted goods and services tax revenue growth—a broader gauge for spending activity—has been treading at a soft 5%-plus since the beginning of 2024, it added.

Worries of a lower-than-anticipated monsoon are also creeping up now. Lower reservoir levels and an insufficient monsoon are feared to add pressure on the rural economy. If this plays out it could weigh on rural incomes and delay rural demand recovery. The impact will also be felt on inflation trajectory and interest rate-cut expectations.

The minutes of Reserve Bank of India's June policy meeting show that two external members voted for a 25-basis point interest rate cut. But, hopes of a rate cut may be dashed due to elevated inflation.

The pace of manufacturing GVA (gross value added) may slow in FY24-25 from elevated levels in FY23-24, as higher input costs may cut growth in firms' profits in year-on-year terms, a Barclays report said. Overall, Barclays expects GDP growth to moderate to 7% in FY25 from 8.2% in FY24.

Star Health firm on profitability path amid rising competition

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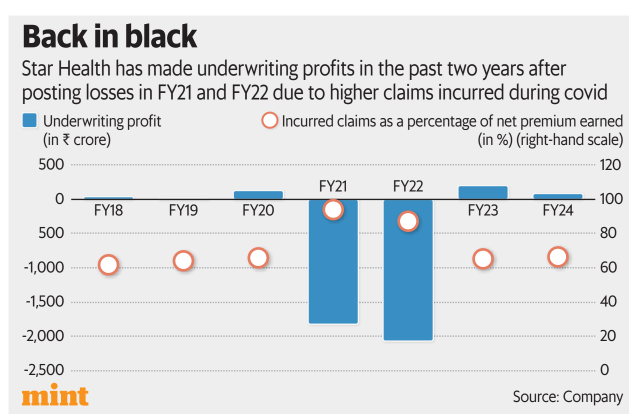
Star Health and Allied Insurance Co. Ltd has chosen a path distinct from its rivals in the general insurance business by focusing on profitability rather than chasing market share gains at any cost.

Just like other businesses, the general insurance business can also earn profit if its revenue, which is premium earned exceeds its total cost that includes commission paid to agents, other expenses and claims made by policyholders. This is called underwriting profit.

Note that Star Health is the only listed general insurance firm that has made an underwriting profit every year since FY19, except in FY21 and FY22, largely due to covid-19 claims that consumed 94% and 87% of premium for the two years.

Being a standalone health insurance provider, the company was impacted the most by the pandemic. Covid not only hurt the financial performance, but also brought down market capitalization (mcap) from the listing day high of ₹52,000 crore on 10 December 2021 to an all-time low of ₹27,277 crore in July 2022.

However, FY23 and FY24 results show that the company is back on track as covid-related claims reduced. Plus, price hike in the flagship health product Family Health Optima, helped.



SATISH KUMAR/MINT

The company's current mcap is ₹33,600 crore.

Going ahead, Star Health has set ambitious targets. By FY28, it expects doubling of premium income to ₹30,000 crore and tripling the profit after tax (PAT) to ₹2,500 crore. The CAGR needed to achieve the target over the four years is 18% in premium income and just over 30% in PAT. For perspective, in FY24, year-on-year growth rate in the premium income and PAT was 18% and 36%.

However, the challenge for Star Health could be in terms of innovative products launched by competitors such as Niva Bupa Health Insurance Co. Some of Niva Bupa's products include unchanged premium facility if no claim is made as against the increasing age bracket wise premium and carry forward of unutilized sum insured to the subsequent years.

There's been talk of issuing composite insurance licences, which allows companies to do life and non-life business under one umbrella. LIC, too, may enter health insurance.

Star Health shares trade at about 30x the *Bloomberg* consensus earnings per share estimate for FY25. The positive reaction of the stock price following the analyst meet is not without reason given the standalone health insurance industry's growth of 26% in FY24 was almost twice the growth rate of the general insurance industry.

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

Sensex, Nifty hit fresh record closing highs

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Benchmark Sensex rose by 443 points to close at a new record high while Nifty settled above the 24,100 mark on Monday on buying in banking and IT shares in line with gains in Asian and European markets.

The 30-share BSE Sensex settled higher by 443.46 points or 0.56% at an all-time high of 79,476.19. During the day, the barometer soared 528.27 points or 0.66 % to 79,561.

The broader Nifty rose by 131.35 points or 0.55 % to close at a fresh lifetime high of 24,141.95. Intra-day, the index hit a high of 24,164, just 10 points short of its lifetime high of 24,174 hit on Friday.

The 30-share BSE Sensex settled higher by 443.46 points or 0.56% at an all-time high of 79,476.19. PTI

Among Sensex shares, Tech Mahindra, UltraTech Cement, Bajaj Finance, Hindustan Unilever, Tata Consultancy Services, JSW Steel, Infosys, HDFC Bank, Tata Motors and ICICI Bank were the biggest gainers.

NTPC, State Bank of India, Larsen & Toubro, Sun Pharma, IndusInd Bank and Axis Bank were among the laggards.

In Asian markets, Seoul, Tokyo and Shanghai settled higher. European markets were trading with gains. US markets ended lower on Friday.

"The domestic market sustained its upward momentum, with a reduction in US PCE inflation raising hopes for a rate cut by the US Fed in September. This optimism contributed to the strong performance of IT stocks," said Vinod Nair, head of research, Geojit Financial Services.

Global oil benchmark Brent crude climbed 0.51% to $85.43 a barrel. Foreign Institutional Investors (FIIs) offloaded equities worth ₹23.09 crore on Friday, according to exchange data.

The BSE benchmark declined 210.45 points or 0.27 % to settle at 79,032.73 on Friday. During the day, it jumped 428.4 points or 0.54 % to hit a fresh record trading peak of 79,671.58. The Nifty went lower by 33.90 points or 0.14 % to 24,010.60. During the day, it climbed 129.5 points or 0.53 % to hit a new lifetime high of 24,174.

'MII charges must be uniform for all'

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The charges levied by stock exchanges, depository participants and clearing members should be true to label and uniform, the Securities and Exchange Board of India (Sebi) said on Monday.

True to label means that if a charge is levied on the end client by stockbrokers, depository participants, and clearing members, market infrastructure institutions (MIIs) should ensure that they receive the same amount.

Sebi directed that the charge structure of the MII should be uniform and equal for all its members instead of the slab-wise charge which is dependent on the volume or activity of the members. This circular is going to be effective from 1 October 2024.

Sebi examined the existing processes related to charges being levied by the MII on its members.

Volume-based slab wise charges were being levied in return for various services offered by MIIs

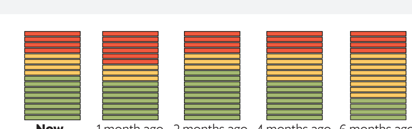
The volume-based slab wise charges were being levied in return for various services offered by MIIs and were recovered from the client by the members on a daily basis. However, the aggregate charges were being received by MIIs from its members on a monthly basis.

"The process can result in a situation wherein the aggregated charges collected by the members from the end clients is higher than the end of month charges paid to the MII (due to slab benefit). This can also result in an incorrect or misleading disclosure to the end client about the charges levied by MIIs," the circular pointed out.

This issue was taken up by the Secondary Market Advisory Committee (SMAC) which observed that the existing slab-wise charge structure may create a hindrance for the MIIs in ensuring equal and fair access to all market participants by impacting the level playing field between members owing to their size differentials.

MINT MACRO TRACKER

Launched in October 2018, Mint's macro tracker provides a monthly comprehensive report on the state of the economy, based on trends in 16 high-frequency indicators. For each indicator, the value in each month is assigned a colour-coding (red, amber and green) to denote where it lies relative to the five-year average (worse, in line, or better). As of May 2024, eight of the 16 indicators were in green, four in red, and four in amber, which is an improvement from April when six indicators were in red.



For each indicator, an average band (shown in grey) is constructed around the five-year average value. The size of the grey band rises with volatility. Values falling above this band are in green, those falling below are red, and those within this band are coded amber (the red/green coding is reversed for inflation). While calculating the five-year average, data for some indicators for April-May 2020 and 2021 have been removed to eliminate lockdown-induced skews in the trend. All data as of 30 June 2024.

Source: Centre for Monitoring Indian Economy, Bloomberg, Mint calculations

Data: Payal Bhattacharya; Graphics: Paras Jain

RCap admin questions extension plea by IIHL

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Reliance Capital's administrator has said that the Hinduja Group-owned IndusInd International Holdings Ltd's (IIHL) bid to unilaterally seek extension of the deadline to implement its resolution plan for the bankrupt company creates 'reasonable apprehension' about its willingness to honour the resolution plan.

In a submission before the Mumbai bench of the National Company Law Tribunal (NCLT) on Monday, administrator Nageswara Rao Y. said that any such extension without the consent of the lenders is impermissible. "IIHL cannot be permitted to seek unconditional extension as the same would be tantamount to rewriting the plan," the administrator said in his submission, a copy of which *Mint* has reviewed.

The administrator's submissions came in response to IIHL's application seeking a 90-day extension for implementing the approved resolution plan to take over Reliance Capital (RCap).

The National Company Law Tribunal in February approved IIHL's ₹9,861-crore resolution plan which was mandated to be implemented by 27 May.

Emails sent to the administrator remained unanswered.

The proposal includes ₹7,300 crore in the form of borrowing from lenders, ₹2,500 crore via equity infusion by IndusInd International from outside India, and another equity infusion of ₹250 crore by Cyqure India (a Hinduja Group associate).

The administrator also charged that "IIHL has not shown its bonafides in seeking extension of time by paying interest or by depositing the amount of equity contribution of ₹2,750 crore in an escrow account."

Budget 2024: Aviation seeks tax sops, policies to ease biz

Airlines want ATF under GST, drone makers a uniform 5% tax, and parts makers incentives

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Firms involved in aircraft and engine component manufacturing are optimistic about incentives to boost the domestic supply chain, as Indian airlines including Air India, IndiGo, Akasa now have a cumulative order book of more than 1,600 planes. HT

As finance minister Nirmala Sitharaman prepares to unveil the Union Budget 2024-25 later this month, the civil aviation industry expects policy interventions aimed at ease of doing business and reducing the tax burden on the sector.

In a memorandum, private airport operators have sent the government several suggestions pertaining to rationalisation of both direct and indirect tax structure.

A copy of the memorandum has been reviewed by *Mint*.

In the memorandum, the Association of Private Airport Operators, whose members include GMR-run Delhi International Airport Ltd, and Adani-operated Mumbai International Airport Ltd, has requested the finance ministry to issue specific clarifications regarding tax charged by airlines on user development fee, which is paid by passengers.

"Since airlines are acting just as a collection agent, they should not deduct tax at source on such an amount while making payment to airport operator. It leads to blockage of working capital of the airport operator," the private airports body said.

Further, the grouping has also requested the government to increase duty-free allowance to ₹100,000 for purchase from a duty-free shop in India, from the current ₹50,000, a limit that was fixed in April 2016. In line with inflation and to increase foreign earnings, the association has also requested the government to allow duty-free shop operators to sell domestic Indian liquor at departures tax-free and be treated as export.

For airlines, the cost burden due to the price of aviation turbine fuel (ATF) remains a crucial challenge. Indian airlines have long demanded that the government further rationalise the duty structure for ATF and to include it under the goods and services tax regime.

ATF, or jet fuel, amounts to nearly 40% of an airline's total expenses, compared to a global average of 20-25%.

While the price of jet fuel saw a sequential reduction of 6.5% in June to ₹94,969.01 per kilolitre in New Delhi, it still remains much higher compared to pre-pandemic levels of around ₹64,000 per kl in 2019-20.

INDIA RISING
BUDGET 2024

The private aircraft operators are keen to seek clarity on the 2.5% import duty for aircraft imported for non-scheduled operations.

The industry is hopeful that the government will do away with this tax, which was imposed around 15 years ago.

Companies involved in aircraft and engine component manufacturing are optimistic about incentives to boost the domestic supply chain, as Indian airlines including Air India, IndiGo, Akasa now have a cumulative order book of more than 1,600 planes.

"A production-linked incentive scheme for the manufacture of aircraft components and sub-assemblies with an emphasis on high in-country value-addition will be welcome. Measures such as tax breaks for aerospace R&D and systems development will also help," Aravind Melligeri, chairman and chief executive officer of Karnataka-based aircraft components maker Aequs, said.

The emerging drone industry is also seeking more policy and fiscal measures to establish India as a drone hub by 2030.

"Concrete support for the drone ecosystem, including an expansion in the PLI scheme, a dedicated R&D fund, common testing facilities for larger systems, a certification scheme for BVLOS (Beyond Visual Line of Sight) drones, and the scaling up of government-led market opportunities, are vital for the growth of this nascent industry in the country," Ankit Mehta, chief executive officer, ideaForge, said.

Drone pilot training company Drone Destination is hopeful of a large-scale increase in usage of drones, including across insurance, mining, asset and infrastructure inspection, and monitoring.

"There should be a uniform GST rate of 5% on drones, drone components, and parts. Subsidies should be offered at both the central and state levels to drone service providers, particularly for agricultural applications such as drone spraying. This will support the push for Kisan drone adoption and increase the use of drones in agriculture," chief executive officer of Drone Destination Chirag Sharma said.

Currently, agricultural spray drones are taxed at 5%, while agricultural survey drones and all other drones attract a GST of 18%

Brokerages expect the latest tariff hikes to be well-absorbed by the market, and see another increase next year. MINT

'Telcos may see 15% jump in revenues'

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Indian telecom firms could see their revenues rise by nearly 15%, buoyed by the recent tariff hike that is likely to be well-absorbed by the market, and the impact would become visible in their December-quarter financials, brokerage IIFL Securities said on Monday.

"Considering some downtrading and potential SIM consolidation, we expect overall revenue boost from these tariff hikes to be in the range of 14-15%. We expect the tariff hike to fully reflect in telcos' numbers by 3QFY25," the brokerage said in a note. The effect may take longer for Reliance Jio, since it has a higher proportion of customers on longer-duration packs.

Consolidation of SIM, or subscriber identity module, refers to reduction in the number of mobile connections by customers usually on account of high tariffs.

With 5G monetisation beginning with the latest round of tariff hike, the visibility of future tariff hikes has improved, which is a big positive for the sector that has reeled from brutal price wars for several years.

The shift towards 5G monetisation has been started by market leader Reliance Jio, which means that peak competitive intensity has passed and tariff hikes that maybe higher than expected can take place as early as next year.

Thanks to these factors, Citi Research upgraded Vodafone Idea to 'buy' from 'neutral' and raised its share target price by 50% even as it may face subscriber loss as it is yet to commercially launch 5G service and expand 4G coverage. "We upgrade VI from Neutral to Buy whilst retaining our High Risk rating, with a new TP of ₹23 (vs ₹15)," Citi Research said in a note.

Citi Research upgraded Vi to 'buy' from 'neutral' and raised its share target price by 50%

It said that further upside for Vi shares could come from the company's ability to get loans from banks, additional equity infusion of about ₹2,000 crore from Vodafone Plc's 3% residual stake sale in Indus Towers that can be used to partly clear its past dues to Indus, and the pending curative petition on adjusted gross revenue in the Supreme Court.

HSBC Global Research raised the target price of the stock to ₹24 from ₹7, but maintained its rating of 'Reduce' due to high leverage of 11.7x net debt to earnings before interest, tax, depreciation and amortization.

SJVN's arm in power pact with AM Green

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The project marks SJVN's foray into supplying power to private sector entities. MINT

In what is one of the world's largest carbon-free green energy supply contract, state-run SJVN's green energy arm will supply 4.5 gigawatt (GW) of renewable energy to AM Green Ammonia Holdings.

The company, promoted by Greenko Group founders Mahesh Kolli and Anil Kumar Chalamalasetty, is in the process of setting up one of the world's largest green ammonia production facilities, which will begin with the production of one million tonnes of green ammonia per annum in the first phase, and ramp it up to five million tonnes per annum (mtpa) in the second, set to be completed by 2030.

Five million tonnes of green ammonia is equivalent to about one million tonnes of green hydrogen.

Under the agreement signed on 26 June, SJVN Green Energy (SGEL) will supply 4.5 GW of renewable energy to AM Green's upcoming green ammonia facilities, the latter said in a statement.

SGEL, a wholly-owned subsidiary of SJVN, will set up the required solar and wind capacities, while AM Green will integrate it with pumped hydro storage to ensure a steady supply of green energy to its production facilities.

SJVN plans to execute the project in three phases, with the first phase expected to deliver 1,500 MW within two years.

Under the deal, SGEL will supply 4.5 GW of renewable energy to AM Green's green ammonia facilities

Mahesh Kolli, founder, Greenko Group and AM Green, said: "We are delighted to partner with SJVN on one of the world's largest carbon-free, renewable energy supply contracts. This partnership demonstrates AM Green's emerging leadership position as a global clean energy transition solutions platform while contributing to India's ambition of emerging as an exporter of reliable, sustainable and lowest-cost green molecules and its derivatives accelerating industrial decarbonisation globally."

AM Green's target of producing five mtpa of green ammonia represents a fifth of India's target for green hydrogen production under the country's National Green Hydrogen Mission, and 10% of Europe's target for green hydrogen imports by 2030. Ajay Singh, chief executive of SGEL, noted that the project marks SJVN's foray into supplying power to private sector entities.

Maersk withdraws bid for logistics giant

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Maersk walked away after participating in an in-depth due diligence of DB Schenker over the past few weeks. REUTERS

AP Moller-Maersk A/S withdrew its bid for DB Schenker, the logistics unit of Deutsche Bahn AG that's been reported to be valued at more than €15 billion ($16.1 billion).

Maersk walked away from the process after participating in an in-depth due diligence over the past few weeks, according to a statement on Monday. *Bloomberg News* earlier reported the Danish logistics giant was considering pulling out.

"We said we would look into this opportunity, and we did," Maersk chief executive officer Vincent Clerc said, calling DB Schenker an interesting company with potential.

"The in-depth review also identified areas of challenges from an integration perspective and ultimately, we concluded that acquiring DB Schenker would not be the right thing to do for our business at this time," he said.

Deutsche Bahn said in emailed comments that the sales process is "going according to plan," but it won't comment on individual bidders, details of talks, the sales process itself or price speculation.

"We are currently in intensive discussions with the various parties interested in DB Schenker," Deutsche Bahn said. "We will inform of any decisions in due course. The condition for a sale remains that it must be economically advantageous for Deutsche Bahn."

Other bidders remain interested in the asset, according to people with knowledge of the matter who asked not to be identified as the information is private.

Bloomberg News reported in May that Deutsche Bahn had received a handful of confirmatory bids for the logistics unit, which could fetch more than €15 billion. A consortium led by CVC Capital Partners Plc and Carlyle Group Inc. submitted an offer, people familiar with the talks said at the time. DSV A/S and MSC Mediterranean Shipping Co. were also among the bidders, the people have said.

Liquor firms in a twist over permit rollout in Punjab

FROM PAGE 1

benefitted from the circular, are also unable to sell their less popular brands.

Siddharth Banerji, owner and managing director of Kyndal Group, the spirits company behind well-known scotch brands such as Cutty Sark and The Famous Grouse, said smaller and niche brands are likely to suffer the most while bigger players will see some amount of losses, too.

The business head of a large listed alcohol business in India, who requested not to be named said that circular is likely to give rise to black marketing of alcohol given the supply will be restricted to far less than the demand.

"In addition, retailers have already paid hefty fees for their licences under the pretext that they would be able to sell a certain volume. Restricting them now could mean they may just start to sell local, unauthorized alcohol and avert state duties in the process," this person said, adding that organized players could see a huge dip in sales as illicit liquor increases in supply.

Companies like Diageo, Jagatjit Industries and Pernod Ricard India declined to comment on the issue.

Companies *Mint* spoke with said that delays in clearing labels for brands and other administrative licences for retailers have also impacted revenues, wiping out an entire quarter from April to June in the state. As a regular protocol, new labels are approved each year for brands.

Mint also reached out to the excise commissioner via email and WhatsApp, but did not receive any response to a detailed questionnaire till the time of publishing this story.


Punjab has about 230 retail groups with 6,500 stores. HT

Vinod Giri, a former director-general of industry body Confederation of Indian Alcoholic Beverage Companies (CIABC) and director-general of the Brewers Association of India (BAI), said that the issue began when in view of the impending general elections, the Punjab government began to limit supplies to the trade in the state to ensure liquor was not being unlawfully exported to other states. However it is yet to be put back to the system of free order and supply even though elections are long over.

"Manufacturers across the board are impacted by the slowdown in sales in Punjab as a result of limiting supplies," Giri said, adding that while it may appear that bigger brands would benefit from the move, the fact is that most alcohol firms are feeling the brunt.

"This is because each company will have some lesser selling products in their brand portfolios which are not being picked up by retail groups. The government will have to look into this issue soon," he said.

An open policy in the state earlier meant that businesses could see growth of 100-150% over the previous years, he said.

Pharma industry pitches for R&D incentives in budget '24

India's pharmaceutical industry's size expected to grow to $120-130 billion by 2030

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With an aim to grow India's pharmaceutical industry's size to $120-$130 billion by 2030 even while increasing its global market share to 7%, the Indian pharmaceutical industry has sought more incentives from the government to increase its investments in research and development (R&D).

"The focus needs to be on creating an ecosystem and a set of policies that are conducive for the industry to invest more in R&D and innovation, enhance quality standards to increase its market accessibility in export markets, and become self-reliant in the years to come," stated Sudarshan Jain, secretary general of Indian Pharmaceutical Alliance, in his expectations from the upcoming Budget 2024. "This will strengthen India's position as the top producer by volume and one of the top three by (market) value by 2047."

The industry is currently valued at $50 billion, with a global market share of 3.6% by market value. According to data from Statista, revenue from the domestic pharmaceuticals market is expected to reach $13.16 billion in 2024. Further, growing at a compound annual growth rate (CAGR) of 4.7%, it is expected to reach $16.56 billion by 2029.

A global opportunity

India is the top producer of generic drugs globally, supplying 20% of the total global generics volume to over 200 countries. It also supplies around 60% of the total global vaccine requirement, contributing 40-70% to the World Health Organisation's (WHO) demand.

The industry further contributes about 2% to India's gross domestic product (GDP), while creating employment for around 3.5 million people.


India is the largest producer of generic drugs globally, supplying 20% of the total global generics volume to over 200 countries.. AFP

Industry body Organisation of Pharmaceutical Producers of India (OPPI), which represents various global research-based pharma firms in India, is optimistic about continued reforms in policies aimed at bolstering innovation and streamlining regulatory processes.

Suggesting the need to accelerate R&D and innovation, industry bodies have continued to push the Centre to explore various methods to incentivize R&D investments, such as deductions on R&D expenses, research-linked incentives for MNCs, and corporate tax concessions.

INDIA RISING BUDGET 2024

"Recognizing the high-risk, long-gestation nature of R&D, we suggest extending the scope of section 115BAB of the Income Tax Act, 1961, to companies solely engaged in pharmaceutical research and development and providing a 200% deduction rate on R&D expenditures," said Anil Matai, director general of OPPI. "This would significantly boost our ability to undertake essential R&D, including clinical trials and patent registration."

Matai also pitched for establishing an effective intellectual property (IP) rights regime, which is critical for driving growth and encouraging research-based pharma companies to introduce innovative therapies for unmet medical needs.

OPPI had made representations to the finance ministry during consultations for Budget 2024.

An intelligent IP regime

Indian pharma firms concur with the introduction of an IP rights regime. "One key area of focus is strengthening the framework for intellectual property. A robust IP system will incentivize companies to invest in groundbreaking R&D, leading to discovery of new lifesaving drugs," said Nikhil Chopra, CEO and whole-time director of JB Pharma.

Chopra said the budget could explore initiatives that encourage the development and production of value-added generics, along with increasing the government's support in skill development, which will be crucial for the industry.

Experts believe Indian pharma has a vital role to play in achieving the aim of patient welfare and it also provides India with leverage in world affairs.

To maintain its position as a world-class supplier of affordable, quality-assured drugs, it is key for India to make strategic forays into innovation, newer markets, products and technologies.

The new Narendra Modi-led National Democratic Alliance (NDA) government's support in the form of policy measures and regulatory interventions will remain integral to driving this growth for India, industry experts said.

Support much needed

Over the past few years, the central government has taken several initiatives to help India become self-sufficient in active pharmaceutical ingredients (API) and key starting materials (KSM), by launching production-linked incentive schemes (PLI 1.0 & PLI 2.0).

Further, it has also notified the revised Schedule M under the Drugs and Cosmetics Act, 1940, to improve the quality practices of pharma manufacturing. It has also launched the scheme for Promotion of Research and Innovation in Pharma MedTech Sector (PRIP) as a tool to encourage R&D in the sector.

The Department of Pharmaceutical (DoP) aims to foster innovation and transformation in the med-tech sector through the PRIP. Dr Arunish Chawla, secretary, DoP, in a recent pharma event, revealed that the DoP is setting up an internal project monitoring unit to identify projects that have a proper of concept and can be eligible for disbursement under the PRIP scheme to boost research and innovation in the industry.


India's railway equipment market was valued at about $12 billion in 2023. MINT

PLI for parts of Vande Bharat likely in Budget

FROM PAGE 1

than 4% for the next few years.

More than 50% of components are imported with import levels being higher for new-age trains including the latest semi-high-speed and high-speed metro and suburban trains. In signalling, the import dependence has now been reduced to just above 15%.

Before the outbreak of the covid pandemic, the development of a vendor base for rail components was progressing at the speed at which private sector was getting on board to make trains, including wagons, locos, metro and suburban trains.

But the onset of covid put all those plans on hold. The Railways has now come out with a detailed study on measures to reduce imports.

The PLI scheme is an important component of its strategy to attract private investment in manufacturing and reduce imports.

The strategy to reduce imports has already seen progress on the signalling side with almost 85% of the requirement being met from domestic sources.

The level of indigenization is also high in rolling stock but various components required for it are still coming from Europe, China, Japan, etc.

In 2020, PLI schemes across 14 key sectors were introduced with an outlay of ₹1.97 trillion (over $26 billion) to enhance the country's manufacturing capabilities.

These 14 sectors included mobile manufacturing and specified electronic components; critical key starting materials/drug intermediaries and active pharmaceutical ingredients; manufacturing of medical devices; automobiles and auto components; pharmaceuticals drugs; and speciality steel.

PLI schemes were also announced for telecom and networking products; electronic/technology products; white goods (ACs and LEDs); food products; textile products: MMF segment and technical textiles; high-efficiency solar PV modules; advanced chemistry cell (ACC) batteries; and drones and drone components.

Investors on edge tap forensic auditors

FROM PAGE 1

a global consulting firm said on condition of anonymity.

The person cited above said that recently, a global investor requested a forensic audit of a medtech company after a whistleblower complaint, which exposed how the management had inflated revenues. A media tech company was audited over suspicion of round-tripping of revenue. A beauty and personal care company and a healthcare company too saw anxious investors ordering such audits.

Identifying and managing red flags promptly is central to building organizational resilience, said Puneet Garkhel, partner and leader, forensic services, PwC India. Forensics intelligence and analytics are playing a key role in the rise of such pro-active audits, he said.

"Reactive audits focus on getting to the genesis of the fraud and gauging the extent of damage after a crisis hits an organization. India Inc. has witnessed many such instances in the recent past with reactive forensic audits exposing systemic, technological and sometimes cultural gaps that have led to fraud," Garkhel said. Progressive companies rethink risks and learn from such reactive audits happening in the business eco-system to proactively assess if their internal checks and balances are fool-proof and fit for future to avert such crises for themselves, he said.


Investors have turned sceptical after they lost billions of dollars invested in Byju's, BharatPe, Zilingo and others. ISTOCKPHOTO

"Overall, we see an equal increase in demand for forensic audits of both nature and we are investing in this area aggressively, both from a technology and talent standpoint," Garkhel added. PwC has identified forensics as a promising avenue and is increasing its headcount growing business and is investing behind it.

Apart from investors, banking and market regulators in India have frequently ordered forensic audits to get to the bottom of suspect financial transactions.

Investors have turned sceptical after they lost billions of dollars invested in Byju's, BharatPe, Zilingo and others, an early-stage investor said on the condition of anonymity. "Incoming investors are increasingly sceptical, and due diligence now spans more than 4-5 months. Only in good companies with better governance standards, there is some hope of a liquidity," the investor said on condition of anonymity.

According to Singh of KPMG, such audits also strengthen the relationships between investors and the portfolio businesses, since real-time transparency raises trust and confidence in each other.

"In light of this, forensic advisory practices have certainly scaled up significantly to cope with the increased activity, not just by way of an increase in strength of forensic practitioners, but also introduction of a more diverse skill set, advanced forensic technology and AI leveraging data analytics, in order to cover multitude of complex dimensions in an investigation," Singh said.

KKR sharpens healthcare focus with ₹2,000 crore bet on BMH

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"reach more patients in India," Tanna added.

KKR had sold its Max Healthcare stake in 2022 for around ₹9,400 crore, marking its largest exit from an Indian firm.

KKR has also made investments in the consumer sector in India, with a nearly 1.42% stake in Reliance Retail in September 2023. Other notable India investments include supply chain firm LEAP India and renewable energy firm Serentica.

In November last year, the private equity firm had collected $2.8 billion for its second global impact fund dedicated to advance sustainability and social equity.

KKR's Kerala hospital deal comes amid a surge of major investments in India's healthcare sector by leading global funds.

Last year, Blackstone, the world's largest private equity firm, completed a $1 billion acquisition of Care Hospitals and KIMS Health. Singapore's state investment firm Temasek secured a controlling stake in Manipal Hospitals, while Swedish buyout firm EQT acquired Indira IVF. This year, General Atlantic followed suit by acquiring the hospital chain Ujala Cygnus. Last month, private equity firm Olympus reportedly sold a 10% stake in Aster DM Healthcare.

According to estimates by Bain & Co. and HealthQuad, India's healthcare innovation market may double to $60 billion by fiscal year 2028, driven by increased consumer demand, changes in the global healthcare value chain, advancements in Indian scientific and technological capabilities, and favourable regulatory conditions.

The deal is part of KKR's effort to increase its exposure to India's growing healthcare sector. REUTERS

Tech industry wants to lock up nuclear power for AI

FROM PAGE 1

hundreds of thousands of homes. The acquisition accelerated interest in so-called behind-the-meter deals, in which a large customer receives power directly from a plant.

The relatively new arrangements mean data centers can be built years faster because little to no new grid infrastructure is needed. Data centers could also avoid transmission and distribution charges that make up a large share of utility bills.

The new interest in nuclear power is part of a reversal of fortune for companies that own power plants in competitive power markets. That business has been difficult for two decades following overbuilding in the 1990s. Nuclear plants struggled to compete with wind, solar and natural gas, prompting a wave of closures.

But tech companies willing to pay a premium for nearly uninterrupted, carbon-free power could make good on climate-change pledges while powering AI.

Shares of Vistra , the largest competitive power generator in the U.S., have more than doubled this year. The company has been in talks for behind-the-meter deals at both nuclear and gas plants.

"In this case, the customer has come to us and come to many in the industry and said 'I need as much power as you can make available,'" said Vistra Chief Executive Jim Burke .

Constellation Energy, which owns 14 U.S. nuclear-power plants and produces more than a fifth of the nation's nuclear power, has seen its shares rise more than 70% this year.

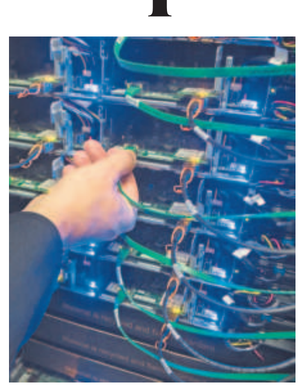
Constellation's president and CEO, Joseph Dominguez , said there are still many places, including a swath from Pennsylvania to Illinois, with an oversupply of power. That leaves room for data centers, he said.

Contracts with data centers willing to pay a premium would cover the cost of re-licensing, he said, extending plant life another 20 years and supporting investments that could boost nuclear-power output.

"If we don't have those things, we're going to lose the nukes again," Dominguez said. "We're going to go back to where we were."

Lots of talks, and controversy

It is too early to know just how much power data centers will need. Estimates range from around 4% of power consumed last year in the U.S. to something between 4.6% and 9% by 2030, according to the Electric Power Research Institute.


Contracts with data centers willing to pay a premium would cover the cost of re-licensing.

In Connecticut, state Sen. Norm Needleman never envisioned taking existing power off the grid when he supported economic incentives for data centers a few years ago. Then a developer proposed connecting a data center to the Millstone nuclear plant.

"If we lose a carbon-free resource, what are we going to replace it with?" asked Needleman, whose bill to require a study of such projects didn't pass this year.

Daniel O'Keefe , commissioner for Connecticut's Department of Economic and Community Development, said the proposal could work if it is done in a thoughtful way. Neighboring states are adding data centers, with needed grid improvements shared by all New England customers, so Connecticut ought to receive some economic benefits, he said.

"Our constituents are paying for these data centers regardless of whether they're inside Connecticut," O'Keefe said.

In New Jersey, Public Service Enterprise Group CEO Ralph LaRossa has said the company has been in talks with data centers, including for direct power sales, which could support New Jersey's economic-development efforts to create an AI hub.

About 40% of the state's power comes from nuclear power, including plants owned by PSEG.

New Jersey customers have spent about $300 million a year during the past six years to help keep its plants operating, plus hundreds of millions before that, said Brian Lipman , director for the New Jersey Division of Rate Counsel.

"What happened to that investment?" asked Lipman.

New Jersey is also targeting 100% clean-energy generation by 2035, which Lipman said would be impossible without nuclear power. PSEG declined to comment.

Energy needs

Many of the negotiations are happening within the PJM Interconnection, the regional transmission organization and electricity market serving Washington, D.C., and 13 states from Virginia to Illinois. It said it would work with both plant and transmission owners, and conduct analyses to avoid reliability issues and other problems.

Last week, utilities American Electric Power and Exelon requested a hearing at the Federal Energy Regulatory Commission about Amazon's deal in Pennsylvania, arguing that as much as $140 million in costs could shift to other customers and that the data center "should not be allowed to operate as a free rider," benefiting from a transmission system others pay for.

Talen Energy , which built the data center and operates the nuclear plant, called the request a "misguided attempt to stifle this innovation."

It is unclear whether and how much data centers located at nuclear plants would need to depend on grid power. Nuclear plants are far more reliable than other kinds of power generation but have outages, too.

Before Amazon purchased the Pennsylvania data center, a Talen nuclear reactor had an outage last fall and the data-center campus had to pull power from the grid, according to people familiar with the incident. The need for grid power was unexpected, and additional system protections have been put in place since then to avoid a repeat, the people said.

Talen and grid operator PJM declined to comment on the incident.

Mahindra's total car sales grew 11.2% y-o-y, missing brokerage Nomura's 16% estimate and Jefferies' 18% forecast. HT

SUVs drive sales growth for Indian carmakers in June

Reuters
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BENGALURU

Carmakers Mahindra & Mahindra and the Indian units of Toyota Motor Corp and Kia Motor reported higher car sales in June, boosted by demand for sports utility vehicles (SUV) even as heat waves weighed on purchase decisions.

Each month, automobile makers in India release wholesale numbers, or vehicle sales, to dealers. The sales numbers are seen as a key indicator of private consumption in India. The auto sector contributes around 7% to the country's economy. According to monthly data from automakers released on Monday, Mahindra's total car sales grew 11.2% year-on-year, missing brokerage Nomura's 16% estimate and Jefferies' 18% estimate. This is Mahindra's slowest monthly sales growth since March.

Intense heat in northern India has reduced footfall at dealerships, according to Nomura, which added that a normal monsoon could likely lead to a revival in rural sales for passenger vehicles.

Toyota's and Kia's respective growths of 40.1% and 9.8% are their largest since February. Nomura and Jefferies do not provide monthly sales estimates for Toyota and Kia.

A surge in domestic sales of more-expensive SUVs last year has extended into 2024 and benefitted companies including Mahindra and Toyota, whose portfolios consist almost entirely of utility vehicles.

Maruti Suzuki, which dominates the small-car segment, reported a 12.4% climb in June total sales

Maruti Suzuki, which dominates the cheaper small-car segment, reported a 12.4% climb in June total sales, handily beating a 2% growth estimate by analysts at Nomura and Jefferies. Its shares rose 2%. Meanwhile, domestic demand recovery in rural areas outweighed weak exports, helping motorcycle-maker Bajaj Auto record a 5.1% growth in two-wheeler sales. While this beat Nomura's estimate of a 1% decline, it missed Jefferies' estimate of 10% growth.

Big films leave box office cold

First half of 2024 brought no cheer to theatres despite big releases, but small films drew audiences to cinemas

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The first half of this year saw some high-profile movies hit the screens, including the Deepika Padukone and Hritik Roshan-starrer *Fighter*, the action film *Bade Miyan Chote Miyan* featuring Akshay Kumar and Tiger Shroff, and Ajay Devgn's sports movie *Maidaan*. But for all their on-screen exploits, these big-budget films haven't been able to lift India's movie industry out of its slump.

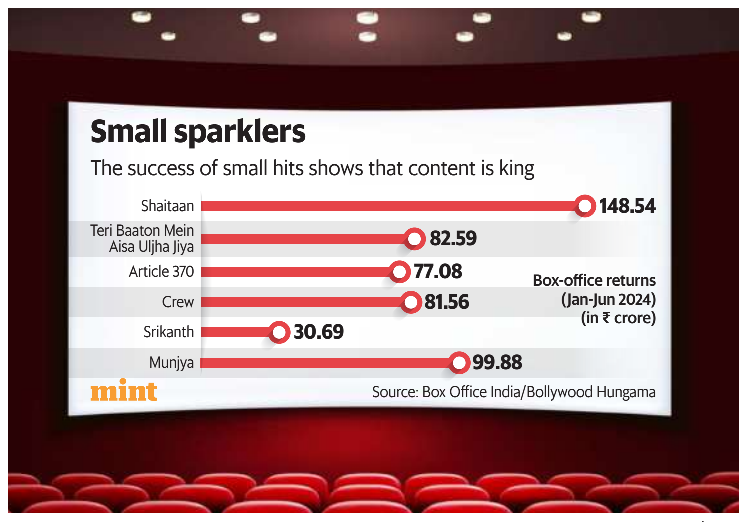
According to trade experts, box-office collections across languages dropped to ₹3,000-3,500 crore in the first half of the year, down from ₹4,868 crore in the same period last year. The industry also saw almost no releases for about two months during the Lok Sabha election campaigning, and a recalibration by producers who have taken even fewer new films to the floors. Bollywood, India's biggest film industry producing Hindi movies, has garnered a little more than ₹1,400 crore, about ₹400-500 crore lower than the first six months of 2023, according to trade experts.

But they also pointed to some green shoots that have emerged, thanks to small success stories such as *Crew*, *Article 370*, *Srikanth* and *Munjya*, signalling a gradual return of people to cinemas as long as compelling content is on offer.

"This has been one of the worst periods for us as far as business goes," said Amit Sharma, managing director of multiplex operator Miraj Cinemas. "It isn't hard to imagine why the numbers look like this when two out of six months barely saw any releases."

The year started with an underperformer in *Fighter*, which earned ₹200 crore on a budget of over ₹250 crore.

Small hits such as *Teri Baaton Mein Aisa Uljha Jiya* (which earned ₹82.59 crore at the box office), *Article 370* (₹77.08 crore), *Shaitaan* (₹148.54 crore) and *Crew* (₹81.56 crore) followed, before the Eid weekend fiascos *Bade Miyan Chote Miyan* (₹59.17 crore) and *Maidaan* (₹52.29 crore) paved the way for a period of negligible releases.



SATISH KUMAR/MINT

14% decline in share price of PVR Inox

Shares of PVR Inox Ltd, the country's largest multiplex operator, have fallen 14% so far this year amid a relatively dull movie business. PVR plans to shut about 70 underperforming screens this financial year, after exiting 85 in FY24. Its net screen additions are expected to be 50 this year.

While the Hindi market remained starved of content, the Hollywood pipeline remained dull too, with the exceptions of *Kung Fu Panda 4* (₹ 36.47 crore), *Godzilla x Kong: The New Empire* (₹106.42 crore) and *Kingdom of the Planet of the Apes* (₹27 crore).

But a notable trend this year has been the resurgence of smaller-scale and non-star films in Hindi cinema, said independent exhibitor Vishek Chauhan. Along with *Crew*, titles that worked without big budgets or popular faces include the Rajkummar Rao-starrer *Srikanth*, which earned ₹30.69 crore, and breakout hit *Munjya*, a horror comedy that had clocked in ₹99.88 crore at last count.

"Last year had big-ticket blockbusters like *Pathaan*, *Gadar 2*, *Jawan* and *Animal*. But the fact that smaller films are throwing up good numbers this year shows that the audience is back for good post the pandemic and then it is up to the content," Chauhan said.

To be sure, Malayalam cinema remained the big exception to the dismal run by most films across languages over the past six months.

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

Mercedes to roll out new model offensive after EV missteps

Bloomberg
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Mercedes-Benz Group AG is gearing up to unveil a near-record slew of new models after its first generation of battery cars fell short.

The product offensive over the next two to three years will also see the S-Class maker pivot to spending more on its lucrative lineup of fuel-burning vehicles. Top-level buyers in particular "keep reaching for our high-tech combustion-engine cars," chief executive officer Ola Källenius said in an interview.

"We need flexibility for longer, until deep into the 2030s," Källenius said, keeping intact the company's goal of being carbon-neutral by 2039. "We remain committed to offering electric versions of the entire lineup this decade but we have to ensure our combustion-engine cars remain competitive."

The world's biggest premium carmaker has pared back plans on electrification after demand slowed especially in Europe. But Mercedes is also trailing rivals like BMW AG after its EV lineup put off buyers with high prices and design missteps.

Battery vehicle sales fell 9% during the first quarter to 50,500 units while its Munich-based competitor surged to 82,700 vehicles.

The world's biggest premium carmaker has pared back plans on electrification after demand slowed

Mercedes shares gained as much as 2% in early Frankfurt trading. The stock is up just over 4% this year, outpacing a 0.8% rise in the Stoxx Europe 600 Automobiles & Parts Index.

The EQS, available since 2021 and billed as one of the most significant launches in decades, in particular has fallen short, drawing unflattering comparisons to a jellybean amid low sales. The €109,500 ($117,100) sedan's sloping roof to maximize aerodynamics cramped many of the chauffeur-driven customers, especially among buyers in China, who missed status-symbol details like Mercedes' characteristic three-pointed star on the hood.

The sales flop contributed to Mercedes' decision to walk back its ambitious goal of only selling EVs where possible by 2030 to a target of around 50%.

The tepid demand also triggered costly design upgrades, with the face-lifted EQS due next year getting more back seat comforts and the star back on its hood. During the first quarter, higher spending on what Mercedes dubbed "life-cycle management" partly dragged on returns that fell to 9% from 14.5% a year earlier.

Next year will kick off the next generation of vehicles built on new underpinnings, starting with the entry-level CLA coupe and later the GLB SUV.

During a preview of the upcoming suite of cars in Sindelfingen, Källenius was keen to demonstrate sufficient roominess in even the smaller models, squeezing his tall frame into the back seats.

Amazon, built by retail, invests in its AI future

Freshly minted $2 tn co is now investing more on data-center infra than on retail warehouses

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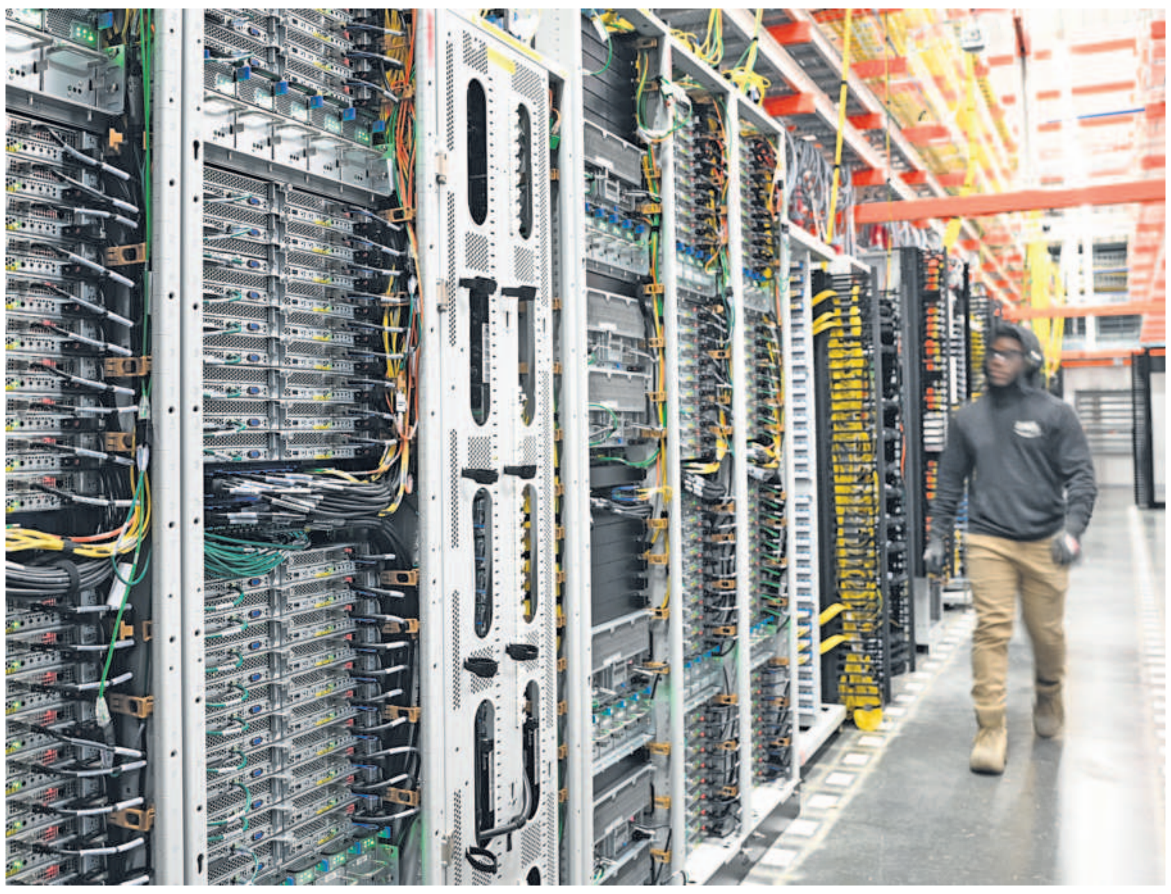

Amazon is planning to spend more than $100 billion over the next decade on data centers.

Amazon built a $2 trillion company through years of aggressive spending on its retail and logistics businesses. Its future gains will likely be determined by the billions designated to fund its artificial-intelligence push.

Amazon is planning to spend more than $100 billion over the next decade on data centers, an impressive level of investment even for a company known for its spending ways. The Seattle company is now devoting more investment money to its cloud computing and AI infrastructure than to its sprawling network of e-commerce warehouses.

Amazon Web Services, the arm that manages Amazon's cloud business, has opened data centers for years, but executives said there is a surge in investment now to meet demand triggered by the excitement around AI.

"We have to dive in. We have to figure it out," said John Felton, who took over as AWS's chief financial officer this year after spending most of his career in Amazon's retail fulfillment operations.

The company's financial commitment reflects the importance and high costs of AI. Felton said building for AI today feels like building that massive delivery network in years past. "It's a little uncertain," he said. AWS is expanding in Virginia, Ohio and elsewhere.

The company's overall capital expenditures decreased last year primarily because it reined in fulfillment and transportation spending, but the share of that spending on infrastructure mostly for AWS has surged. The increase represents a new era of expansion for Amazon, in which investing in cutting-edge cloud equipment is more critical to its growth than developing its network of retail warehouses.

THE WALL STREET JOURNAL.

Amazon's spending on data-center capital expenses, including leases, compared with total capital expenditures hit a decade-high last year of 53%, according to market-research firm Dell'Oro Group. Amazon said it expects AWS infrastructure spending to remain high this year, and the company has announced many AWS investments in recent months.

Amazon's cloud business has long been the company's profit engine, and AI is expected to catapult demand for cloud computing to new heights. Executives are aiming to take advantage of the AI boom, which relies on cloud services because of the intensive computing resources required. Amazon expects tens of billions of dollars in revenue from AI in the next several years.

"We're just keeping our heads down and focusing on delivering that capacity right now," said Kevin Miller, AWS vice president of global data centers.

Amazon's shift represents the changing needs of a company that, despite having the world's leading cloud-computing business and years of experimenting with AI, is seen by some experts as trailing in AI behind its big tech peers. Amazon has said it isn't falling behind others in AI and its AI capabilities at AWS have been well-received by customers.

Amazon has a long history of spending big to stay ahead. It had years of heavy capital investment in its delivery infrastructure to establish its e-commerce dominance and then to meet explosive demand during the Covid-19 pandemic.

That heavy investment contributed to Amazon this past week becoming the fifth-ever U.S. company to reach the milestone of $2 trillion in market value. The stock closed Friday at $193.25, valuing the company at $2.011 trillion.

Amazon's increased focus on data centers is also reflected in the company's senior leadership, which has increasingly become stocked with people with connections to the cloud business. Andy Jassy served as the AWS chief executive for more than two decades before becoming Amazon's chief executive in 2021.

"There is a natural tendency to invest more in AWS and technology for the folks left behind because that's what they grew and built," said Cayce Roy, chief executive at e-commerce fulfillment company Standvast and a former vice president at Amazon.

Amazon plans to add at least 216 new data-center buildings in the next several years, said Marc Wulfraat, president at logistics consultant MWPVL International. Amazon's retail capital expenditures probably won't grow much through 2025, he said, in part because Amazon has extra capacity in that segment after overbuilding during the pandemic.

Amazon's focus on data centers is reflected in its leadership, which is stocked with people connected to cloud business

With high demand for AI infrastructure, Amazon and other tech companies have struggled to get the parts, property and power that data centers with supercomputers require. Amazon and other big tech companies have sought nuclear power to feed their energy needs. The company's fulfillment build-out took many years to accomplish and didn't require the same technical equipment that data centers do.

Jassy has reoriented Amazon to focus on AI products throughout its various businesses. He has said generative AI could be a critical element of its next pillar of growth in addition to its online retail business, Amazon Prime and AWS.

In May, the company named Matt Garman, a veteran executive with a strong engineering background, as the new AWS CEO, as it moves to better capitalize on AI.

Amazon is still by far the biggest online retailer in the U.S., and its recent financials have shown that it is in as strong a position as ever. The company continues to invest in its retail arm and open new delivery facilities. It has expanded its shipping capabilities to reach more Americans faster as it has faced competition from newer e-commerce entrants.

But now it is also time to invest in the AI opportunity, Felton said.

"It's a fascinating time to be here and think about how we can really think differently about how cloud computing works and how we can think differently about serving customers in the world of GenAI," he said, referring to generative artificial intelligence.

Under-pressure Boeing to buy key supplier Spirit for $4.7 bn

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The purchase would reverse a longtime Boeing strategy of outsourcing key work on its passenger planes. REUTERS

Boeing announced plans to acquire key supplier Spirit AeroSystems for $4.7 billion, a move that it says will improve plane quality and safety amid increasing scrutiny by the US Congress, airlines and the department of justice.

Boeing previously owned Spirit, and the purchase would reverse a longtime Boeing strategy of outsourcing key work on its passenger planes. That approach has been criticized as problems at Spirit disrupted production and delivery of popular Boeing jetliners including 737s and 787s.

"We believe this deal is in the best interest of the flying public, our airline customers, the employees of Spirit and Boeing, our shareholders and the country more broadly," Boeing president and CEO Dave Calhoun said in a statement late on Sunday.

Concerns about safety came to a head after the 5 January blowout of a panel on an Alaska Airlines 737 Max 9 at 16,000ft over Oregon. The US Federal Aviation Administration (FAA) soon after announced increased oversight of Boeing and Spirit, which supplied the fuselage for the plane.

No one was seriously injured in the Alaska Airlines door incident, which terrified passengers, but Boeing is under pressure from the US Justice Department to plead guilty to criminal fraud in connection with two deadly plane crashes involving its 737 Max jetliners more than five years ago.

Boeing has until the end of the week to accept or reject the offer, which includes the giant aerospace company agreeing to an independent monitor who would oversee its compliance with anti-fraud laws, according to several people who heard federal prosecutors detail a proposed offer on Sunday.

The justice department said in a May court filing that Boeing violated terms of a 2021 settlement allowing the company to avoid prosecution for actions leading up to the crashes in Ethiopia and Indonesia, which killed 346 people. Those crashes were blamed on a faulty sensor in a flight-control system and the investigation is separate from the probe of the more recent Alaska Airlines blowout, which involved Spirit.

Boeing spun off Spirit, which is based in Wichita, Kansas, and not related to Spirit Airlines, in 2005. In recent years, quality problems have mounted, including fuselage panels that didn't fit together precisely enough and holes that were improperly drilled.

Spirit removed its CEO in October and replaced him with Patrick Shanahan, a former Boeing executive who served as acting defence secretary in the Trump administration.

Things seemed to be going more smoothly until the Alaska Airlines incident. Investigators said a panel used in place of an extra emergency door had been removed at a Boeing factory to let Spirit workers fix damaged rivets, and bolts that help hold the panel in place were missing after the repair job. It is not clear who removed the bolts and failed to put them back.

Spirit said in May that it was laying off about 450 workers at its Wichita plant because of a production slowdown since the January incident. Its total workforce was just over 13,000 people. "Bringing Spirit and Boeing together will enable greater integration of both companies' manufacturing and engineering capabilities, including safety and quality systems," Shanahan said.

The acquisition's equity value of $4.7 billion is $37.25 per share, while the total value of the deal is around $8.3 billion, which includes Spirit's last reported net debt, the aerospace company said.

Boeing common stock will be exchanged for Spirit shares according to a variable formula that depends on a weighted average of the share price over a 15-trading-day period ending on the second day before the deal closes, Boeing said.

Airbus to get 'major activities' in $1 deal

Bloomberg
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European aerospace giant Airbus on Monday said it would buy "major activities related to Airbus" from subcontractor Spirit AeroSystems, as US rival Boeing said it was going to take over the bulk of the group's operations.

Spirit AeroSystems builds fuselages and other significant parts for both Airbus and Boeing.

Airbus said it had entered into an agreement to take over Spirit's facilities related to the production of parts for its planes for a nominal fee of $1, and will be "compensated by payment of $559 million from Spirit AeroSystems" for the transaction. The group said this includes production sites related to the A350 in North Carolina and France, as well as the production of the A220's wings and mid-fuselage in Belfast and Casablanca in Morocco.

It would also cover the A220 pylons which are made in Kansas in the US.

The group said in its statement on Monday that with the agreement Airbus "aims to ensure stability of supply for its commercial aircraft programmes through a more sustainable way forward, both operationally and financially."

The announcement comes as US aircraft manufacturer Boeing said it had reached a "definitive deal" to buy Spirit, which has faced scrutiny over production quality control in recent months.

Boeing said the merger was worth $4.7 billion.

Boeing is by far Spirit's biggest customer, with around 70% of its revenue coming from the American planemaker in 2023.

Once-dominant rocket maker trying to catch up to Musk's SpaceX

Micah Maidenberg
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When the Pentagon needed to get a satellite into orbit, United Launch Alliance for years got the call.

These days, the military has a different number on speed dial: Elon Musk's.

United Launch Alliance, the Colorado-based company that long had a virtual monopoly on national-security missions, has been usurped over the past decade by Musk's SpaceX.

The billionaire-led company has grown to become the world's busiest rocket launcher, and over the past couple of years, the chief partner to the U.S. military, flying many of its most sensitive space missions.

ULA, a joint venture of Boeing and Lockheed Martin, is striving to reclaim its position by moving past problems that have hamstrung its new Vulcan Centaur rocket, leaving the vehicle years behind schedule.

While it is pushing to speed production, the company's struggles are drawing scrutiny from Congress and Pentagon officials, who want several companies capable of blasting off defense and spy satellites, as military powers jockey in orbit.

"Vulcan delays are now impacting national-security launches, leaving military satellite capability on the ground," said a spokeswoman for the Air Force, the parent organization for the military's Space Force.

ULA has been preparing its Decatur, Ala., rocket factory for higher Vulcan production rates, including by clearing space dedicated to older vehicles and deploying engineers to keep manufacturing lines moving, Chief Executive Tory Bruno said.

"We know that a lot of people are depending on us," Bruno said. "We're really pushing hard to ramp up."

THE WALL STREET JOURNAL.

ULA's future is in question as its owners have discussed selling the company to potential buyers. The company, which has nearly 3,000 employees working across its facilities and launch sites, doesn't report financial details, but filings from Lockheed Martin indicate earnings have fallen in recent years.

ULA was formed in 2006 when Boeing and Lockheed fused their rival launch businesses. The Pentagon supported the merger, wanting to ensure rockets Boeing and Lockheed long operated separately would continue to be available for national-security missions.

The company built a sterling record handling Pentagon launches. Between 2007 and 2017, ULA blasted off more than 70 national-security missions, according to data collected by the astrophysicist Jonathan McDowell.

SpaceX, founded by Musk in 2002 and for years an upstart, battled in Washington and in court to compete for military flights. Meanwhile, it developed a fleet of partially reusable rockets that proved to be cheap, trustworthy and capable of rapid launches.

In 2016, it won its first launch contract with the Air Force—breaking ULA's monopoly—and handled its initial flight for the National Reconnaissance Office, a spy agency, the following year.

ULA now has 23 Vulcans in various stages of production, but the company's struggles have cost it business and drawn attention from the Pentagon. REUTERS

Betting on Vulcan Centaur

ULA bet big on a new rocket, Vulcan Centaur, which has a powerful main booster and a smaller craft, Centaur, to propel satellites and other vehicles to orbital destinations. Vulcan is designed to reach targets in deeper space as well as near-Earth orbits, the destination for such launches as Amazon.com's satellite network.

The company began developing Vulcan about a decade ago after Congress required ULA to phase out use of a Russian-built engine on its older Atlas V rockets following the Kremlin's 2014 invasion of Ukraine's Crimea.

ULA later hired Blue Origin, the space company founded by Jeff Bezos, to supply Vulcan with new engines. Bruno said six years ago, when the engine deal was announced, that he hoped to fly Vulcan for the first time in 2020.

Blue Origin missed early goals for engine production and struggled after opening a Huntsville, Ala., factory four years ago as it developed a production system and brought on scores of new employees, people familiar with the facility said.

Bezos' space company has been pushing to churn out engines for ULA and its own use. The company hired a manufacturing leader from SpaceX, Ian Richardson, to take on a high-level operations job, work that has included improving the engine factory.

ULA's Bruno said in April that Blue Origin has been closing in on building one engine a week, versus one a month. Each Vulcan booster needs two of the engines.

In January, ULA launched Vulcan Centaur for the first time. The company plans three more Vulcan launches this year: a mission in September designed to show the U.S. military the rocket can operate as designed and then two operational flights for the Pentagon.

A Blue Origin spokesman said the company recently delivered its eighth engine to ULA, giving ULA enough for Vulcan's next three flights. "We have dozens more in our manufacturing flow and continue to scale our factory and supply chain to ensure we meet all future engine demand," he said.

Delays at ULA, the rocket provider owned by Boeing and Lockheed Martin, have drawn scrutiny from the military

Lost business

ULA now has 23 Vulcans in various stages of production, but the company's struggles have cost it business and drawn attention from the Pentagon.

A Space Force command recently reassigned three missions from ULA to SpaceX because Vulcan is behind schedule.

Frank Calvelli, the top acquisition official for space at the Air Force, said in a May letter to Boeing and Lockheed that he was concerned about ULA's ability to scale up Vulcan production and conduct more flights.

Calvelli recommended an outside review. Former military and aerospace officials, including Susan Mashiko, who once served as deputy director at the National Reconnaissance Office, are working on the effort. Mashiko declined to comment.

In May, Calvelli also visited ULA's Alabama rocket factory, Blue Origin's nearby engine plant and another Vulcan supplier. The Washington Post reported earlier on his letter. Boeing and Lockheed said they were committed to ensuring ULA reaches a faster launch cadence.

Some federal lawmakers have pushed the Pentagon to work with a larger number of rocket launch providers, in addition to ULA and SpaceX, which now has a de facto monopoly on U.S. launches.

"If you have a monopoly situation and inadequate competition it will be more difficult to get the best price for the technologies you need," Rep. Adam Smith (D., Wash.), ranking member of the House Armed Services Committee, said in an interview earlier this year.

NEWS IN NUMBERS

4.5GW

THE POWER SJVN's green energy arm will supply to AM Green Ammonia Holdings for its production facility, in one of the world's largest green energy deals

177,207

THE NUMBER of two-wheelers sold by Bajaj Auto in June 2024, up 7% from 166,292 units during the same period last year

111

THE NUMBER of spice makers whose manufacturing licences were cancelled by food regulator after samples were found to have excess levels of ethylene oxide

₹7,581 cr

THE TOTAL value of ₹2,000 denomination banknotes that remain with the public, after RBI announced their withdrawal on 19 May 2023

₹16.76 cr

THE VALUE of the stake American investment bank Morgan Stanley picked up in Indian furniture company Stanley Lifestyles, which went public recently

HOWINDIALIVES.COM

Ireda loan grows manifold in Apr-Jun

Public sector non-banking financial company Indian Renewable Energy Development Agency (Ireda) on Monday said it posted manifold growth in its sanctioned loan to ₹9,136 crore during April-June FY25.

Loan disbursements also rose 67.61% to ₹5,320 crore in the period under review from ₹3,174 crore in the year-ago period.

The total loan book outstanding as of 30 June 2024 was at ₹63,150 crore, up 33.77% over ₹47,207 crore in April-June FY24, Ireda said in a statement.

Pradip Kumar Das, CMD, Ireda, said, "The first quarter underscores our commitment to accelerating the deployment of renewable energy solutions in India. The substantial increase in loan sanctions and disbursements reflects our proactive approach in supporting projects that contribute to India's renewable energy goals." PTI

The market cap of BSE-listed firms touched ₹4.43 crore driven by a rebound in equities. REUTERS

Mcap of BSE-listed cos hits lifetime high

The market capitalization of BSE-listed firms hit a lifetime high of ₹4.43 crore on Monday, driven by a rebound in equities, where the benchmark Sensex ended at a new all-time peak.

The 30-share BSE Sensex jumped 443.46 points or 0.56% to settle at a new closing peak of 79,476.19. During the day, it climbed 528.27 points or 0.66% to 79,561.

"The domestic market sustained its upward momentum, with a reduction in the US PCE inflation raising hopes for a rate cut by the Fed in September. This optimism contributed to the strong performance of IT stocks," Vinod Nair, head of research at Geojit Financial Services, said.

Among the Sensex pack, Tech Mahindra, Bajaj Finance, UltraTech Cement, Tata Consultancy Services (TCS), Infosys, JSW Steel, HDFC Bank, Tata Motors, Hindustan Unilever (HUL) and ICICI Bank were the biggest gainers.

NTPC, State Bank of India, Larsen & Toubro (L&T), IndusInd Bank and Bajaj Finserv were among the laggards. PTI

FLOODWATER RAFTERS

People use a makeshift raft to cross floodwaters in Assam's Nagaon district on Monday. The state's flood situation has turned critical following heavy rainfall in neighbouring Arunachal Pradesh, Assam chief minister Himanta Biswa Sarma said. The Brahmaputra and its tributaries are flowing above the danger level, while the India Meteorological Department has warned of heavy rainfall for the next two to three days, he added. PTI

Rahul Gandhi's fiery debut as LOP stirs up political storm

Raises economic concerns, issues surrounding politics of hate in 62-minute speech

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NEW DELHI

Rahul Gandhi's inaugural speech as Leader of Opposition (LOP) in the Lok Sabha lasted 62 minutes, covered a wide sweep of hot-button issues from the ethnic conflict in Manipur to the NEET controversy, the Agnipath scheme for recruitment to the armed forces to the farm crisis, and inflation to the politics of hate, and provoked interventions from senior leaders on the treasury benches including Prime Minister Narendra Modi, home minister Amit Shah, and defence minister Rajnath Singh.

Switching between Hindi and English, Gandhi's speech was marked by the same aggression that characterized many of his speeches on the campaign trail, and its real impact can be measured by the government attempting to fact-check it, and senior Bharatiya Janata Party (BJP) leaders such as Uttar Pradesh chief minister Yogi Adityanath seeking an apology from Gandhi for allegedly insulting the sentiments of crores of Hindus.

Adityanath's reference was to Gandhi's comment that "those who call themselves Hindu only talk about violence, hatred, untruth; ... you are not Hindus at all". The comment brought the Prime Minister to his feet: "Calling the entire community violent is a very serious matter," he interjected.

> A bulk of Gandhi's speech focused on the economy, accusing the BJP of failing to create jobs or easing prices, and of complicating taxation

But Gandhi was quick to respond that his comment was about the BJP and the Rashtriya Swayamsevak Sangh's brand of Hinduism.

While the comment on Hindus may have generated the most heat, and the use of a picture of Lord Shiva as a prop created a controversy (the use of such props is not allowed by Parliament rules), Gandhi managed to criticise the government on a host of issues.

It was a performance that was cheered by other Opposition leaders, had several senior BJP MPs waving the rule book and asking the Speaker to intercede, and countered by Union ministers.

The LoP, the first in the Lok Sabha in 10 years, spent a bulk of his speech focussing on the economy, accusing the BJP of failing to create jobs or easing prices, and of complicating taxation. "MSMEs have been destroyed. The backbone of job creation has been wrecked due to demonetisation and the flawed GST," he said, adding the moves benefitted industrialists.

Rupee falls 10 paise against US dollar

The rupee depreciated 10 paise to settle at 83.44 against the US dollar on Monday, tracking rising crude oil prices in international markets. However, a firm trend in domestic equity markets, positive manufacturing PMI data and a weak US dollar against major currencies overseas capped the sharp fall, forex traders said.

At the interbank foreign exchange market, the local unit opened at 83.39 and moved between the high of 83.38 and the low of 83.47 against the greenback during the session.

The unit finally settled at 83.44 against the dollar, registering a loss of 10 paise from its previous closing level. On Friday, the rupee settled 11 paise higher at 83.34.

Anuj Choudhary, research analyst at Sharekhan by BNP Paribas, said the rupee depreciated on a surge in US treasury yields and rising crude oil prices.

Oil prices were hovering at nearly two-month high levels while the US bond yields above 4% pressurised Asian currencies. PTI

Patanjali Ayurved to sell biz vertical

Patanjali Ayurved is selling its home, personal care business to Patanjali Foods. MINT

Baba Ramdev-led Patanjali Ayurved Ltd (PAL) has decided to sell its home and personal care business to listed group firm Patanjali Foods Ltd for ₹1,100 crore. The acquisition will help edible oil firm Patanjali Foods to become an FMCG company.

In a regulator filing, Patanjali Foods informed that the board has approved the "acquisition of the entire non-food business undertaking i.e. hair care, skin care, dental care and home care carried out by Patanjali Ayurved, including but not limited to all movable assets, immovable properties, contracts, licenses, books and records, employees and certain assumed liabilities of PAL through a slump sale arrangement on a going concern basis".

This is subject to the approval of shareholders, lenders and other necessary approvals. The deal will accelerate the company's transition into a leading FMCG company, Patanjali Foods said.

The home and personal care business of Patanjali Ayurved currently has strong brand equity in India's FMCG space and enjoys a loyal consumer base, the filing said. Presently, it caters to four key segments—dental care, skin care, home care, and hair care. PTI

Ravi Agrawal, the new chairman of the Central Board of Direct Taxes. INCOMETAXNAGPUR/X

Ravi Agrawal takes over as CBDT chief

Ravi Agrawal, a 1988-batch IRS officer, has been appointed as the new chairman of the Central Board of Direct Taxes (CBDT), the administrative body for the Income Tax Department. He takes over from Nitin Gupta, a 1986-batch Indian Revenue Service officer, whose extended tenure as the chairman ends on Sunday, 30 June.

Gupta was appointed as the CBDT chief in June, 2022. He was scheduled to retire in September last year but was given a nine-month extension till June. The new CBDT chief is currently working as member (administration) in the board.

An order issued by the Appointments Committee of the Cabinet (ACC) said Agarwal will head the CBDT till June, 2025.

Agrawal is scheduled to retire in September but his appointment order said he will continue on "reappointment on contract basis" till 30 June next year, in usual terms and conditions applicable to re-employed central government officers, in relaxation of the recruitment rules. The CBDT is headed by a chairman and can have six members who are in the rank of special secretary. PTI

US court rules Trump has immunity for official, not private acts

The US Supreme Court found on Monday that Donald Trump cannot be prosecuted for official actions taken as president, but can for private acts, in a landmark ruling recognizing for the first time any form of presidential immunity from prosecution.

The justices, in a 6-3 ruling written by Chief Justice John Roberts, threw out a lower court's decision rejecting Trump's claim of immunity from criminal charges involving his efforts to undo his 2020 election loss to Joe Biden. The six conservative justices were in the majority. Its three liberals dissented.

"We conclude that under our constitutional structure of separated powers, the nature of presidential power requires that former president have some immunity from criminal prosecution for official acts during his tenure in office," Roberts wrote.

"At least with respect to the president's exercise of his core constitutional powers, this immunity must be absolute. As for his remaining official actions, he is also entitled to immunity," Roberts added. REUTERS

Former US President Donald Trump. REUTERS

Niva Bupa files for $360 million IPO

Indian health insurer Niva Bupa has filed for an initial public offering (IPO) to raise up to ₹3,000 crore (nearly $360 million), draft papers showed on Monday. The company, majority owned by British United Provident Fund (Bupa), said it will issue fresh shares worth up to ₹800 crore as part of the offering. It aims to use the proceeds from that sale to strengthen its balance sheet and for operating expenses.

Existing shareholders Bupa Singapore Holdings and Fettle Tone, will sell shares up to ₹2,200 crore, Niva Bupa added.

As of the end of FY24, the firm's borrowings stood at ₹250 crore, unchanged for the third straight fiscal. Its total income, which comprises net premium income, investment income and other income, rose 44% year-on-year. ICICI Securities, Morgan Stanley, Kotak Mahindra Capital and Axis Capital were among the book-running managers to Niva Bupa's IPO. REUTERS

This will help SI Air Springs to broaden the product range and strengthen its position. ISTOCKPHOTO

TVS Mobility arm buys Roberto Nuti

TVS Mobility group on Monday said its subsidiary SI Air Springs has acquired Italy-based automotive components supplier Roberto Nuti Group, which will help it broaden the product range and strengthen its position in the global market.

The pact between the two partners includes the 100% purchase of Roberto Nuti Group by TVS Mobility indirectly, through its wholly-owned Indian subsidiary, SI Air Springs Private Limited and investments appropriate to the full re-launch of the company, TVS Mobility group said in a statement.

It also said that both companies will continue to operate normally during the integration period. Following this collaboration, the Bologna (Italy)-based group will now operate on a more international scale, benefiting from the market and product leadership of TVS Mobility, it said. PTI

RBI appoints Arnab Chowdhury as ED

The Reserve Bank of India (RBI) has appointed Arnab Kumar Chowdhury as executive director (ED) with effect from Wednesday. Chowdhury will look after three departments, including Deposit Insurance and Credit Guarantee Corporation (DICGC).

Prior to being promoted as executive director, Chowdhury was serving as chief general manager-in-charge in the Department of Supervision.

As executive director, he will look after DICGC, foreign exchange department, and international department, the Reserve Bank said in a statement.

Chowdhury is a chartered accountant and holds a master's degree in economics. He is also a certified associate of IIBF. He has experience of over three decades in the RBI. He has worked extensively in the area of supervision of financial entities. PTI

ESAF Small Fin Bank restructures biz

ESAF Small Finance Bank on Monday absorbed about 5,200 employees from ESAF Swasraya Multi-State Agro Co-operative Society Ltd (ESMACO), a corporate business correspondent of the bank, as part of a strategic business restructuring. The bank will now directly manage the microloan portfolio that was previously managed by ESMACO through banking outlets.

This move aims to mitigate concentration risks while allowing ESMACO, a promoter group entity, to continue managing business operations at the Customer Service Centres.

The micro banking vertical, created with a 5,197-strong workforce, will primarily serve the needs of the rural population through micro-loans, agriculture loans, vehicle loans, and home loans, ESAF Small Finance Bank managing director K. Paul Thomas said. The bank is also designing liability products to suit the needs of low and middle-income savers, he added. PTI

CAN DEFENCE STOCKS SHIELD YOUR PORTFOLIO?

Defence stocks have delivered bombshell returns but separating fables from the fundamentals can be a minefield

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NEW DELHI

India's Defence Research and Development Organisation conducts a flight test of the new generation Akash missile at Chandipur, off the coast of Odisha, on 12 January. PTI

A lot of financial history is people saying, "No one could have seen this coming" about things that have occurred regularly for the last 500 years.
—Morgan Housel

The end of the Second World War marked the beginning of an over two-decade-long bull run on Wall Street. As is the case with all bull markets, this one too had its blue-eyed sector—airlines.

'Air-transport stocks' were all the rage back then, with investors scrambling to scoop up as many shares as possible. Aeronautical Securities and the Missiles-Rockets-Jets and Automation Fund were among the hottest mutual funds of the late 1940s and early 1950s. Aviation ticked all the boxes of what fund managers considered the 'ideal' sector—a scorching pace of growth, extraordinary technological advancements and seemingly inexhaustible demand.

What could go wrong? As it turned out, a lot.

Thanks to factors like heightened competitive intensity, overcapacity and rapid technological obsolescence, which in turn necessitated steadily rising capital expenditure, airlines soon started haemorrhaging money. Despite burgeoning air traffic volumes, airlines found the path to profitability riddled with turbulence, leading to a string of bankruptcies. Such was its predicament that in 1970, this once 'sunrise sector' delivered a cumulative loss of some $200 million for its shareholders—a mind-numbing figure those days.

It is now a commonly accepted truism that the airline industry, over its entire history, has lost more money than it made. But this was not so evident back then.

The easiest job in finance is to be right in retrospect, but even at the height of the aviation mania, there were some courageous voices of dissent. Chief among them was Benjamin Graham, the father of security analysis.

In his masterpiece *The Intelligent Investor*, which practically gave birth to value investing, Graham pointed out that just because a sector looks promising doesn't mean investors will make money. "Obvious prospects for physical growth in a business do not translate into obvious profits for investors," he wrote.

For good measure, he also said experts do not have any sure-shot way of identifying the most promising companies in the most promising industries. The lesson he was trying to drive home was not that you should never buy airline stocks, but that investors cannot afford to be lulled into complacency after investing in 'can't-miss' sectors.

More than seven decades later, is it time to revisit these maxims?

FORWARD MARCH

Defence stocks have been one of the star performers of the Indian equity market's current bull run. Since its launch on 19 January 2022, the Nifty India Defence Index has shot up nearly 400%, far outpacing not only the benchmark Nifty (up 31%) but also other current market darlings like realty (up 125%), auto (110%) as well as small- and mid-cap indices, which have gained up to 75% during the period.

Some individual defence counters have simply gone ballistic, delivering 5x and even 10x returns, leaving their investors almost airborne with delight.

What explains this boundless optimism?

Purely from a market size perspective, the opportunity is undoubtedly immense. With over 1.4 million active personnel, India has the second-largest military force in the world, as well as the largest volunteer army. It is also the world's fourth-biggest military spender. As per data by global security think tank Stockholm International Peace Research Institute (SIPRI), the largest military spenders in 2023 were the US ($916 billion), China ($296 billion), Russia ($109 billion) and India ($84 billion).

For the period 2019-23, India was the world's top arms importer, accounting for almost 10% of global arms imports.

Not just that, India also exports defence equipment to over 85 countries. India's defence exports reached an all-time high of ₹21,000 crore (about $2.63 billion) in 2023-24, up 32.5% year-on-year and a whopping 31 times as compared to 2013-14.

In the interim budget presented in February, India's defence budget stood at ₹6.21 trillion for 2024-25, accounting for 13% of the overall budget expenditure of the government. Out of this, the capital allocation for new procurements was ₹1.72 trillion, 5.78% higher than the Budget Estimates of last year.

The government in 2021 announced its target to spend $130 billion for the modernization of the armed forces in the next seven to eight years, with a focus on majority procurement from domestic industry. Concurrently, it has rolled out multiple initiatives to give a fillip to the sector, including the 'Make in India' policy which seeks to reduce import dependence and promote domestic manufacturing. It also encourages participation from Indian companies including public sector undertakings (PSUs), private firms, and micro, small and medium enterprises (MSMEs).

India's defence offset policy requires foreign vendors to source at least 30% of the contract value (above ₹2,000 crore) domestically, which spurs investment as well as technology transfer in defence. The government has also set up two industrial corridors to attract investments of ₹20,000 crore by 2024-25.

> Public sector stocks like HAL and BEL are trading at price-to-earnings multiples of around 50. Some private sector players are trading at above 100.

That apart, in 2020, the foreign direct investment (FDI) limit in the defence sector was increased from 49% to 74% through the automatic route and 100% through government approval.

"India is not only striving to become self-reliant in meeting its defence needs but is also exploring substantial export opportunities in the sector. India is already exporting defence equipment to countries like Vietnam, Afghanistan, Sri Lanka, Philippines, United Arab Emirates (UAE) and many others," Prashant Rao, director and head of equity capital markets, Anand Rathi Investment Banking, told *Mint*. "Investors believe that the sector will be a key focus area for the government, driving further growth and development," he added.

The skyrocketing stock prices, in turn, have led to some pretty frothy valuations.

Anirudh Garg, partner and fund manager at Invasset, a portfolio management service provider, said while the defence sector has seen remarkable growth, it is important to acknowledge the high valuations many companies are currently trading at.

"However, we believe that these valuations reflect strong future growth potential supported by robust government policies and ongoing modernization projects," he said.

"Companies with significant order books and strategic partnerships are well-positioned to maintain their growth trajectory. Therefore, rather than viewing the space as overheated, we see it as an opportunity of the decade, underpinned by solid fundamentals and extensive growth prospects," he added.

However, he was quick to point out that investors should focus on companies with a proven track record, strong fundamentals and substantial government contracts.

"Key players like Bharat Electronics Limited (BEL) and Hindustan Aeronautics Limited (HAL) stand out due to their significant involvement in crucial defence projects and strategic international partnerships. Companies that are investing heavily in R&D and those that are part of government-supported initiatives like Innovations for Defence Excellence (iDEX) are also poised for long-term success," he pointed out.

These factors might account for the rally, but what explains the euphoria?

HOW'S THE JOSH?

To say that the defence segment has become overheated would be flirting dangerously with understatement. Public sector stocks like HAL and BEL are trading at price-to-earnings (PE) multiples—the ratio of the share price of a stock to its earnings per share—of around 50. Cochin Shipyard commands a PE of 72. Some private sector players have escaped the Earth's gravitational pull altogether. Explosives manufacturer Solar Industries is trading at a PE ratio of above 100, while that of Paras Defence is at a head-spinning 185.

"The market is seeing the continuity in government and expects it to keep defence expenditure at elevated levels. But our sense is that we cannot assume the budgetary allocation to grow at substantially higher rates than the nominal GDP," George Thomas, fund manager—equity at Quantum AMC, told *Mint*.

"The other feature of this sector is that the government itself is the single largest buyer in many cases. In such sectors, there is a high chance of regulatory interventions, which can limit the return on equity (RoE) of companies to 14-15% at best. At some point, the RoEs of some of these companies could normalise. The current valuations do not offer any margin of safety," he further said. "The sector as a whole looks quite expensive to us. At some point, the reality could kick in and investors can see large drawdowns," he added.

Thomas acknowledged that India's geopolitical situation necessitates continued investments in defence modernization, so in that sense the sector has a long runway for growth. "But when companies are trading at PE multiples of 90 and 100, even under the most optimistic assumptions, further upside looks limited."

mint SHORT STORY

WHAT

In the current bull run, defence stocks have been one of the star performers. Since its launch in 2022, the Nifty India Defence Index has shot up nearly 400%.

WHY

Investors see strong future growth potential since the govt is spending on the modernization of the armed forces. Many firms have significant order books and strategic partnerships.

BUT

The skyrocketing stock prices led to frothy valuations. Analysts advice a cautious approach. The defence business is cyclical and spending can fluctuate based on geopolitical situations.

CONTRAPOINT

However, some experts suggest taking a granular look at the numbers rather than being intimidated by the PE ratios.

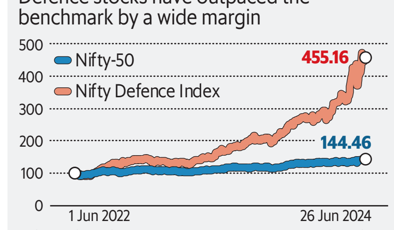
"We must look at company-specific reasons for the increase (in PE) but generally, the stock prices are reflecting the strong order book these companies are having. For example, HAL is sitting on an order book of ₹96,000 crore, Bharat Electronics has an order book of ₹76,000 crore, Bharat Dynamics is at ₹20,000 crore (as of 31 March 2024). These are very impressive numbers," Anand Rathi's Prashant Rao said.

Furthermore, the Indian manufacturing sector has shown high development in the last few years and is showing tremendous growth potential for the coming years. Similarly, defence companies are also benefiting from the government's goal to increase manufacturing in the country.

"Some of the companies in defence might be trading at a P/E of more than 100 but you will find majority trading at valuations which are reasonable. This is because the defence industry has a large variety of segments in which some companies manufacture critical value-added products requiring multiple approvals and expensive technology. Also, not only are these companies showing strong order books right now but are also poised to grow and are presenting revenue visibility for the next three-five years," he added.

PACKING AMMO

Defence stocks have outpaced the benchmark by a wide margin

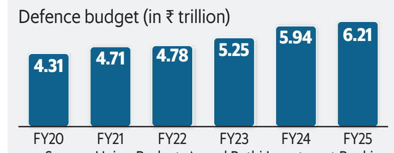


Values rebased to 100. Source: Bloomberg

Force multiplier

Defence budget is on the rise amid the growing emphasis on domestic capabilities

Defence budget (in ₹ trillion)

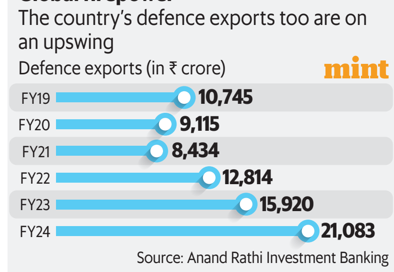


Source: Union Budget, Anand Rathi Investment Banking

Global firepower

The country's defence exports too are on an upswing

Defence exports (in ₹ crore)



Source: Anand Rathi Investment Banking

SATISH KUMAR/MINT

HOPE VS EXPERIENCE

Few investors can resist the temptation to be macroeconomic experts while evaluating the investment landscape. When it comes to the defence sector, there's the added thrill of dishing out geopolitical hot-takes. While discussing the Russia-Ukraine war or China's belligerence might make for interesting dinner table conversations, they are tangential to the primary objective of stock selection.

Discerning investors can identify strong contenders by focusing on several key metrics. Firstly, prioritize companies with a diversified product portfolio encompassing various defence segments. This diversification mitigates risk by reducing dependence on the performance of a single product category, said Sonam Srivastava, founder and fund manager at Wright Research, an investment services firm.

"Secondly, a proven track record of innovation and technological advancements is crucial. Companies consistently at the forefront of defence technology development are well-positioned for future contracts," Srivastava added.

Thirdly, prioritize companies demonstrating sound financial health, focusing on profitability and maintaining manageable debt levels. "Finally, seek out companies with a clear competitive advantage and a strong position within their specific niche of the defence market," she further said.

However, as market veterans know too well, it is very difficult to separate the wheat from the chaff, that too at the peak of a hype cycle.

"P/E ratios exceeding 100 for some companies suggest that the market anticipates significant future earnings, but sustaining current order book growth at these elevated levels for extended periods might be challenging. It's important to consider the cyclical nature of defence spending, which can fluctuate based on geopolitical situations. Therefore, a cautious approach is warranted, as future growth might not always match current market expectations," she noted.

While the consensus view is that the defence industry has considerable headroom for growth, the bubble-territory valuations have left the Street divided. The optimists (as well as momentum investors) see no harm in chasing the uptrend, but many others advise caution.

"For those who missed the initial rally, entering the market now may not guarantee similar returns. A more measured approach, such as investing a fixed amount at regular intervals, can be beneficial as this will allow investors to acquire shares at various price points, potentially mitigating the risk of buying at a peak. Diversification across different defence companies and even exploring defence ETFs (Exchange-Traded Funds) can further manage risk and provide broader exposure to the sector's growth," Srivastava added.

Overall, a long-term investment horizon can be the most potent weapon in an investor's arsenal. After all, that's what Ben Graham advocated as well.

Should Sebi's certification exam be your first step into stock investing?

The programme is voluntary, and empowers individuals with essential knowledge about savings and investment

Shipra Singh
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Earlier this month, the Securities and Exchange Board of India (Sebi) introduced a certification programme for retail investors. This free online course evaluates the knowledge of individuals new to the securities market.

Developed in collaboration with the National Institute of Securities Market (NISM), the apex body responsible for securities market certification, the programme is voluntary, and aims to empower individuals with essential knowledge about savings and investment.

Mint had earlier reported that stock exchanges had proposed two frameworks to curb retail participation in futures and options (F&O) trading. One proposal suggested that investors should take an exam to understand the risks in derivatives trading. While these proposals are still under review, the investor certification programme has been introduced as a voluntary measure to improve financial literacy.

According to Sebi, this initiative aims to equip individuals with essential knowledge about savings, and investment basics. "This online exam will help enhance investors' understanding of the investment process and associated risks in the securities market, thus promoting an efficient approach to investment aligned with the risk appetite of the investor," NISM said in a statement.

The author took the exam to understand its content and expectations. Here's an analysis:

The exam comprises 50 multiple-choice questions, each worth one mark, to be completed in 60 minutes. Topics include: (i) Basics of budgeting and investment process; (ii) Alternative investments such as Real Estate Investment Trust (Reits) and Infrastructure Investment Trust (InvITs); (iii) Basic investment concepts such as risk and return; and (iv) Various investment products

The final five questions deals with behavioural aspects of investing via hypothetical scenarios, and what should be the right approach to address these issues. For instance, a scenario might explore how an investor could avoid losses in a manufacturing mutual fund during an economic downturn.

Sample this: X invests in a mutual fund focusing on the manufacturing sector amid a surge in manufacturing company stock prices. He ignores his manufacturing MF portfolio for one year and during this time economic downturn hits the manufacturing sector, leading to losses in the stock prices of associated companies. Consequently, X suffers financial losses.

As part of the examination, the candidate will need to evaluate whether X could have prevented these losses by considering three scenarios.

After the exam, only the correct answers to the last five questions are provided with explanation. Answers to the remaining 45 questions are not shown, nor are incorrect responses identified. The final score is displayed upon completion. The passing score is 25, with no negative marking for wrong answers. Candidates can reappear after six months if they fail.

To register, individuals must sign up on the NISM online certification system. NISM takes about three days to approve the registered profile, and will then allow you to enrol for the exam. There are no eligibility criteria related to age or educational qualifications to enrol for the investors certification exam, but PAN (Permanent Account Number) and proof of address are mandatory for registration. Besides, the certificate will not be issued without a PAN. The certificate is issued within a few days of the exam and is valid for two years.

Once the profile is approved, under he 'Enrolment' tab, select "Enrol for Sebi Investor Certification Examination". Examination slots are generally available 2-3 days after the enrolment process is completed. Once updated, the portal will show you the available time slots and dates. Select a suitable date and time slot, according to your convenience. Candidates can appear for examination within six months of enrolment.

Study material is provided in the certification portal after one enrols for the exam. It can be seen under the "My examination/CPE/eCE" tab. Alternatively, you can download it from the NISM website. Two booklets are provided–one on the basics of financial education, and the other is a comprehensive guide on the securities market.

However, should one consider opting for the programme and appearing for the exam? Well it depends. Difficulty level of the exam is suited for stock market beginners. Experts recommend it for new investors, as the course allows you to learn the basics of budgeting, investing, and structure of the securities markets.

"In the interest of investors, it is a good mechanism to test the knowledge of direct investors in stocks or even mutual funds, before they start trading in stocks, or invests in MFs. This will nudge the novice investors to gain a proper knowledge before investing, and also refrain them from getting misled by just seeing the past returns," Manikaran Singal, a Sebi-registered investment advisor, said.

While the exam is a good starting point for newbie investors, it does have some limitations. For instance, there are no questions on bonds, capital gains taxation, and the role of registered investment advisors (RIAs).

Additionally, there are few direct questions on mutual funds. In contrast, the exam includes four to five advanced questions on REITs and InvITs, which have fewer investors compared to mutual funds. Overall, Sebi's investor certification exam is beneficial for those who are preparing to enter the stock market, helping them build a basic understanding of investing and market structures.

Sebi Investor Certification Exam

What
Sebi has introduced an exam for prospective investors; it's voluntary

Why
To help enhance and test the knowledge of direct investors

How
Must answer 50 MCQ questions on the basics of finance, stock markets and the investment process

Syllabus
Booklets on financial education and stock markets available on NISM site after login

Eligibility
No educational or age criteria; anyone can appear

What is good
- Basics of budgeting, risk, investment products covered
- Role of DPs, stock exchanges, regultory bodies thoroughly covered
- Novice investors nudged to learn about securities markets through study material
- Questions on behavioural finance
- Get access to free guides on stock markets which are better than courses sold by finfluencers

What it lacks
- No questions on role of RIAs or different types of advice
- No numerical questions
- Capital gains tax not covered
- No questions on bonds
- Difficult questions on Reits, Invits, which has few investors. On contrary, no direct questions on MFs

Process to appear
- **REGISTER** on NISM certification portal
- **UPLOAD** PAN and proof of address to register
- **PROFILE** approved within 3 days
- **ENROLL** for SEBI Investor Certification Examination
- **SELECT** date and time slot. Same day slots are not given
- **LOGIN** and password sent one day before exam date
- **50** MCQ to be answered within 60 minutes. No negative marking
- **TOTAL** marks shown after exam ends. Wrong answers not highlighted
- **CERTIFICATE** emailed 3-6 days later

PRANAY BHARDWAJ/MINT

POWER POINT
NEERAJ AGARWALA

We welcome your views and comments at
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BUDGET: HOW TAX HIKE ON F&O COULD IMPACT TRADERS?

The finance ministry plans to impose higher taxes on futures and options (F&O) transactions in the upcoming Union Budget, as per reports. Proposed changes include reclassifying these transactions as 'speculative income' from 'non-speculative business income' and introducing TDS on them. This news has unsettled the trader community. Let us understand why.

Derivatives are financial contracts that derive value from underlying assets. These trades are executed within a day without physical delivery. Even if income is derived from the sale of securities, due to the unique nature of these trades, there exist specific provisions for its classification and taxability. One, unlike the sale of shares that are classified as income from capital gains, transactions of futures and options are income from business profits. This key distinction sets it apart from other securities, making profits taxable at the slab rate of an individual, irrespective of the holding period.

Further, unlike capital gains, in which only expenses wholly and exclusively incurred related with the transfer are allowed as a deduction, all expenses attributable to the business of trading are allowed as a deduction under business income. So, traders enjoy a lower tax rate and higher expense deductions, which makes F&O trading more attractive than retail investment. Any losses from these instruments can be used to set off against other business income of the assessment year, or carried forward, and set off against business income for the subsequent eight years. This provided a cushion for traders against the volatile nature of the market. F&O traders rely on trend analysis and probability computation requiring years of experience and knowledge about markets and trends. The ministry's proposal stems from its concern for retail investors, whose participation in the derivatives market has seen a significant increase. The strategy being to take the appeal of lower tax rates and higher deductions away from the instruments and raise the applicable taxes.

Introduction of TDS on F&O transactions adds another layer of complexity

What the Budget may propose: The ministry is reportedly considering the following: (i) Applying a higher tax rate of 30% to such profits, replacing the current slab rate applicability; (ii) Introducing a nominal TDS to better track these transactions; and (iii) The proposed reclassification of F&O income as speculative income will significantly impact traders.

First, the ability to offset losses from F&O transactions against other business income would be curtailed. This change would result in higher tax liabilities for traders, particularly those who use losses in one segment to offset gains in another, balancing their overall tax obligations. With the new classification, only profits and losses within the speculative category can be offset against each other, which can lead to higher taxable income and, consequently, higher taxes.

Second, the imposition of a flat 30% tax on F&O profits would eliminate the benefit of slab rates, which provides a lower tax burden for individuals in lower-income brackets. This change would impact small and retail traders who may not have substantial profits but will face a significantly higher tax rate on their gains.

The introduction of TDS on F&O transactions adds another layer of complexity. While the primary objective is to track transactions more effectively and ensure tax compliance, it will also increase the immediate tax burden on traders. TDS will require traders to have more liquidity in hand to meet tax obligations upfront, reducing the capital available for trading.

The overall market could face stress due to these changes. Higher taxation and stricter loss set-off rules might discourage retail participation in the F&O segment, leading to reduced liquidity and higher volatility. Institutional investors may also reassess their strategies, potentially withdrawing from the market or seeking alternative instruments with more favorable tax treatments. In conclusion, while the finance ministry's proposal aims to protect retail investors and increase tax collections, it may have unintended consequences for traders and broader market.

The reclassification of F&O income as speculative, the imposition of a higher tax rate, and the introduction of TDS could create a more challenging environment for traders. Policymakers must carefully consider these impacts to strike a balance between safeguarding investors and maintaining market stability.

Neeraj Agarwala is partner at Nangia Andersen India. Neetu Brahma, director at Nangia Andersen India, has also contributed to this column.

The world's rich bet on a firm with 275% gains that shuns AI

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Rayyan Islam and Kerem Ozmen are millennials betting on making it big in early-stage investing. But unlike many peers, they're eschewing Silicon Valley startups in favour of companies looking to transform the not-so-sexy world of industrials.

Over the past four years, the pair have built up their venture firm, 8090 Industries, with backing from billionaire families whose fortunes range from the largest driller of US natural gas to a Swedish consumer goods giant to one of the biggest mining companies.

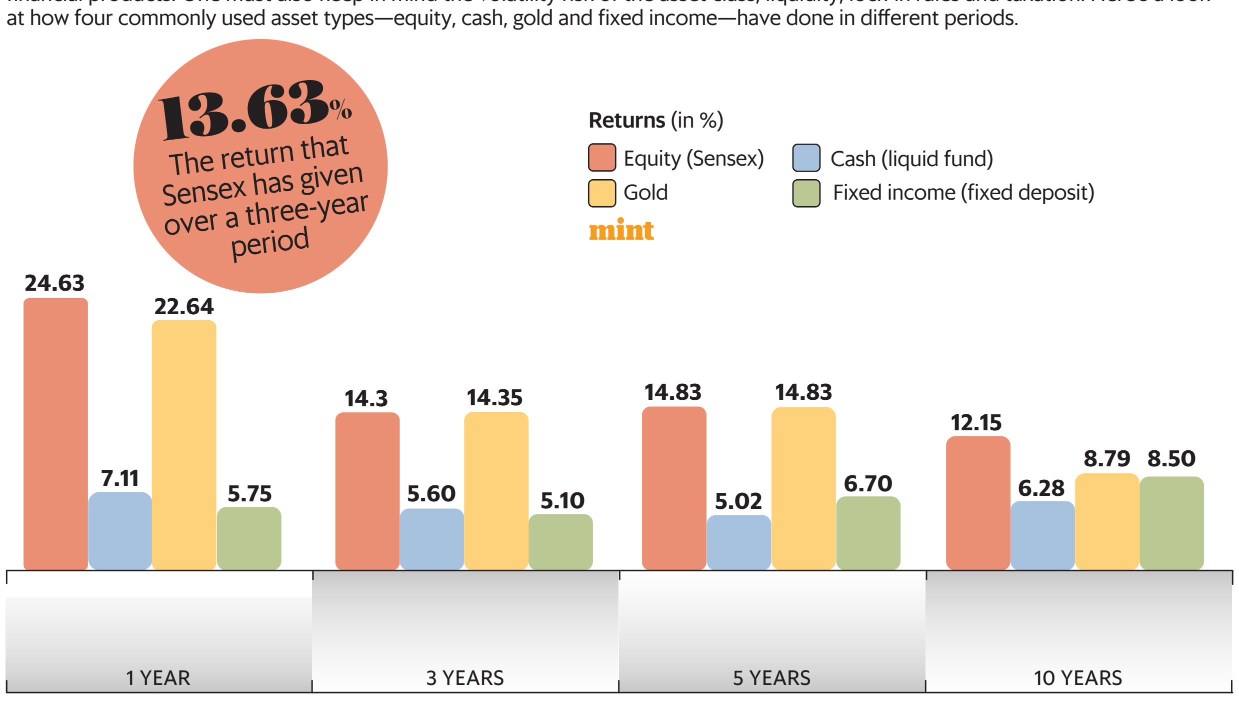
Along the way, they tuned out the crypto and AI hype and honed in on manufacturing and energy sectors, partly due to Ozmen's background as a member of the billionaire family behind US defense contractor Sierra Nevada Corp.

Now, after recently closing their latest fund, 8090's bet on big industry is yielding results. It has gains of at least 275% on an investment in Oklo Inc., an advanced nuclear systems developer backed by OpenAI CEO Sam Altman which went public in June. Another portfolio firm, Infinium, recently became one of the first electrofuel makers to turn industrial-scale production of the low-carbon energy source from a concept into a reality. "This is real stuff," Islam, 33, said in an interview. "It's not like we're talking about some run-of-the-mill, SaaS company."

8090 Industries is still small with investment of about $250 million to date across roughly two-dozen businesses. But it's rubbing shoulders with some of the biggest players in global finance. The firm boosted its investment last year in textile recycler Circ after Bill Gates's Breakthrough Energy Ventures led a roughly $30 million fundraising round in 2022 for the startup. A Charles Koch-backed firm is also an investor in Santa Clara-based Oklo, which is lining up deals to provide carbon-free energy to power-hungry data centres. Meanwhile, 8090 is pulling in money from next-generation members of ultra-rich families in an increasingly competitive fundraising environment. The stakes are enormous. In the next decade or so, the younger cohort is poised to inherit trillions of dollars. Its backers include Ryan Rice, a younger of the three US brothers who sold the Appalachian natural gas producer to EQT for $8.2 billion in 2017, Magnus Rausing, a family member of Tetra Laval's owners, and Chile's Luksic clan, that controls $18 billion stake in Antofagasta.

Returns on investments

Building a portfolio is a complex exercise, and it has to be maintained, too. A person's portfolio holds different types of assets based on his/her financial goals, and each asset class gives different types of returns, which is why a portfolio must have an ideal mix of financial products. One must also keep in mind the volatility risk of the asset class, liquidity, lock-in rules and taxation. Here's a look at how four commonly used asset types—equity, cash, gold and fixed income—have done in different periods.



Data as on 28 june 2024. Equity is the benchmark Sensex return (price); cash refers to the average return for liquid funds category as defined by Valueresearchonline; gold refers to domestic gold prices available on Valueresearchonline; and fixed income is historic SBI fixed deposit rates. All returns are annualized.

PRANAY BHARDWAJ/MINT

Source: S&P Dow Jones Indices,Value Research,SBI

NRI taxation: Schedule AL, DTAA decoded

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As an NRI with capital gains of ₹1 crore, do I need to file Schedule AL (assets and liabilities)? Also, should I disclose all the assets or only those in India?

—Name withheld on request

Schedule AL is mandatory in case total income exceeds ₹50 lakh in a fiscal. Assets—immovable, financial and movable—should be disclosed along with liabilities incurred for such assets. Disclosure relates to the assets and liabilities at the end of the year. Since you are a non-resident, only the details of assets located in India (along with corresponding liabilities) are to be mentioned.

As tax resident of Germany, I plan to sell share of a listed Indian firm, which I purchased in 2018 as a resident Indian. Could you decode the India- Germany DTAA (Double Taxation Avoidance Agreement) in respect to capital gains tax (India or Germany has the sole right for taxation and exemption or if there is any option for tax credit)?

—Sanjeev Sharma

Since you bought the shares in 2018, under Indian tax laws, they will qualify as long-term capital assets, and gains or loss you make on sale will become long-term capital gain/loss. LTCG exceeding ₹1 lakh from sale of listed shares are taxed at 10% (plus surcharges and cess). Indexation benefit is not available. Foreign currency conversion adjustment benefit is also not available. Cost of acquisition depends on whether you purchased the shares before 1 February 2018, or later, since LTCG on listed shares were tax exempt before the Finance Act 2018 amendment was passed. If you acquired the shares earlier cost of acquisition would be higher of (a) actual purchase price or (b) fair market value as on 31 Jan 2018 (not exceeding actual sale price). If you had acquired on or after 1 February 2018, then it would be actual acquisition price.

In India-Germany DTAA, India has the source taxation rights for capital gains derived from sale of Indian shares. So, you will first be liable to pay tax in India. Relief from double taxation under the DTAA contains a mix of income exemption and tax credit method (on type of income) for relieving double taxation in Germany. For capital gains derived from sale of Indian listed shares, tax credit method applies under DTAA, so, you may claim foreign tax credit in Germany for taxes paid on LTCG in India.

Harshal Bhuta is a partner at P.R. Bhuta & Co.

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OUR VIEW

HT

Street vendors in India also deserve good laws

A street vendor attracting an FIR under the Bharatiya Nyaya Sanhita places a spotlight on informal commerce and the complexity of market forces clashing with civic discipline

Criminal laws in India dating back more than a century have finally made way for the Bharatiya Nyaya Sanhita 2023 (BNS), with this new penal code coming into force from 1 July. This switchover from pre-1947 provisions of law marks a significant moment in updating our legal framework. Ironically, it's a street hawker who looks likely to go down in history for being among the first to face charges under it. On 1 July, an FIR (first information report) was registered by the police in Delhi under Section 285 of the BNS against the said vendor for causing obstruction under a foot-over bridge of New Delhi Railway Station. Such vendors dot India's urban-scape and can be found on almost every street, selling a variety of wares—from fruits and snacks to clothes and daily-use items. Many public spaces resemble bustling markets with buyers teeming around pushcarts, tripods and makeshift stalls. Given this reality, it's a challenge to keep public pathways free of obstruction. After all, countless vendors do it openly everyday. To be sure, India does have a law in the form of the Street Vendors Act of 2014 to govern street vending. In addition, some states have their own rules too.

Implementation of the 2014 central law, however, seems to lack the cooperation needed of local administrations, with a chaotic free-for-all visible on so many streets. A hawker's ability to operate at a particular public spot is often dictated by the arbitrary nod of a public official, rather than the lawful distribution of hawking rights. The law was framed to set all this chaos in order. It provides for the setting up of Town Vending Committees by local governments, which would undertake surveys to map all vending zones, split localities into those where it's allowed, where specific restrictions apply, and where this activity is outlawed. Hawkers, as envisaged, could obtain certificates to operate at these spots for a fee over a specified period. With such licences to show the police, they'd get a chance to prosper. The test of this regime lay in whether it would eliminate bribery bred by uneven law enforcement at the street level, what with entire networks of cops and officials suspected to be stuffing their pockets with payoffs. How has the law panned out? The answer varies across urban India, but its efficacy has been largely unsatisfactory. Given the multiplicity of authorities involved, its fair and equal application was never going to be an easy task.

There's another difficulty. Intervening in street interactions of demand and supply holds back commerce, which explains why hawkers being cleared by cops often attract sympathy. This activity is largely informal but still a key source of livelihood for many of India's poor. While leniency towards hawkers mustn't be a nuisance for others—and nobody should get to obstruct any passage—it's helpful to let markets operate as freely as possible within that legal constraint. So long as demand and supply get to meet, this commercial activity serves a valid purpose. We just need to keep it orderly. And ensure that the mechanisms we deploy don't act as stifling tools of control. For big business, India abandoned its old Licence Raj in the early 90s. By dropping umpteen rules that called for a stack of permits covering everything from what an enterprise could make to how much, we liberated India Inc's supply responses to demand. Let's look at street vending likewise. If licences are necessary to keep pathways free, these should be neither scarce nor hard to obtain. Let's balance all interests equitably.

MY VIEW | TIGHTROPE WALK

It is a country's institutions that determine its success or failure

We must go beyond cosmetic measures and address root causes if NEET-like fiascos aren't to recur

RAGHU RAMAN
is former CEO of the National Intelligence Grid, distinguished fellow at Observer Research Foundation and author of 'Everyman's War'.

It is not the geography, culture or natural resources that determine the success of a country. Instead, it is the nature, quality and strength of its institutions. This was the proposition made by James Robinson and Daron Acemoglu in their book *Why Nations Fail*. They examined countries with similar geographical, cultural and natural resources; for instance, North and South Korea, East and West Germany and several African countries to establish that, all things being equal, it is the nature of their institutions—specifically whether they are inclusive and governed with the national interest in mind or extractive, catering to a minuscule proportion of the rich and powerful—that is the most telling differentiator.

Every nation faces a choice of investing for the future or present. This is not just about funds, but where money is deployed. And it is not limited to funds either. The term 'investment' encompasses strategic efforts to occupy mind-share and strengthen nation-building elements like healthcare, education, research and development, social justice, wealth distribution and corruption-free systems. India's record on these lead indicators is on a downtrend. Take, for example, the NEET furore.

Symptoms of our education system being in dire straits are evident, ranging from rigged exams, question paper leaks, paid proxies appearing in lieu of actual candidates, fly-by-night ed-tech companies and billions of rupees made by 'coaching industries' that fleece hopefuls battling near-impossible odds. Our school education system has virtually abdicated its role to the tuition industry, stacking the odds against the poor. When it comes to NEET hopefuls, the difference between the cost of education at government colleges (that have approximately half the 100,000-odd seats) and at private deemed colleges is astronomical. While the former is somewhat affordable at under ₹8 lakh, the cost of education in private colleges is upwards of a crore, reserving these seats exclusively for the top 1% of Indians. As if that weren't enough, the latter are now encroaching into the 50,000-odd government seats that are still affordable by circumventing the exam itself. After all, it's only the rich who can pay for leaked papers.

The rot didn't start with this instance, which came to light more because of the ham-handed way it was conducted and protests by students, rather than any proactive audit by authorities, who remained in denial despite glaring evidence to the contrary. It had set in long ago. Almost every exam conducted for government posts at central or state level, especially at lower echelons like for the appointment of teachers, constables, municipality workers and even peons, have massive over-applications with highly over-qualified aspirants desperate to get these posts. The 'rates' for attaining these are well known, as is the nexus between private institutions, bureaucracy and politicians. Yet, the urban middle- and upper-middle class remained unconcerned because that rot did not affect them directly. NEET does.

The irony is that regardless of the position of an undeserving candidate, the gangrene doesn't stop with one part. It spreads across the system, spoiling everything it touches. Bridges fall because of incapable engineers and dishonest officials. Soldiers die because of substandard equipment. Billions of man-hours are lost to annual waterlogging due to incompetence and corruption. Accidents rise because driving licences can be bought. A constable who paid his way to become one begins illegitimate recoveries as soon as he does. And doctors who bought their way through medical colleges could end up killing patients with licensed impunity.

Every investment made in the future, be it the small savings of a household in a mutual fund, massive stock-market infusions by foreign institutions or even bonds issued by the government, is essentially an investment in the quality and strength of the institutions that govern us directly or indirectly.

Nations succeed or fail because its citizens recognize the umbilical link between good institutions and their future success. Inclusive institutions leverage the entire national capacity and do not hamstring the majority of people with uneven playing fields. Extractive institutions focus on a specific demographic slice for short-term gains. Inclusive institutions are unbiased, fiercely independent and beyond reproach, capable of producing meritorious policemen, engineers, drivers, government servants and doctors. Extractive institutions are opaque, mired in controversies and scams, spewing substandard material. Inclusive institutions ensure political power is distributed with checks and balances, fostering participative economic and educational policies that enable equitable wealth creation. Extractive institutions concentrate disproportionate power and resources in the hands of a few.

But most of all, nations succeed or fail because they realize the difference between cosmetic assuagement, headline management and blame shifting, and actually fixing the root cause of the problem, which is the nature and quality of the institutions. Until that happens, we'll keep taking the patient to a beauty parlour instead of a hospital, because the focus is on making the patient look good, not curing the disease.

10 YEARS AGO


mint
June car sales rise, hint at recovery
SLOW AND STEADY
Small- and mid-caps soar as investors embrace risk

JUST A THOUGHT

The purpose of education is to replace an empty mind with an open one.

MALCOLM FORBES

MY VIEW | MUSING MACRO

Use dialogue, deterrence and trade to deal with China

AJIT RANADE

is a Pune-based economist.

In less than one year, India's solar-cell manufacturing capacity will increase to 30 gigawatts from 6. These cells go into solar photovoltaic modules, whose capacity will also double to 150 gigawatts in two years. This will not only meet domestic demand but might also make India an exporter. A similar story can be told in India's quest for self-sufficiency in mobile phones. India's capacity now fulfils 97% of the domestic demand for handsets, plus earned $15 billion in exports last year. Electronic exports will touch $50 billion in the next two years. Notably, this production and export success is riding on imported Chinese components. For solar energy, India imports cells, glass, frames and encapsulants from China. To reach 500 gigawatts of renewable capacity, weaning away from Chinese imports won't be easy. And imposing punitive import tariffs just makes the sector expensive and uncompetitive in India. In electronics too, the growth of the domestic base depends on rising imports of printed circuit boards, micro assembly, semiconductor devices, LEDs, integrated circuits and capacitors. Overall imports from China have grown 31% last year, and the share of China in electronic devices and components has only gone up.

This story extends to other critical sectors. In the last 15 years, China's share of India's industrial product imports has increased to 30% from 21%. Chinese imports grew faster than overall imports. It is largely intermediate goods that are imported from China, not end products or even raw materials (at the other end). These are organic chemicals, active pharmaceutical ingredients, capital goods and machinery. These inputs are critical for domestic markets and exports. It's a classic case of supply-chain dependence.

India-China trade in the last four years has been at $88 billion, $126 billion, $136 billion and $119 billion, respectively. China is India's biggest trading partner. The asymmetry in the bilateral deficit continues. Chinese imports don't just feed India's domestic ambitions, but also help with disinflation.

These trade statistics only serve to highlight the dilemma of what India's China strategy should be. Until the betrayal at Galwan, the relationship was firmly compartmentalized. Trade, commerce and investment were in one compartment, and border issues in another. Despite India slapping anti-dumping duties, non-tariff barriers and investment restrictions, trade and commerce were growing. Indian exporters must realize and exploit the fact that China represents a $6 trillion consumer economy, where even a 1% market share is a tremendous opportunity. More than 100 countries export to China. Despite trade war-like tariffs imposed on Chinese goods by America, China-US trade has grown to nearly $800 billion. India's efforts at increasing exports to China must intensify and reduce the trade deficit. The size of the deficit is less than 1% of China's pile of foreign exchange. Beijing is keen on diversifying away from dollar assets as it fears American confiscation, or severe devaluation. There is scope for substantial Chinese capital inflows into India, which we have discouraged. Yet, surely, in areas such as automobile manufacturing, Chinese capital cannot pose a national security threat. We need a strategically nuanced approach to our restrictions on inflows of Chinese capital. If it is in form of risk capital, for example, it does not add to our foreign debt obligations.

A nuanced China policy can ensure India's push for local manufacturing and exports isn't compromised

As for border issues, more dialogue is the only way to go forward. The Chinese betrayal at Galwan was in unilaterally trying to change the *status quo* on the Line of Actual Control. The framework that had worked for nearly five decades stands discarded because of Beijing's treachery. The Chinese betrayal might be a result of President Xi Jinping's stance, or an assertion of China's growing economic, military and technology clout. Or it could be on account of the influence of social media in China, which can be like riding a tiger for policymakers. India is no more immune to the corrosive effect of social media in influencing international relations.

Besides, there is the increasing role of 'grey zone' warfare and non-state actors, of cyber-attacks and disinformation, apart from many low-level irritants like renaming Arunachal Pradesh regions in Chinese, all of which are further complicating the scope for meaningful dialogue. However, this should not obscure certain stylized certainties.

First, that China has nothing to gain from a full-fledged military confrontation with India. *Second*, the India-China gap will remain significant for at least a decade. *Third*, India's strong deterrence on the border is equal in measure to the Chinese build-up. *Fourth*, China is facing very big domestic macroeconomic and demographic challenges, as well as thorny border issues with multiple neighbours, which will engage policymakers much more than anything else. *Fifth*, India and China account for 40% of humanity, are neighbours, ancient civilizations and have more common interests on global issues than are popularly acknowledged. *Sixth*, one has to make distinctions between states, governments, people and societies when it comes to dialogue between India and China. There is much scope for increasing people-to-people links despite border hostilities.

The near-term approach, as also recently articulated by former foreign secretary and a leading China specialist Vijay Gokhale, should be to engage China more through political dialogue and a deeper understanding of bilateral issues.

THEIR VIEW

Washington Consensus is dead: Long live the Berlin Declaration

The world's shared common sense today argues for the establishment of a new balance between markets and collective action

DANI RODRIK, LAURA TYSON & THOMAS FRICKE
are, respectively, professor of international political economy at Harvard Kennedy School, a former chair of the President's Council of Economic Advisers during the Clinton administration, and director of Forum for a New Economy.

ISTOCKPHOTO

Paradigm shifts in mainstream economic thinking usually accompany crises demanding new answers, as occurred after stagflation—low growth and high inflation—gripped advanced economies in the 1970s. And it may be happening again, as liberal democracies confront a wave of popular distrust in their ability to serve their citizens and address the multiple crises—ranging from climate change to unbearable inequalities and major global conflicts—that threaten our future.

The consequences can now be seen in the US, where former President Donald Trump has a good chance of winning the presidential election in November. Similarly, a far-right government could take power in France after the coming snap election. To prevent dangerous populist policies that exploit voters' anger, and to avert major damage to humanity and the planet, we must urgently address the root causes of people's resentment.

With this imperative in mind, many leading economists and practitioners convened in Berlin at the end of May for a summit organized by the Forum New Economy. This 'Winning Back the People' summit led to something resembling a new understanding that may replace the market-liberal 'Washington Consensus,' which for four decades emphasized the primacy of free trade and capital flows, deregulation, privatization, and other pro-market shibboleths.

The Berlin Declaration published at the end of the gathering has since been signed by dozens of leading scholars, including Nobel laureate Angus Deaton, Mariana Mazzucato and Olivier Blanchard, as well as by Thomas Piketty, Isabella Weber, Branko Milanovic and many others.

The Washington Consensus has been wobbly for some time, challenged by abundant research documenting rising income and wealth inequality and its causes, as well as reassessments of the role of industrial policy and strategies to combat climate change. Recent crises, not to mention the danger of losing the fight for liberal democracy itself, have catalysed an effort to translate all this research into a new common framework of policies to win back citizens.

The Berlin Declaration highlights widespread evidence that people's distrust is to a large extent driven by the shared experience of a real or perceived loss of control over one's own livelihood and the trajectory of societal changes. This sense of powerlessness has been triggered by shocks stemming from globalization and technological shifts, amplified by climate change, artificial intelligence, the recent inflation shock and austerity.

This diagnosis logically leads to an equally clear conclusion. To win back people's trust requires policies that restore confidence in their—and their governments'—ability to respond effectively to the real problems they face. This means focusing policies on the creation of shared prosperity and good jobs, including policies that proactively address imminent regional disruptions by supporting new industries and directing innovation towards wealth creation for the many.

There is equally strong support for designing a healthier form of globalization, for coordinating climate policies, and for allowing national control over crucial strategic interests. Underlying these priorities is broad agreement that income and wealth inequalities must be narrowed.

As part of a new consensus, climate policies will need to combine reasonable carbon pricing with strong positive incentives and ambitious infrastructure investment. And there is widespread acceptance of the need for developing countries to get the financial and technological resources they need to embark on the climate transition.

In sum, there is a new shared common sense that a new balance between markets and collective action needs to be established.

To agree on all of this would probably not have been possible five years ago. The large number of signatories, and the diversity of perspectives they represent, reflect how much the discussion has changed with the accumulation of more and more empirical evidence.

The signatories of the Berlin Declaration do not pretend to have all the answers; far from it. Rather, the Declaration's purpose is to offer a statement of principles that obviously differ from the previous orthodoxy and to create a mandate to refine political concepts for practice. How to get industrial policy right must be defined in a national context, as well as in a cooperative international effort; the same is true of how governments can best incentivize climate-friendly behaviour. How to re-frame globalization or most effectively reduce economic inequality also remain open questions.

Nevertheless, achieving a consensus on the principles that should guide policymakers is hugely important. Recognizing that markets on their own will neither stop climate change nor lead to a less unequal distribution of wealth is only one step toward devising optimal strategies that can effectively address the real challenges that confront us. A lot of progress has already been made on this front.

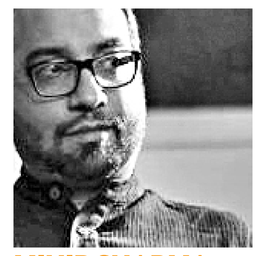
We now face a choice between a protectionist populist backlash, with all the conflict that this implies, and a new suite of policies that are responsive to people's concerns. To pre-empt populists, we need a new political consensus that focuses on the causes of citizens' distrust, rather than on the symptoms.

A concerted effort to put citizens and their governments back in the driver's seat and promote well-being for the many is needed to restore trust in our societies' ability to overcome crises and secure a better future. To win back the people requires nothing more—and nothing less—than an agenda for the people.

MINT CURATOR

There's no alternative to better data on climate-change effects

Countries like India must quantify the impact on their economies



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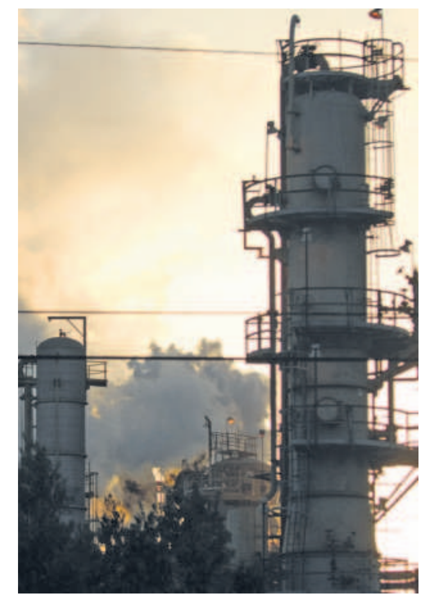

We know too little about what to expect as global warming worsens BLOOMBERG

It isn't hard to understand that global warming is already changing how we live. In India's capital, New Delhi, this summer has been so hot—above 40° Celsius even at night—that people are gasping, tap water is scalding and the walls of their homes emit heat like radiators. The Saudi Arabian authorities said that 1,300 pilgrims have already died on this year's Hajj. Players at the European soccer championships are collapsing due to exhaustion.

And yet economists—clearly able to keep cool heads when everybody else is losing theirs—are in the middle of a fresh debate about the real costs of climate change. A new working paper from two academics at Harvard and Northwestern, published by the National Bureau of Economic Research, argues that the macroeconomic damage from climate change might be as much as six times higher than previously estimated.

Their model predicts that a single degree increase "in global mean temperatures leads to a gradual decline in world GDP that peaks at 12% after six years and does not fully mean-revert even 10 years after the shock." They point out that this makes unilateral climate action worth it for countries like the US; that argument must surely also hold countries that are poorer but far more exposed to climate change, such as India.

The paper has set off a storm of furious criticism, and not just from economists. The climate scientist John Kennedy argues that its methodology may be flawed. He isn't sure, for example, that we can easily extrapolate from the historical record of 0.3-degree shocks to global temperature to the larger, one-degree changes associated with climate change.

It's clear that global warming is already having a malign effect on human health and livelihoods. We just need more clarity on how much.

Discussion of the real costs of climate change, to human welfare and to national economies, have been going on for decades. But we no longer need such estimates to make the case that it is real, and a problem. Instead, we need them as inputs into policymaking, like jobs or price data.

Policymakers are still short of objective, sector-specific and precise estimates of current and possible future costs. That shortage is a growing problem—because climate policy is beginning to bite. Billions of taxpayer dollars are being directed to sectors that promise to curb emissions; consumers are paying more for carbon-intensive goods and services; and pressure to follow a net zero strategy has complicated decisions for companies and institutional investors.

These should all count as successes in the fight against climate change. When money moves, however, people begin to ask pointed questions. It isn't just various Republican politicians attacking "woke capital" to get in the headlines. Serious macroeconomic decision-makers, accustomed to evidence-based policy, are beginning to ask exactly what global warming's costs and benefits are for their countries.

India's chief economic advisor V. Anantha Nageswaran, for example, asked earlier this year if we were irrationally scared of the health effects of global warming. It is true that we in India are more exposed to heat stress than most. But, he pointed out, large-scale studies suggest that far more people die in India as a consequence of "moderate cold" than from extreme heat. Delhi's temperature might stay above 40° Celsius for weeks on end, with all the negative effects on public health and economic activity that entails, but would other Indians actually live longer if average temperatures rose? Do we have real evidence for the aggregate effect of higher temperatures on mortality in India and the rest of the developing world?

These questions deserve real answers. But the data we currently have are insufficient. And that lack of data might lead to erroneous conclusions. Some scholars in India have noted that those most exposed to heat stress are manual labourers, construction workers and farmers—marginalized groups whose illnesses and deaths the country's public health system might not properly record.

It's vital that we put more resources into identifying and analysing the effects of warmer temperatures. Some efforts have already begun: Last year, the WHO released a framework to quantify the economic value of the health outcomes of climate-related investments. Countries like India must also begin to quantify the many indirect effects of climate change on their macroeconomic fundamentals: from greater variability in farm output to less productive physical investments. We can't make evidence-based policy for the great global problem of our time without more high-quality data.

MY VIEW | A VISIBLE HAND

Oil dynamics are shifting in favour of our energy plans

NARAYAN RAMACHANDRAN

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The global oil market has been roiled over the last several years. The demand shock during the pandemic, gradually evolving demand dynamics due to the electric vehicle (EV) transition, disruption of tanker movements following the Israel-Hamas war and economic sanctions against Russia, in interaction with supply responses to these events, have impacted international oil prices, trade flows and investments. Emerging clean energy technologies and more widespread efficiency policies and techniques are combining to slow down growth in oil demand.

First, a look at oil prices. They had averaged about $50 a barrel from 2015 to just before the pandemic that began in 2020. They plunged in the wake of global lockdowns to the teens, briefly even turning negative. This paradoxical 'negative price' arose because supply gluts in certain places (like Cushing, Oklahoma, US) were so great that prices reflected an incentive for operators to pick up the oil at those locations and prevent the commodity from overflowing all available on-land and tanker storage capacity. Oil prices recovered to a more normal $50-60 going into 2022, when the Ukrainian war and resulting economic sanctions against Russia caused prices to a jump to $120 a barrel and settle down at an average of about $80, which is roughly where they are today.

There appears to be a $15-20 per barrel uncertainty premium baked into the price of oil. The oil price volatility index, which measures the variability of prices, reached an all-time high of 226 during covid and stayed elevated in the 40s till recently (a reading of 30 or below is seen as normal).

The Organization of Petroleum Exporting Countries (Opec) along with Russia, together called the Opec+ countries, have kept supply tight, partly contributing to the high price of oil since 2022. High prices have provided 'windfall' profits to many companies that are in the business of pumping oil. Businesses have followed a strategy of returning some of that money to shareholders through buybacks and dividends, but also are reinvesting a portion in increasing capacity. According to a recent report by the International Energy Agency (IEA) that focuses on the long-term oil demand-supply balance till 2030: "World oil production capacity, led higher by the United States and other producers in the Americas, is forecast to outstrip demand growth over the 2023-2030 forecast and, barring the covid pandemic period, inflate the world's spare capacity cushion to unprecedented levels." Total supply capacity is expected to rise by 6 million barrels per day (mb/d) to 113.8 mb/d by 2030, a staggering 8 mb/d above projected global demand of 105.4 mb/d. In product terms, there is a steady shift towards natural gas liquids (NGLs) and condensates. The IEA expects half of the increase in supply to be in NGLs, with most of it coming from the US and Saudi Arabia. Guyana will become the newest petrostate, with oil production going from zero to over 600,000 b/d in a few short years.

Structural demand factors are also changing dramatically in geographical and product terms. The locus of demand growth had already shifted eastwards, a shift that began with fast-swelling Chinese demand about 20 years ago and now includes India's. As seen after the sanctions against Russia, this shift has important implications for oil trade flows and overall market dynamics.

Oil prices are projected to fall and grant India the economic space to invest in its transition to clean energy

The IEA forecasts that overall demand will peak this decade. As a market forecaster, Goldman Sachs expects the peak to occur a bit later, in 2034, based on the pace of EV adoption, uncertain growth of China and impact of rising incomes on emerging-market demand. It predicts that "the thirst for oil will be driven by increased demand for petrochemicals and specialized refined products like jet fuel, rather than gasoline."

Oil prices are notoriously difficult to predict. However, long-term structural factors directionally indicate a slowing and eventual peaking of demand. Supply factors will, of course, respond to this long-term path. Taken together with the elimination of the uncertainty premium embedded in today's oil prices, it seems plausible that average oil prices in the latter half of this decade will drop closer to the $40-60 per barrel range.

This scenario augurs well for India, which looks likely to have a positive growth rate of oil consumption for another 20 years or more. Today, a $10 change in the average crude oil price changes India's net oil imports by about $12-13 billion, which makes up about 0.3% of the annual current account deficit (CAD).

The shift to petrochemicals is also beneficial to India, since it is a net exporter of these products and has established some of the most modern refinery complexes in the world. While the oil bill and the consequent pressure on India's CAD is likely to be lower in the years ahead, it can provide a cushion to accelerate the country's green-energy transition in parallel.

A $20 average fall in the price of oil for a five-year period starting from 2025 would result in annual savings of about $25 billion. Over a five-year period, that would amount to well over $100 billion. This transformation of 'savings on oil' to 'investing in clean energy' will require a clear-headed and far-thinking strategic plan.

P.S: "Plans are useless, but planning is indispensable," said Dwight D. Eisenhower.

How inner work can lighten personal chaos

In a world filled with complexities, doing inner work like therapy can help individuals understand their past and live their best lives

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'What really is therapy?' is a common question I get asked at Indian dinner parties when I answer the generic, 'So, what do you do?' and reveal that I'm a psychotherapist. While the word is popular in certain sections of urban Indian society, it is still very much a practice shrouded in mystery and vagueness within our mainstream. Therapy is a professional form of inner work. ... Broadly, inner work encompasses the process of self-exploration, self-awareness and personal growth that people—whether they have experienced active traumatization or not—engage in to better understand themselves and their emotions, thoughts, beliefs and behaviours.

It is a personal journey, and there is no one-size-fits-all approach. I believe every person can benefit from some amount of inner work in their life, because each one of us has been impacted by interpersonal and systemic trauma as part of living in a challenging world. There is no person who is 'above this' or who doesn't need inner work practice at some point. Inner work helps us understand why we believe something to be true. What our mothers, fathers, grandparents, cousins, schoolteachers, nannies, religious and spiritual gurus, priests and others tell us about life gets interpreted by us, as children, as 'truth'. This is only natural. However, this is what creates this stubborn thing that's called 'psychological conditioning'. The movies and songs we consume contribute to it, as do the verbal and non-verbal strategies our families use to deal with life's many challenges.

All this impacts us first as children at home, then at school, then in college and workplaces and finally in the adult homes we ourselves go on to create. We often carry forward information from one life phase to the next without really stopping and asking how relevant that conditioning, that stored information, is for us. What was true for you at six, is it still true for you at thirty-six? Does that truth still hold meaning for the world around you? Inner work practices such as therapy, meditation, journalling, creating art and communal grief-sharing can lead us to a greater sense of agency around this internalized sense of oppression. It can empower us to separate beliefs around sex and sexuality that have been imposed upon us as normative, versus those that are indigenous to us.

> People engaging in inner work such as journalling or meditation lead an enhanced quality of life with greater self-acceptance

As research advances and society evolves, the definition of trauma also shifts and changes. Today, largely, we understand trauma not just as an individual event that caused some sort of harm to a person—such as an accident, an illness or the passing of a parent when one was a child (these are also very valid)—but also as an ongoing cause of distress in terms of deeply held harmful, unjust or misguided beliefs that lead people to shame, hurt, oppress, abuse or look down upon others. Examples include racism, sexism, misogyny, ableism and casteism, among others.

When trauma happens (no person escapes the knife of trauma in some way, shape or form)—when we get hurt, ill, violated, abused, pained, shamed, bullied or impacted by a lack of control over the events in our lives—our bodies adapt to that physical and emotional pain to keep us alive. If we were lucky as children, we had at least one secure adult around us who helped calm us and then repaired the hurt before it transformed into something more drastic. A lot of us urban Indian adults had some form of stable, if not secure, adult to calm physical pain. Most Indian parents of any generation are extremely attentive to physical harm towards children. However, that same physically secure adult likely did not have the emotional tools to calm us down in the ways children need—at a more tender, heart-centred level. As the years went by, we never accessed any emotional repair or healing—and that adaptive pain became completely 'normal' to us.

'Inner work' can involve various formal and informal techniques and practices of self-awareness. Every individual's and community's inner work process may unfold over time. Overall, therapists find that people engaging in inner work lead an enhanced quality of life, with greater self-acceptance, compassion, resilience and understanding.

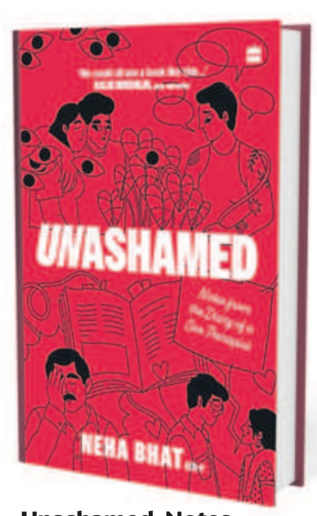
In my practice, I often meet people when a problem in their life has become acute and gotten out of hand. By the time most Indians choose to challenge the stereotypes against psychotherapy as a mental health practice, and take a courageous risk by entering offices like mine, more often than not something extreme has already happened. It is best to access therapy when the problems are not yet severe, and when life's circumstances are comfortable so that further problems can be nipped in the bud.

Therapy is one of the best harm reduction practices possible. Like any real relationship, it takes time for the establishment of trust. As you open up to the therapist of your choice about something challenging for you, the therapist's professional training is geared towards helping you find your own solutions to the challenges at hand. I like the metaphor of baggage and 'suitcases' to further understand the need for inner work and therapy. [E]ach human being is a complex mix of thoughts, feelings, sensations, behaviours, desires, hopes, values and more. Each relationship from childhood that one experiences leads one's psyche to gather more of these complexities. It is a natural process of psychological aging. Life's challenges tend to get more complex as we grow older. Many of these complexities that become part of our psychology live 'under the surface' of what's conscious to us, which is what we mean when we say something is 'subconscious'. So, while we may think we're uncomplicated and pattern-free, the truth is that nobody is truly so. Each person has their own inner world that is filled with its own complexities.

Now, if we don't take the time to organize these complexities for ourselves in some way, over time we end up with heavy, messy, chaotic baggage. We may feel like we want to be free and happy, but our chaos follows us wherever we go. We don't feel light, present or alive in our bodies; we feel burdened and blocked. However, when we do take the time to understand our inner chaos—which is the natural result of life's challenges—and put it in some form of order that makes sense to us, we end up with 'suitcases' instead.

With a system of organization, we can choose how many contents of our past we'd like to carry forward and how many we would like to leave behind. Some 'suitcases' are so heavy that their contents might never be fully organized—and that is also part of our human experience. Therapy often helps us discern the difference so that we can travel through life in the most liberated way possible.

Excerpted with permission from Harper Collins India from Unashamed: Notes from the Diary of a Sex Therapist by Neha Bhat.



Unashamed: Notes from the Diary of a Sex Therapist
By Neha Bhat
240 pages, ₹499

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The metabolic illness that hits 1 in 3 Indians

Doctors say there is a rise in metabolic syndrome that leads to heart disease

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One in three Indians between the age of 30-39 years suffers from metabolic syndrome, which includes conditions such as abdominal obesity (that cursed potbelly!), insulin resistance, hypertension and hyperlipidemia that directly increase the risk of cardiovascular diseases, type 2 diabetes and all-cause mortality. "With the increasing trend of sedentary lifestyle, we are seeing a lot of patients coming with fatty liver, dyslipidemia, hypertension, diabetes and obesity, which are a part of metabolic disorders. Earlier, the incidence of these diseases were seen after people turned 40. However, nowadays we see people in their late 20s coming in with them," says Dr Ajay Agarwal, director of internal medicine, Fortis Hospital, Noida.

A study, titled *Prevalence of metabolic syndrome among adult population in India: A systematic review and meta-analysis*, conducted by researchers at the Jawaharlal Institute of Postgraduate Medical Education and Research (JIPMER) in Puducherry analysed data from 113 studies and more than 1,33,000 participants. The researchers found that the prevalence of metabolic syndrome rose significantly with increase in age among Indians, with every second person aged 50 and above suffering from it.

> The study by JIPMER found that metabolic syndrome was higher in urban India

They also found that the prevalence of these lifestyle diseases is higher in urban India (32%) than rural, and women (35%) outnumber men (26%) in this regard.

Agarwal says this is due to reduced outdoor activities, less exercise, increased stress levels and unhealthy dietary habits that are commonplace in modern life. Metabolic syndrome conditions such as obesity, insulin resistance and hypertension do not develop overnight but over a span of 6 to 7 years, adds Dr. Parikshit Bhattacharyya, a lifestyle and functional medicine specialist in Kolkata.

"One of the biggest reasons for developing lifestyle diseases today is that we eat a lot more today than we did in the past. On an average, an urban adult eats seven times a day compared to just twice a day in the 1960s," says Bhattacharyya. When unhealthy eating habits and poor lifestyle choices are sustained over many years, people start showing symptoms of metabolic syndrome. So, what we do and eat in our early 20s has a significant bearing on our health and how we turn out in our thirties.

Since a significant number of people prefer to eat their way to better health and fitness, one way of beating insulin resistance and other metabolic syndrome ailments is to eat foods that cause fewer glucose spikes in your blood. Delhi-based food tech and sports nutrition entrepreneur Karan Sarin, 42, started testing how Indian foods impacted his blood glucose levels using a continuous glucose monitor. He began posting about it on Instagram as @Sweetreactions to help his friends eat better.

"What we eat and do over the long term plays a significant role in it, so it is important to know what foods work for you and what don't," says Sarin. "Adoption of healthy lifestyle practices such as regular yoga and exercise, eliminating unhealthy fats, sugars, alcohol and smoking, regulated sleeping hours and meditation can reduce the progression of metabolic diseases," says Agarwal.

Can the viral 5/25/25 diet formula really aid weight loss?

The diet trend advocates eating five meals a day enriched with proteins and fibre to improve metabolism

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There's never been a dearth of fitness and diet trends. There is the 5:2 eating method, also known as the 'fast, stop fast, stop' method; the 3/2/8 exercise method, which required one to do strength training for three days of the week, Pilates or yoga and stretching for two days, and clock in 8,000 steps every day. Another workout trend was the 12/3/30 workout, which advised you to walk for 30 minutes every day on a treadmill that was set to an incline of 12 and 3mph speed. Joining these numbered plans is the 5/25/25 diet plan that has gone viral in the past few months.

The plan is the brainchild of US-based online fitness coach Julie Capoziello. "Harder time with your weight loss than me trying to open up any can. Try the 5/25/25 METHOD!!!" Capoziello posted on her Instagram handle, @juliexfit, in April to her 290,000-plus followers setting off a trend that's got weight watchers curious.

What is the 5/25/25/ method, you ask? It encourages you to eat five small meals throughout the day by incorporating 25 grams of fibre and 25 grams of protein in each meal. Explaining the rationale behind the formula, Capoziello wrote that proteins were "the building block of muscle, had the highest thermic effect on food and helped us feel satiated through the day".

Calling fibre one of her favourite food groups, she explained that adding 25gm of fibre aided digestion, reduced bloating and kept one feeling full. Having five meals a day, she wrote, was a great option for people who were snackers as it helped prevent overeating and maintain blood sugar and good energy throughout the day.

The thermic effect of food, according to Mumbai-based nutritionist Maithili Pashtekar, is the amount of energy your body takes to digest and metabolise the food you eat. "The more energy your body expends to metabolise the food, the more it adds to your calorie expenditure, creating a calorie deficit in the process," explains Pashtekar.

Eating 25 grams of protein in each meal for five meals a day racks up to 125 grams of protein a day. "Having as much as 125 grams of protein daily is feasible only for someone who has a high metabolic rate. When you keep a check on consuming 25g protein and 25g fibre, it is easier to bring down the calories than burn them," says Pune-based dietician Prithmesh Mago.

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Mago feels that men would benefit more from the diet as they have a higher rate of metabolism compared to women. It would also be more effective on obese people, he says.

"Compared to other fad diets, the 5/25/25 method is a great approach for an overweight person to follow a healthier eating pattern but I won't say that it is a foolproof method for weight loss. It is always advisable to understand the pros and cons and how a fad/trend will affect one's body long term before trying something new out," he says.

Simran Takawane, 26, a Pune-based media professional hasn't heard of the method but says that she follows a similar diet. "I typically have five meals a day, each mainly consisting of protein and fibre along with small portions of carbs and healthy fats. Following this diet has helped me with my digestion, has reduced bloating, controls my appetite, and has significantly improved my metabolism, which is evident in my appearance," says Takawane who eats her meals within an eight-hour window.

Capoziello, in her post, listed out a rough eating plan for a day. This includes proteins like eggs, turkey bacon, steak salad, nut butter, chicken, protein shakes and beans. She also encourages eating a lot of vegetables, which are both a great source of fibre and complex carbohydrates that are easy to digest. The method doesn't seem restrictive as she has also included foods like banana, toast and roasted potatoes. Of course, Capoziello's post also contains a disclaimer: "Remember everyone's dietary needs look a little different so pls use this as a guide/starting point not as the perfect meal plan for you!"

According to Mago, the quality of proteins one eats while following the diet matters. "Meat tends to be a better, complete quality of protein but when it comes to food habits, a lot of Indians are vegetarians. So, vegetarians would need to look for better sources of protein for this diet to be effective," he says.

Some options of good quality vegetarian proteins are soy, tempeh, legumes, leafy greens and whey protein. As for the intake of 25gm of fibre, the nutritionist believes that 30gm of fibre a day is the optimum amount but, in reality, most individuals end up having not more than 17-18 grams of fibre a day.

Bengaluru-based fitness and wellness coach Atlee Afroz believes that "theoretically the 5/25/25 method, could be a great way" to lose weight as the high protein and high fibre diet mimics a keto diet. "The body will adapt to weight loss over a period of time but that will be subjective to each individual," he says.

Commenting on the protein dosage, Afroz notes that consuming 125 grams of protein a day could be good for achieving certain fitness goals. "However, for a layperson who is working out to just remain fit, it would be better to portion out the protein based on age, weight, height and individual requirement," he suggests.

Write to us at businessoflife@livemint.com