

Monday, August 12, 2024

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CreditAccess looks to sell off India business ▶ P1



No conflict of interest, all info disclosed, says Sebi's Buch ▶ P1

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Unified system to fix complaints against misleading ads ▶ P1



Life Insurance Corp. investors' patience pays off ▶ P4

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Think Ahead. Think Growth.

mint primer

Hindenburg goes after Reits; how have they fared?

BY MADHURIMA NANDY

Hindenburg says that since Madhabi Puri Buch was named Sebi chief in 2022, the regulator has implemented legislation on Reits that benefited Blackstone, a company where Buch's husband is an advisor. However, Reits' performance has been a mixed bag. *Mint* explains:

Tale of two cities

While two Reits have managed to keep pace with the benchmark on YTD basis, the underperformance of the pack is stark over the past year.

■ YTD returns ■ 1-year returns (in %)



1 When were Reits first approved in India?

A decade ago, Sebi approved the introduction of real estate investment trusts (Reits), creating a new investment avenue for institutional investors, high net-worth individuals, and eventually, ordinary investors. Today, India has three listed office REITs (Embassy REIT, Mindspace Business Parks REIT and Brookfield India REIT) and one listed retail REIT (Nexus Select Trust). As per the Indian REITs Association, the four listed Reits have ₹1.19 trillion in gross assets under management, a market capitalization of over ₹75,000 crore, and 113.5 million sq. ft of Grade A office and retail spaces.

2 What did Hindenburg say about Indian Reits?

Dhaval Buch, Madhabi's husband, is an advisor at Blackstone, one of the largest sponsors of Reits in India—it sponsored three Reits but exited Mindspace (in January 2022) and Embassy (in December 2023). Hindenburg has alleged that his work at Blackstone, and subsequent regulatory changes implemented under Madhabi, benefited the asset manager as a major stakeholder. Embassy REIT was the first REIT to be publicly listed in April 2019. Dhaval Buch, however, joined Blackstone in July 2019. Mindspace REIT launched in August 2020. Nexus Select Trust REIT, publicly listed in May 2023, is also backed by Blackstone.

3 What has happened on the Reits regulatory front?

Major changes to Reits came before 2019, paving a smooth path for Embassy REIT's public listing that year, and three more REIT IPOs later. Since then, Sebi has introduced amendments to streamline processes and make Reits more investor-friendly. A major move was in March this year when Sebi established guidelines for creation of Small and Medium Reits.

4 What are Blackstone's major transactions?

Blackstone first sold around 5.8% stake in Mindspace Business Parks REIT in an IPO in August 2020, for around \$100 million. In its first full exit from a REIT, in January 2022, Blackstone sold the rest 9.2% in Mindspace to Abu Dhabi Investment Authority for ₹1,740 crore. Then, in December 2023, Blackstone sold its 23.5% stake in Embassy REIT for around ₹7,100 crore. Recently, on 9 August, it sold 315.5 million units in Nexus Select Trust for around ₹4,354 crore in a block deal. It now holds around 43% stake in Nexus REIT.

5 Overall, how have Reits performed?

Reits' performance has been a mixed bag. Distribution per unit (DPU) and price to net asset value (NAV) are the two key metrics for investors and both have been underwhelming. Reits have exhibited notable market price to NAV discounts. DPU, for most Reits, was flat in recent years. The office market came under pressure after the pandemic, leading to high vacancy levels. However, as people return to offices, both leasing and occupancy will grow. The de-notification of SEZ spaces is also likely to help Reits.

QUICK EDIT

Let truth prevail

Hindenburg Research, in fresh allegations, this time related to the Securities and Exchange Board of India's (Sebi) probe of the Adani case, has pointed a clash-of-interests finger at Madhabi Puri Buch, the market regulator's chief. Citing whistleblower documents, the short-seller under Sebi's scanner has alleged that Buch and her husband had stakes in an offshore entity that was used to manipulate Adani group shares. It has also put out emails that suggest so. Buch and her husband have dismissed it as "character assassination" and issued a point-by-point rebuttal to defend the investments. In early 2024, India's Supreme Court expressed confidence in Sebi's Adani investigation while rejecting a plea to order the probe's transfer to another agency. Even without proof of wrongdoing, the latest charges that Hindenburg has levelled have altered perceptions of the investigative context. With allegations and counters now being hurled, it's in the public interest for this case to be taken over by sleuths other than Sebi's, even if they're relatively short of the expertise needed to trace financial trails. India's broad goal is to have the truth prevail and keep capital markets scandal-free.

MINT METRIC

by Bibek Debroy

In Bihar, a bridge built to nowhere,
₹3 crores worth—fair and square.
Open fields on either side,
No connecting roads for a ride.
A probe is on, fraudsters better beware.

QUOTE OF THE DAY

We are witnessing greater investment flows from India to the Maldives, particularly in the tourism sector and we really appreciate that the diversification of the various sectors of cooperation is driven by the needs and priorities of the people of Maldives.

S. JAISHANKAR
EXTERNAL AFFAIRS
MINISTER



THE WEEK AHEAD

12-16 AUG

Q1 EARNINGS

Dish TV, Godrej Industries, Hindalco and Nykaa among companies set to report their Q1 earnings.

13 AUG

FIRSTCRY LISTING

FirstCry likely to list on stock exchanges.

12 AUG

CPI DATA

Retail inflation data for July to be released. *Mint* poll predicts inflation to come in at 3.6%.

15 AUG

FROM TATANAGAR TO PATNA

Vande Bharat Express to begin operations between Tatanagar and Patna

12 AUG

SEBI AUCTION

Sebi to auction 19 properties of seven companies to recover money illegally collected by these firms.

15 AUG

OLA LAUNCH

Ola Electric to launch its first electric bike post a tepid listing.

12 AUG

DISNEY-RIL MERGER

NCLT to resume hearing of Disney-RIL merger.

15-16 AUG

PRO KABADDI LEAGUE AUCTION

Pro Kabaddi League season II players' auction to be held in Mumbai.



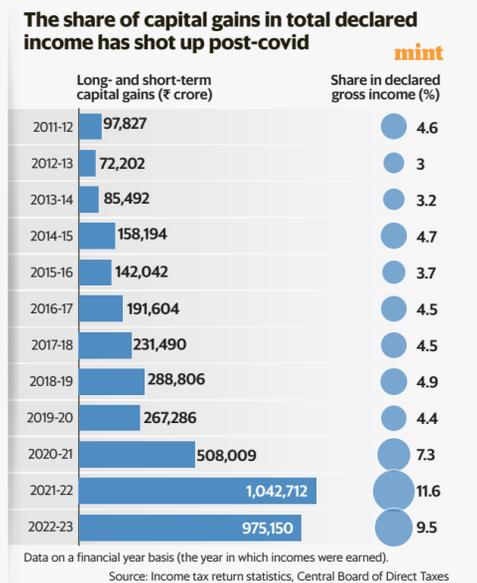
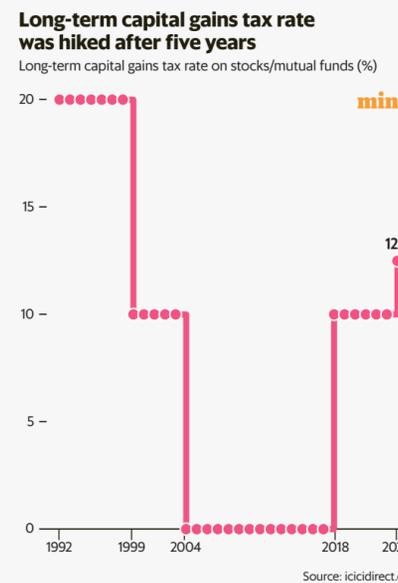
Angst aside, very few declare capital gains

BY HOWINDIALIVES.COM

One announcement in the Union budget that raised the hackles of taxpayers pertained to changes in how capital gains from the sale of assets such as shares, mutual funds and real estate were to be taxed. However, data show the subsequent discourse has been disproportionate to the number of taxpayers likely to be affected. In 2022-23, only about 4 million taxpayers declared any kind of capital gains income. That's barely 5% of all taxpayers.

The budget set a uniform 12.5% tax rate on long-term capital gains (LTCG) for all assets, but took away the benefit of adjusting the cost of a property for inflation (or 'indexation'). Under pressure, the government backed down, allowing taxpayers who bought property before the budget the choice of paying tax under the old regime (20% tax rate with indexation). For stocks, though, the increase in LTCG stays. Union finance minister Nirmala Sitharaman continues a shift set into motion by Arun Jaitley in 2018, when he had introduced an LTCG of 10%, after 14 years of tax exemption.

One reason for the rise in LTCG is galloping share prices in recent years. The government had every incentive to tax gains on the sale of stocks, mutual funds and other assets. Capital gains have grown sharply. In 2022-23, income declared as LTCG was 7.3 times that declared as STCG (short-term capital gains). As a result, the share of capital gains in total declared income rose from 4.4% in 2019-20 to 11.6% in 2021-22, although it dropped to 9.5% in 2022-23.

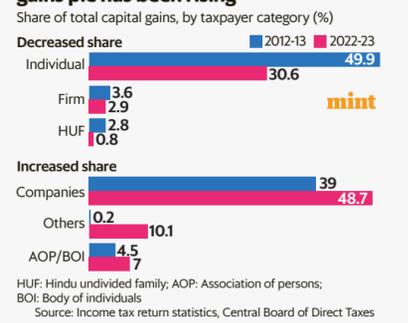


Companies Over Individuals

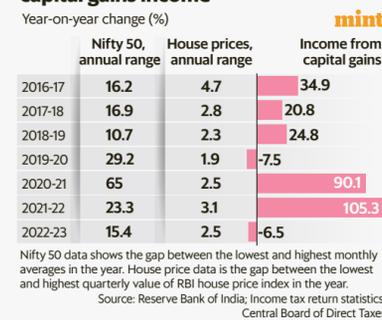
BUT HERE'S the fine print. More than individuals, it's non-individuals that are driving this surge in capital gains income. In 2012-13, about half of the capital gains income was declared by individuals. But in 2022-23, where the total capital gains pie had increased about 10-fold, the share of individuals had dropped to about 31%.

Companies and other types of entities are increasing in prominence in this expanding pie. The share of companies has increased from 39% to about 49%. 'Other taxpayers'—a set that includes limited liability partnerships (LLPs) and trusts—accounted for about 10% of capital gains declared, up from 0.2% a decade ago. In fact, the importance of capital gains as a source of income for companies has increased sharply in recent years. Since 2018-19, the share of capital gains in overall income declared by companies has almost doubled, from 7.6% to 13.7% in 2022-23.

Companies' share in the growing capital gains pie has been rising



Stock prices have driven the surge in capital gains income



Market Moves

THE JUMP in capital gains income for all classes of taxpayers has tracked the explosion in markets since covid. Between March 2020 (when covid-induced lockdowns started and markets fell sharply) and March 2023, the Nifty 50 surged 90%. By comparison, between April 2011 and April 2020, the index rose 55%. While the increase in the Reserve Bank of India's real estate index has been more muted, the combined effect of increases in capital assets, especially stocks, has meant that investors have made a killing.

After doubling for two successive years, capital gains income declared in 2022-23 declined by 6%. In 2023-24, the difference between the lowest monthly average and the highest monthly average of Nifty 50 was 25%, against 15% in 2022-23. So, expect a jump in capital gains income to be declared for 2023-24 as well. But if the recent turmoil in the markets persists, capital gains income for 2024-25 could be muted.

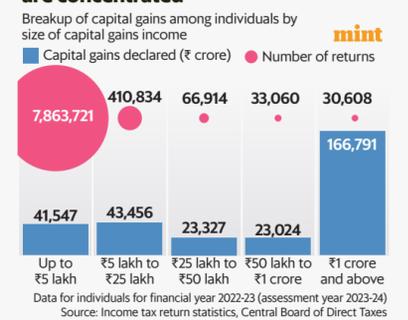
Domain Of Few

LIKE ALL other categories of taxes, capital gains are highly skewed. In 2022-23, about 55% of capital gains income declared by individual taxpayers came from just 30,608 individuals. That was about 0.4% of the base of individual taxpayers. These 30,000-odd individuals were the ones who declared capital gains income of ₹1 crore or more for that financial year. Of them, 14 individuals declared LTCG of ₹500 crore or more.

Overall, positive capital gains income, either long- or short-term, is declared by relatively few taxpayers. For 2022-23, about 71 million out of 75 million individual taxpayers (95%) declared no capital gains income at all. Among companies, 97% declared no capital gains income. Among HUFs (Hindu undivided families), this share was 92%. Yet, the Budget move sparked a storm, which has now settled after a rollback.

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

Among individuals too, capital gains are concentrated



PEANUTS by Charles M. Schulz



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SIP lessons from a Springsteen concert ▶ P10



Returns borrowed from future: PGIM CIO Paharia ▶ P4

SENSEX 79,705.94 ↔ 0.00 NIFTY 24367.50 ↔ 0.00 DOLLAR ₹83.96 ↔ ₹0.00 EURO ₹91.68 ↔ ₹0.00 OIL \$79.66 ↑ \$0.65 POUND ₹107.13 ↔ ₹0.00

CreditAccess to sell Indian microlender

Deal may value India's largest microfinancier at around \$2.7 bn

Anirudh Laskar
anirudh.l@htlive.com
MUMBAI

India's largest microlender Credit Access Grameen Ltd may soon have a new owner, with its Dutch promoter looking to exit, two people aware of the development said.

The Netherlands-based CreditAccess India B.V., which holds a 66.56% stake, is seeking a valuation of around \$2.7 billion for the microfinancier, the people said, in what would be the biggest deal in India's \$51 billion microfinance industry.

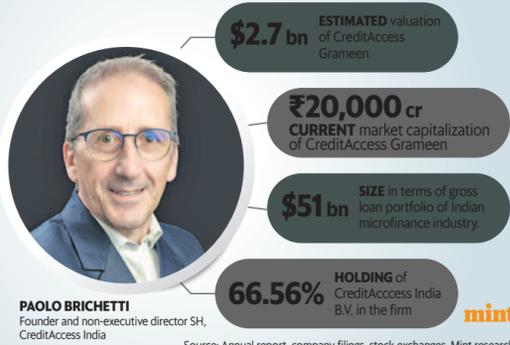
The promoters have already hired investment bankers Jefferies, Barclays Investment Bank and Bank of America to shortlist buyers, one of the two people cited above said on the condition of anonymity.

The investment bankers have already reached out to some privately held banks and large financial institutions, the people cited above said. If the deal talks go through, the takeover will entail an open offer, since CreditAccess Grameen is a listed firm. It will also require approvals from the Reserve Bank of India and the Securities and Exchange Board of India.

Promoters and investment bankers are contemplating a valuation of

ON THE BLOCK

The promoters have already hired investment bankers Jefferies, Barclays Investment Bank and Bank of America to shortlist buyers.



₹23,000-24,000 crore for CreditAccess Grameen, said the two persons. According to its Friday closing price, the company has a market value of ₹20,000 crore. "Given its unique positioning and low cost to asset supporting sustained interest income margin growth, the business of CreditAccess Grameen should command 15-20% premium on the current market value, and preliminary talks for the potential takeover

have attracted several banks," said the first person.

CreditAccess India B.V. is backed by US-based private equity firm Olympus Capital Asia, Asian Development Bank, a clutch of family offices and high net-worth individuals. With gross loan assets of ₹26,700 crore at the end of FY24, CreditAccess Grameen is the country's largest

TURN TO PAGE 6

Hindenburg flux: Sebi has all info, no conflict, says Buch

Ram Sahgal & Neha Joshi
MUMBAI

The targets of Hindenburg's Saturday night assault pushed back on Sunday, denying conflict of interest, claiming transparency, and accusing the US short-seller of character assassination.

Madhabi Puri Buch, chairperson of the Securities and Exchange Board of India (Sebi), and her husband Dhaval Buch issued a point-by-point rebuttal to the claims made by Hindenburg Research, while the regulator defended its own record in a separate statement. Separately, the Adani group and investment firm 360 One, also named by Hindenburg, rubbished its newest report.

"All disclosures and recusals have been diligently followed, including disclosures of all securities held or subsequently transferred," the Sebi chairperson and her husband said in their statement.

Citing whistle-blower documents, Hindenburg alleged that the Buch couple owned stakes "in both obscure offshore funds used in the Adani money siphoning scandal". The two funds refer to Bermu-



Madhabi Puri Buch, chairperson, Sebi.

da-based Global Dynamic Offshore Fund and Mauritian IPE Plus Fund I, managed by 360 One. These two funds were allegedly used by Gautam Adani's brother Vinod to invest in the shares of the Adani group, in violation of Sebi's public shareholding norms.

Regarding the Mauritius fund, the Buchs' joint statement said the "investment in the fund referred to in the Hin-

TURN TO PAGE 6

Hindenburg's strike rate up as it aims bigger >P6
Buch owns stake in co named by Hindenburg >P6

Misleading ads: Unified system to fix complaints

Dhirendra Kumar
dhirendra.kumar@livemint.com
NEW DELHI

India plans to roll out a unified system to address consumer complaints against misleading advertisements, days after the Supreme Court pulled up the government citing inadequate action.

While completely overhauling the mechanism, the government will also establish a central data repository of consumer complaints, two people aware of the matter said on the condition of anonymity, as details are not public yet.

Currently, complaints against misleading ads are registered with Broadcast Seva, Press Council of India and the National Consumer Helpline. The government aims to streamline the process as multiple platforms often lead to delays and inconsistencies in addressing grievances, the first of the two persons quoted earlier said.

Consumer goods companies, including Patanjali, have drawn rebuke from the top court as misleading advertisements have triggered concerns about violation of consumer rights.

TURN TO PAGE 6

DON'T MISS



DCGI frames guidelines to ensure product traceability

The Drugs Controller General of India (DCGI), the country's top drug regulator, has framed standard operating procedure and guidelines to ensure product traceability throughout the supply chain, as the menace of fake and spurious medicines grows. >P2

India's smartphone market prepares for festival revival

For the first time in four years, India's 700 million-plus smartphone market is expecting a mid-single-digit uptick in the volume of devices sold in India during the festival season. In stock for buyers could be instant discounts, easy financing, etc. >P3

Rate hikes likely to make yen borrowing unattractive: Experts

With low-cost funding a key factor for Indian companies to borrow from Japan, the recent lifting of interest rates by the Japanese central bank may make borrowing from the East Asian country less attractive, industry officials and experts told Mint. >P4

India dialling China for its lithium-ion cell ambitions

A growing number of Indian firms are striking licensing and technology transfer pacts with China's leading lithium-ion cell suppliers, in a sign India's drive to domestically produce EV battery cells is heavily dependent on Chinese expertise and technology. >P7

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*Investors should consult their financial advisers if in doubt whether the product is suitable for them.

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STRAIGHT
FORWARD
SHASHI SHEKHAR

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A DAY TO REAFFIRM THE PROMISE TO BE RID OF RADICALISM

Three days from today, India will be celebrating its 78th Independence Day—the day the country was born. Birthdays, they say, are days to reflect on one's life: the gains and losses; the mistakes one has made, and the ways and means to rectify them. On 15 August what should India, and we as Indians, be reflecting upon?

To begin with, let's look at the things to be proud of. We remain a largely peaceful country despite the turmoil in our neighbourhood. Take Bangladesh for instance. Violence has claimed more than 450 lives in that country. The situation has deteriorated to the extent that prime minister Sheikh Hasina Wajed had to leave her nation once again.

Now an interim government is fighting to bring the situation under control. However, those now labelling Hasina as a deluded dictator had once waited for her to return to power in Bangladesh with bated breath. These people forget that within four years of Bangladesh being liberated in 1971, Sheikh Mujibur Rahman, whom that country called the "father of the nation", was assassinated at his official residence. Hasina was away from the country then; else, she would have met the same fate. Since then, fortunately, no head of government has been killed in Bangladesh, though it has seen many coups. Hasina herself returned to power in 2008 after a series of particularly violent demonstrations.

The next 15 years were hers. Though she helped strengthen the economy, she also metamorphosed into a dictator in the garb of democracy. Over time, the façade of democracy she put up has fallen apart. She won the last general election in June solely by suppression and subversion. The Bangladeshis hadn't expected this from her. They took to the streets and dethroned her.

But the chaos has also emboldened anarchists. The way chief justice Obaidul Hassan was forced to resign following a supreme court siege is terrifying. The way Hindus are being targeted in Bangladesh over the past few days is also deeply worrying India. I am reminded of a statement an Indian diplomat stationed in Dhaka had made two years ago: "In 10 years, Bangladesh would turn into Afghanistan." Is that fear coming true? Maybe.

Only India stands tall as a beacon of democracy in the whole of South Asia

There is instability elsewhere, too. In Nepal, monarchy was replaced by democracy in 2008, but a stable government has eluded that country since. Myanmar, in turn, has been under the thumb of the junta, while Sri Lanka saw a Bangladesh-like situation only a few months back. As for the Maldives, president Mohamed Muizzu was elected democratically but has shown little inclination to believe in democratic values as is evident from the fact that he removed and jailed two of his ministers on charges of "black magic".

Only India stands tall as a beacon of democracy in South Asia. We have had our share of instability. During the last seven-and-a-half decades, the country has been run by coalition governments for 30 years. Charan Singh, V. P. Singh, Chandrashekhar, Inder Kumar Gujral, and H. D. Deve Gowda have all led such coalitions for short stints. Still, we have held on to our belief in democracy. Is that adequate?

Absolutely not. As we move towards another Independence Day, we need to be alert against subversive forces. As the events unfolded in Bangladesh, fly-by-night experts mushroomed on social media making a "killing" from doomsday predictions for India. They had done the same for Sri Lanka and Pakistan.

Irresponsible statements by politicians embolden such elements. A few days ago, a former foreign minister shocked everyone when he claimed India, too, can witness violent demonstrations as in Bangladesh. We all know that India is not Pakistan, Bangladesh or Sri Lanka. Our size, diversity and tradition of co-existence stop us from straying too far.

But some experts say: If our "relative" Pakistan can lose its way, why can't we? What they forget is that on 15 August 1947 we shunned British slavery but not our legacy of Indian-ness.

Pakistan tried to create a new identity based on religion and ended up destroying itself. Bangladesh is dealing with the same malady. Even when the ambassadors of peace, the Buddhists, in Myanmar and Sri Lanka tried to conduct Bangladesh-like experiments, they fell flat. It's because we shouldn't forget religion is a part of culture and not the other way around.

Radicalism is poison for the subcontinent. Independence Day reminds us of this fact every year.

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

DCGI frames guidelines to ensure product traceability

Substandard, spurious pharma products are a significant threat to public health and safety

Priyanka Sharma
priyanka.sharma@livemint.com
NEW DELHI

The Drugs Controller General of India (DCGI), the country's top drug regulator, has framed standard operating procedure and guidelines to ensure product traceability throughout the supply chain, as the menace of fake and spurious medicines grows.

The DCGI has circulated this good-distribution practice as traceability is a big challenge due to a lack of proper documentation throughout the distribution channel. In case of adulteration, a seamless product traceability will likely help authorities identify the exact stage in the supply chain where the medicine was contaminated or spurious drugs introduced. This assumes significance as the Indian pharmaceutical industry has come under global glare following allegations that spurious cough syrups from the country were linked to children's deaths in Gambia, Cameroon, and Uzbekistan.

In the recent DCGI's drugs consultative committee meeting held in June, it was decided to incorporate good distribution practice as a Schedule in the Drugs and Cosmetic Rule, 1945.

It was discussed that due to non-mandatory nature of guidelines, the maintenance of storage condition of drugs dur-



In case of adulteration, traceability can help authorities identify the stage in the supply chain where the medicine was contaminated.

ing the transit till wholesale and retail level was not ensured by the manufacturers.

These draft guidelines on good distribution practice have been framed at par

Queries sent to the health ministry spokesperson remained unanswered till press time.

Drugs & Cosmetics Act 1940 and Drugs & Cosmetic Rules 1945 specify the conditions to be fulfilled to sell, stock, exhibit or offer for sale or distribute the drugs across the country.

The draft guidelines said that individuals such as manufacturers and wholesalers, brokers, suppliers, distributors, logistics providers, traders, transport companies and forwarding agents and their employees are generally responsible for the handling, storage and distribution of pharma

products. Therefore, to maintain the original quality of pharmaceutical products, every party involved, such as in the distribution chain, must comply with the standards of good distribution practice.

"Substandard and spurious products are a significant threat to public health and safety. This guideline is meant for those involved in supply chain of medicinal item and their active role to protect the pharmaceutical supply chain against the penetration of spurious/substandard pharmaceutical products," said a state drug controller, requesting not to be named.

"The nature of the risks involved is similar to that encountered in the manufacturing environment, for instance, mix-ups, adulteration, contamination, cross-contamination, spurious. The involvement of unauthorized people in the distribution and sale of pharmaceutical products is a particular concern," the official cited above said, adding that these guidelines can be used as a tool to curb the distribution of substandard and spurious products. The guidelines underlined the procedures to ensure a safe, transparent and secure distribution system which includes product traceability throughout the supply chain.

One of the 109 seed varieties released is CR Dhan 416, a rice variety ideal for coastal saline areas. It yields 48.97 quintal per hectare and matures in 125-130 days. This is moderately resistant to brown spot, neck blast, sheath rot, rice tungro disease, and glume discoloration.

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

FAKE-CHECK

TRACEABILITY is a challenge due to lack of proper documentation throughout distribution channel.

MAINTENANCE of storage condition of drugs during transit was not ensured by the manufacturers.

DRAFT rules say every party involved must comply with standards of good distribution practice.

with World Health Organization standards and stakeholders can send in their comments and suggestions over the next 30 days, before the rules are finalized.

India, Brazil to discuss defence, agri at Joint Commission meet

Puja Das
puja.das@livemint.com
NEW DELHI

The ninth India-Brazil Joint Commission meeting, which is likely to be held on 27 August in New Delhi, may discuss bilateral cooperation in energy, defence and agriculture.

The agenda for the high-level meeting, held every two years, includes climate change, critical minerals, biofuels and oil, as India seeks Brazilian expertise in these areas, two senior officials at the Brazilian embassy said.

While the Brazilian side is expected to bring up the issue of market access for its agricultural products, defence has emerged as one of the key pillars of the Indo-Brazilian relationship, alongside energy and farm trade. Security cooperation featured in bilateral talks between Brazil's president Luiz Inácio Lula da Silva and Indian Prime Minister Narendra Modi during G20 Leaders' Summit in New Delhi last September and the Joint Commission may take out some significant topics like technical cooperation and mar-



The agenda for the meeting includes climate change, oil, critical minerals & biofuels.

ket access for Brazilian agricultural products and collaboration in defence from that summit and discuss thoroughly.

"Our chancellor and minister of foreign affairs will come. As of now, we don't know who all will be part of the delegation; we are still finalising the composition of the delegation with the capital," the officials said.

"There will be a meeting between Dr. Jaishankar (India's minister of external affairs) and Mauro Vieira (Brazilian foreign minister) on 27 August. The meeting is expected to yield strategic initiatives related to

three things—agriculture, energy and defence. Before the ministers' meeting, there is a lot of technical work backstage to produce materials for them to discuss. For agriculture, technical cooperation between India and Brazil and market access for agricultural products could be discussed during the joint committee meeting," said Angelo de Queiroz Mauricio, agricultural attaché at Brazil's embassy in New Delhi. "These are the two things we are working on so they can announce some initiatives and actions. There are two working groups, one on animal husbandry and the other on agriculture. They meet from time to time and discuss technical requirements and then convey their decisions to the committee. The expectation was to be able to announce more market access for Brazilian citrus, basically orange and a different kind of lemon that contains more juice, and different Brazilian and Amazon products like different types of nuts, timber, wood, etc., but there has been no progress so far."

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

ESG, AI skills sought after as boards rejig: Deloitte's Goradia

Gireesh Chandra Prasad
gireesh.p@livemint.com
NEW DELHI

Public limited companies, including listed ones, are set for a rejig in their boards with a large number of directorships falling vacant this year and the next due to a statutory requirement for rotation of independent directors, allowing businesses to pick those with new-age skills, as per Deloitte South Asia chairperson Shefali Goradia.

In an interview, she said companies are increasingly reaching out to head hunters for identifying candidates with skills in areas like AI and environment, sustainability and governance (ESG), shifting from the past trend of going for internally-referred candidates. The churn also opens up opportunities for more women as businesses are keen to make their boards more diverse.

The board rejig is triggered by a provision in the Companies Act which became effective from 1 April 2014 mandating rotation of independent directors, who can serve on a board for a maximum term of



Deloitte South Asia chairperson Shefali Goradia.

10 years in one go—that is, two consecutive terms of five years each. After that, a cooling-off period is required before one can get hired in the same company, but they are free to join the boards of other companies.

"Therefore, in 2024, we see many experienced independent directors who have been serving on company boards for many years now completing their terms. This is the year of transition, which has already started. Some independent directors moved on last year, some are moving on this year, and some are still in the process of moving. There is a lot of activity on company boards because of this, and nomina-

tion and remuneration committees of many listed companies are tasked with helping identify the right candidate for their board," said Goradia.

She said firms are leveraging independent director rotation as an opportunity to modernise their boards and address existing skill gaps. "Businesses are actively looking for directors who bring the complementary skill sets on the board, in terms of technology, digital transformations, artificial intelligence or cybersecurity. This churn in independent director positions is infusing new blood into boardrooms," said Goradia.

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

Batchmates hail Somanathan's appointment as cabinet secretary

Dhirendra Kumar
dhirendra.kumar@livemint.com
NEW DELHI

The appointment of senior IAS officer and finance secretary T.V. Somanathan as the next cabinet secretary of India has been hailed by many of his colleagues and batchmates as the right choice to lead the country's bureaucracy.

Somanathan, who ranked second in the 1987 Civil Services Examination, will take over from the outgoing 1982-batch officer Rajiv Gauba, who has held the post since 30 August 2019. Gauba, the long-

est-serving cabinet secretary, will complete a five-year term upon his retirement.

The cabinet secretary is the top-most civil servant of the country, and comes under the direct control of the prime minister.

Among his many achievements, Somanathan played a key role in implementing fiscal reforms, including the introduction of the Goods and Services Tax (GST) in July 2017, while serving as joint secretary in the Prime Minister's Office.

Also, he helped manage the Indian economy during one of its most challenging times,



Somanathan has been appointed the new cabinet secretary.

the Covid-19 pandemic, while serving as expenditure secretary in the ministry of finance.

It was Somanathan who was instrumental in the implementation of the Prad-

han Mantri Garib Kalyan Yojana and Atmanirbhar Bharat schemes, both of which were rolled out during the pandemic.

"Our whole batch is happy that he has become cabinet secretary. He is deserving and the senior-most officer. The government has truly chosen an officer on merit," said Arun Singhal, director general of National Archives of India, and his batchmate.

"It's not that he gets swayed by everyone's opinions easily. He is firm and fair, while being polite. He sticks to his decisions and is not wishy-washy. He has proven his

mettle while serving as finance secretary and in other assignments in the government of India," said Singhal, an IAS from the Uttar Pradesh cadre.

Pravir Krishna, another batchmate, said, "We all predicted when he joined the service that he would become cabinet secretary, and now it has come true."

"He is very disciplined and strict, making decisions based solely on facts. He is one of the finest officers and a strict disciplinarian, recognized as one of the most outstanding members of the service," said Krishna, a retired IAS officer

from Madhya Pradesh cadre. "Despite his strictness, he is soft-spoken, approachable, and open with everyone. He has a photographic memory, recalling every incident with remarkable clarity. Well-liked within his batch, he is also known for being strictly vegetarian," said Krishna, a former managing director of Tribal Co-operative Marketing Federation of India (Trifed).

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

CORRECTIONS AND CLARIFICATIONS

A 9 August, Page 6 story, 'Monitor top-up home loans, RBI tells lenders,' should have referred to Shriram Housing Finance instead of Shriram Finance. The error is regretted.

Mint welcomes comments, suggestions or complaints about errors.

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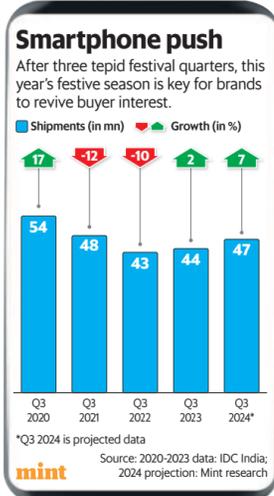
THE MONDAY QUIZ

- 1) POLYMATECH** Electronics announced the acquisition of which US-based firm?
- 2) WHAT** did L&T Technology Services (LTTs) unveil through its collaboration with Altair?
- 3) HYDERABAD**-based CtrlS Datacenters shared its plans to invest ₹400 crore in which of its new facilities?
- 4) WHICH** Indian IT services firm announced its intent to acquire Zee-neo SAS for €24 million?
- 5) LAST** week, which Amazon executive resigned from the firm's India head position?

India's smartphone market prepares for festival revival

Smartphone market is expecting a mid-single digit uptick in volume of devices sold in India

Shouvik Das
shouvik.das@livemint.com
NEW DELHI



Samsung, Xiaomi and Vivo are expected to host multiple new launches of smartphones between August and November.

For the first time in four years, India's 700 million-plus smartphone market is expecting a mid-single digit uptick in the volume of devices sold in India during the festival season. For this, in stock for buyers could be instant discounts, bank-linked cashback offers, easy financing schemes, as well as device upgrade bonuses that will be offered across physical and online stores over the next three months.

This is crucial, since the September quarter marks the festive season in the domestic market—which accounts for nearly 40% of the entire year's gadget sales in what is one of the world's largest consumer markets.

Five industry analysts and retailers that *Mint* spoke with said that this year's festive period expects to see a mid-single digit uptick in sales of smartphones. This is in stark contrast to the past three years, where quarterly shipments of smartphones registered double-digit declines in the festival quarters of 2021 and 2022—and remained flat last year.

Nilesh Gupta, director of national multi-brand electronics retailer Vijay Sales, said that sales and shipments of devices in the first half of the year is a key indicator of a revival of fortunes in this festive season.

"Coupled with a strong first half, we'll also be ramping up Diwali sales and promotions, and brands will be driving better deals and discounts to grab more buyer attention. Given how this year has gone so far, we expect this festive season to be better than the last three years," Gupta said.

Gupta's assessment is in line with how brands are looking to align themselves in this industry. A senior industry executive with direct knowledge of the matter said that between August and Novem-

ber, the likes of Samsung, Xiaomi and Vivo are expected to host multiple new launches of smartphones—right in time for the festival period.

Manish Khatri, partner at Mumbai-based electronics retailer Mahesh Telecom, added that a number of brands are

of freebies such as power banks or smartwatches being bundled with certain categories of smartphones, all of which gives us hope for a better festive quarter than the previous two or three years," Khatri said.

To be sure, brands have struggled to

quarter to around ₹22,400 today, a near-80% rise in the average price has boosted quarterly revenue.

For the smartphone industry, this meant \$12.5 billion in potential quarterly smartphone revenue this year against \$8.1 billion in 2020—despite an 18% overall drop in quarterly shipments.

It is this that brands are desperate to change. A senior executive at one of India's top smartphone brands said on condition of anonymity, "Given the core nature of India's consumers, you can't expect prices to continue on an upward trajectory indefinitely. At some point, we'll hit a ceiling, which can hurt us in the long run. To ensure that this doesn't happen, we're doing what we can from our end to boost volumes in this vast market once again."

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

THE PRICE CONCERN

FESTIVAL season accounts for nearly 40% of the entire year's gadget sales in the domestic market

QUARTERLY mobile shipments registered double-digit decline in the 2021 and 2022 festival quarters

A near-80% rise in average price of smartphones sold has kept the industry afloat

AN industry expert fears that the upward trajectory of prices cannot continue indefinitely

already rolling out a wider range of offers in anticipation of festival season demand.

"Samsung, for instance, is introducing cashback offers and instant discounts, along with zero-interest financing options. All of these can be clubbed together. There are also many instances

draw in new smartphone buyers organically, thereby hurting festival season sales since smartphones are the biggest contributors to the consumer electronics industry.

However, the rising average price of smartphones has kept the industry afloat—from ₹12,600 in the 2021 festival

Centricity set to raise \$15 million funding

Priyamvada C
Priyamvada.c@livemint.com
BENGALURU

Gram-based wealth-tech startup Centricity is set to be valued at \$100 million as it looks to raise about \$15 million in a funding round led by Lightspeed Ventures, two people familiar with the matter told *Mint*.

"Alongside some existing investors, the round may also see participation from other new investors," one of the people cited above said. "The deal is expected to close in the coming weeks as the company has already received a few term sheets," the person added.

The second person added that the company plans to use the funds to expand operations across technology, investment, and sales functions. While Centricity declined to comment, Lightspeed did not immediately respond to a request for a comment.

This marks a sharp increase from its previous valuation of \$20 million when it raised about \$4 million in its seed funding round led by Burman Family Holdings and other angel investors including Shantanu Agarwal (LNJ Bhilwara group) and Arun Jain (Intellect design arena/Founder-Polaris software Labs).

Techcrunch in July first reported that the startup was in advanced talks to bag more than \$20 million in a funding round led by Lightspeed.

In FY23, the company reported a total revenue of ₹13.5 crore and a net loss of ₹1.3 crore, as per data sourced from Tracxn. It is yet to file its FY24 financial results.

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

GLOSSARY

Jagged intelligence: Jagged intelligence is a term used to describe the inconsistent performance of a large language model (LLM) across different tasks. For instance, these AI models may be good at writing poetry or generating code but fail to solve logical reasoning problems. This usually happens because models may lack real comprehension or understanding.



Payload: In cybersecurity, payload is the malicious code or data shared with a victim's system as part of a cyberattack. It can be delivered to a computer via malicious websites, email attachments, or USB drives. Understanding different kinds of payloads is crucial for protecting against cyberattacks and implementing prevention measures.



Data mart: A data storage system, data mart contains information specific to a business unit of an organization. Data mart consists of select data optimized for faster query responses due to its smaller size. It is less complex and expensive to implement than a data warehouse.

ITIL: ITIL stands for Information Technology Infrastructure Library. It's a set of best practices designed to help organizations manage and improve their IT services. It provides a structured approach to delivering IT services that align with business needs, and also helps businesses manage risk and strengthen customer relations.

data centre in Patna 4) HCLTech 5) Manish Tiwary
1) Nisene Tech Group 2) Digital twin CoE 3) Greenfield

Tenth Episode of Crafting Bharat Podcast Series Explore the future insights of Indian startup ecosystem

Advertisement

Dale Vaz, Founder & CEO of Aaritya discusses his entrepreneurial journey, building a trading platform and upcoming trends in the industry.

Indian is a country with great potential considering its population size, open global economy, and increasing digital adoption. India's startup ecosystem is the driving force for India's economic growth.

Explore the tales of Indian startup founders' transformation from dreams to reality, navigating challenges to seize opportunities through the Crafting Bharat Podcast Series.

Edited Excerpts:

Segment 1: The Incubator

What was going through your mind when you put in your papers around this time last year as the CTO of a (reclaimed) decacorn to lead a startup of your own?

There were a couple of factors that were running through my mind back in December of the 1 year. One factor was that I have always seen my career in chunks of 5 years. Every five years I would take out time to relook at what I am doing and plan the next 5 years. I believe that 5 years is a good chunk because it gives you enough time to build something meaningful and at the same time it's a good enough chunk where you can then think of the next 5 years as a certain plan. So, I was coming up on 5 years at Swiggy and one option was always open which was to continue. But I have always had this itch at the back of my mind about taking the ex-



Dale Vaz, Founder & CEO of Aaritya discusses his entrepreneurial journey, building a trading platform and upcoming trends in the industry with host Gautam Srinivasan.

perience I have gained in working at a consumer product company and applying it to some transformative space. That itch was very strong, and it became even stronger as I was thinking about the next phase of my life.

How did you sync your expectations with the investors for Aaritya?

My journey with the VC Community has been a revealing one because from the outside it would appear that they would just give the money away. But interestingly what I learned is that the VC Community is very well educated about the space and so they have their

“Diversity adds value; include team members who bring fresh insights, not just those who think like you.”

own perspective and belief on what will work and what won't. In terms of aligning the investors with my vision, it was largely mutual agreement, where we both came to a place where we both felt that we need to focus on the long-term goal and the long-term is really looking at the new age generations of users coming up, as more than half of our country is 29 years and below.

Considering your vast tech experience with Amazon, how do you think AWS could be an effective partner to help you scale up?

I have a history with AWS

due to my past work at Amazon and Swiggy, we have chosen AWS as our partner for Aaritya. There are a few reasons why we prefer AWS; one, they give us the ability to scale but in a very cost-effective manner; second, some of the AWS managed services allow us to take away some of that operational load and give it away to AWS.

Segment 2: The Accelerator

Considering your experience, what would you say is the key to a good working relationship with the venture capital folks, for all the newly minted founders listening in?

It's very early for me to give advice as I have been doing it for a year now, but one thing that has really worked for me so far is being transparent.

What's your view on dealing with tech debt that some startups face when they scale up too quickly?

I have this model which I have used which has kind of helped me. I see debt as two different types, one is a short-term mistake that is expensive to fix like a credit card debt and

second is the kind of debt you consciously take like a home loan which is not too bad to have it around. As a leader you need to balance on when you are taking conscious debt which you can pay off over time versus when you are taking a poor decision that can lead to a big pain. As a leader if you can manage conscious calls then you can achieve the balance between debt and speed of execution.

The Indian startup ecosystem has been booming making its mark at the global level. With increasing digital adoption and passionate entrepreneurs, the future of the Indian startup ecosystem is promising.

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

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S&P BSE Sensex	Nifty 50	Nifty 500	Nifty Next 50	Nifty 100	S&P BSE Mid-cap	S&P BSE Small Cap
CLOSE: 79705.91	CLOSE: 24367.50	CLOSE: 22923.50	CLOSE: 72718.85	CLOSE: 25425.40	CLOSE: 47192.27	CLOSE: 53614.37
1-WEEK CHANGE (%): -1.58	1-WEEK CHANGE (%): -1.42	1-WEEK CHANGE (%): -1.44	1-WEEK CHANGE (%): -0.83	1-WEEK CHANGE (%): -1.34	1-WEEK CHANGE (%): -1.01	1-WEEK CHANGE (%): -1.86
1-MONTH CHANGE (%): -0.80	1-MONTH CHANGE (%): -0.27	1-MONTH CHANGE (%): -0.62	1-MONTH CHANGE (%): -1.55	1-MONTH CHANGE (%): -0.35	1-MONTH CHANGE (%): -0.73	1-MONTH CHANGE (%): -1.00
3-MONTH CHANGE (%): 10.08	3-MONTH CHANGE (%): 10.98	3-MONTH CHANGE (%): 12.67	3-MONTH CHANGE (%): 14.68	3-MONTH CHANGE (%): 11.56	3-MONTH CHANGE (%): 15.96	3-MONTH CHANGE (%): 19.04
6-MONTH CHANGE (%): 11.33	6-MONTH CHANGE (%): 11.87	6-MONTH CHANGE (%): 14.84	6-MONTH CHANGE (%): 26.62	6-MONTH CHANGE (%): 14.28	6-MONTH CHANGE (%): 19.26	6-MONTH CHANGE (%): 17.45
1-YEAR CHANGE (%): 20.77	1-YEAR CHANGE (%): 24.12	1-YEAR CHANGE (%): 34.81	1-YEAR CHANGE (%): 61.78	1-YEAR CHANGE (%): 30.02	1-YEAR CHANGE (%): 54.74	1-YEAR CHANGE (%): 51.24

MINT SHORTS

Hedge funds most bearish on commodities since 2011

Hedge funds are the most bearish on commodities prices in at least 13 years as fears of a deeper economic slowdown cast doubts on demand for everything from crude oil to metals and grains. Money managers piled a combined net-short position of almost 153,000 futures and options across 20 raw-material markets in the week ended Tuesday, according to US Commodity Futures Trade Commission data compiled by *Bloomberg*. The move underscores a major shift in sentiment since pandemic-era disruptions in supplies and talks of a commodity super-cycle rushed speculators into a record bullish bet in 2021. A slowdown in China and a rebound in production have since eroded investor appetite for raw materials. Recent market turmoil caused by US recession fears exacerbated the move, prompting investors to flip their net commodity bets to bearish for the first time since 2016.

BLOOMBERG



Carlos Yulo became the Philippines' first male gold medalist last week.

AFP

Olympic gold medals are worth more than ever

Olympic gold medals are worth more than ever at this year's Paris 2024 Olympic games, with the raw materials that go into them having the potential to fetch about \$900 each. The medals contain six grams of gold, the price of which soared to a record in mid-July thanks to central-bank buying, retail interest in China and expectations of easing US monetary policy. Prices are also substantially higher this year for silver, which makes up at least 92.5% of the weight of gold medals. Even after adjusting for inflation, the value of medals is still the highest ever, with Olympians benefiting from both the sharp rally in bullion prices and increasingly hefty medals. In practice, Olympians do not tend to melt or sell their medals, which this year also contain a small piece of the Eiffel Tower. More lucrative are the gifts that countries give winning athletes, which include cash, exemptions from military service and cows. Carlos Yulo—who became the Philippines' first male gold medalist last week—will enjoy a fully furnished condo and a lifetime of free colonoscopies. Medals that are sold can be worth far more than their metal value.

BLOOMBERG

LIC investors' patience pays off

Manish Joshi

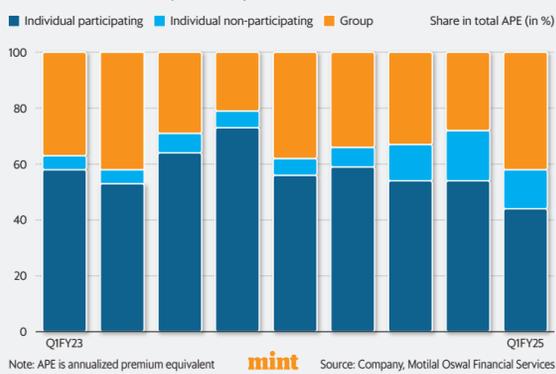
feedback@livemint.com

Life Insurance Corp. of India Ltd's (LIC) June quarter results show that it continues to lag behind some big private sector peers on key parameters, notwithstanding its large base. LIC's annualized premium equivalent (APE) growth and value of new business (VNB) margin in Q1FY25 stood at 21% and 14%. The corresponding numbers for HDFC Life Insurance Co. Ltd were 23% and 25%, and for ICICI Prudential Life Insurance Co. Ltd at 34% and 24%. For insurance companies, APE is a measure of sales growth and VNB a profitability parameter.

Despite the significant gap in VNB margin, LIC's shares have gained as much as 76% in the past year, compared to the 28% gain and 9% gain seen in ICICI Prudential and HDFC Life. A part of the outperformance can be explained by the recent sharp rally seen in public sector undertaking (PSU) stocks, including LIC. Further, value investors seem to have piled up on LIC stock to take advantage of the huge valuation gap vis-à-vis private sector peers.

Secret sauce

LIC's conscious policy shift to lower the share of participating policies in the APE mix bodes well for profitability



Note: APE is annualized premium equivalent. Source: Company, Motilal Oswal Financial Services

As such, the valuation gap still persists. A simple way to understand this is in terms of price-to-earnings multiple based on the profit after tax (PAT) in shareholders' profit & loss account while ignoring the policyholders' profit & loss account. Annualizing LIC's Q1FY25 PAT of ₹10,461 crore, the

price-to-earnings multiple works out to 20x for FY25, while the same for peers is over 80x plus.

To be sure, the price-to-earnings multiple is not the most preferred valuation metric for life insurance companies. That's because the expenses in the life insurance business are recognized

upfront, depressing the profits in the initial years. Thus, faster growth may mean slower growth in reported profit and vice versa.

In the Q1FY25 earnings call, LIC's management said they are not fixated on margins and remain focused on delivering absolute VNB growth. Still, FY25 VNB margin is likely to be higher year-on-year. Also, they are striving to push the VNB margin higher towards 20% plus in the medium term. But they also want investors to appreciate that the margin is an outcome of the business where margin cannot be the only focus.

For instance, if a customer wants a participating policy, he cannot be sold a non-participating policy just because the management wants to reduce the share of less profitable participating policy. Participating policies are less profitable for shareholders as these policyholders are entitled to share the insurance company's profit. LIC's VNB margin in non-participating policy in Q1FY25 at 40% is five times that of its participating policy.

LIC, being the oldest life insurance company, will take some time to reduce the share of participating policies even though its share in APE fell from 56% in Q1FY24 to 44% in Q1FY25. However, it has a lot to catch up with its private sector peers in terms of the premium earned from selling term insurance or pure protection policies.

While LIC earns less than 1% of its total APE from term insurance, the same for HDFC Life and ICICI Prudential was at 14% and 18%. Given that the profitability of term insurance is the highest, LIC continues to suffer as it has a negligible presence in the segment. In Q2FY25, LIC launched Yuva Term and Yuva Credit Life with their digital versions to take on competition.

LIC's Q1 results have been met with subdued reaction by the Street. But there is a possibility that if it is able to grow its absolute VNB even at a lower margin than peers, there is scope for valuation discount to keep on narrowing, going by the past year's trend, at least.

PROFIT PUZZLE

DESPITE the gap in VNB margin, LIC's shares have gained as much as 76% in the past year

LIC's price-to-earnings multiple is 20x for FY25, while the same for peers is over 80x plus

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

'More BoJ interest rate hikes may make yen loans unattractive'

Rhik Kundu, Rituraj Baruah
NEW DELHI

With low-cost funding a key factor for Indian companies to borrow from Japan, the recent lifting of interest rates by the Japanese central bank may reduce the relative attractiveness of borrowing from the East Asian country, industry officials and experts told *Mint*.

While the latest rate hike may not deter Indian corporates from borrowing from Japan, further rate hikes could force them to reconsider their plans.

Last week, the Bank of Japan raised its interest rate for the

second time in 17 years in another step away from its long-standing ultra-loose monetary policies, setting an interest rate of 0.25%, up from 0-0.1%.

"Japan was increasingly becoming an appealing source of capital for Indian firms plagued by tight liquidity, high borrowing costs and elevated risk premiums in domestic markets. Markets in US and Europe were constrained in their appetite for emerging markets owing to decreasing yield spreads between the investor and investee countries, unlike in Japan," said Debopam Chaudhuri, chief economist at Piramal Enterprises. "But this situation is rapidly



Last week, the Bank of Japan raised its interest rate for the second time in 17 years, setting an interest rate of 0.25%.

REUTERS

changing, with Japan tightening its monetary policy outlook, at a time, when other nations are turning dovish," he added.

In the recent past, Indian companies, public sector non-banking financial companies (NBFCs), as well as the govern-

ment, have been increasingly reliant on Japanese loans for their fund-raising purposes due to low interest rates.

Among companies, JSW Steel, Rural Electrification Corporation (REC), Power Finance Corporation (PFC), and Housing and Urban Development Corporation (Hudco) have cumulatively raised yen-denominated debt upwards of ₹200 billion (about \$11,000 crore) in the past 11 months, according to publicly available company disclosures.

These include loans as well as bonds. The largest amongst these was REC, which has raised about ₹153 billion (₹8,390

crore), since January 2024, in three separate debt facilities.

In response to a *Mint* query, an REC spokesperson said, "REC has been fixing its JPY (yen) floating rate borrowings through various hedging structures. We don't see any impact of increase in cost and the cost of JPY borrowing at present also is cheapest among all sources and we are tying up for further loans in JPY for REC."

The spokesperson of the finance ministry didn't respond to emailed queries. Spokespersons of JSW Steel, PFC, and Hudco did not respond to emailed queries till press time. rhik.kundu@livemint.com

'We have essentially borrowed returns from the future'

Dipti Sharma
dipti.sharma@livemint.com
MUMBAI

Markets are often at their riskiest when they seem the easiest to profit from, said Vinay Paharia, CIO, PGIM India Mutual Fund who manages assets worth ₹24,883 crore as of 8 August. He believes that valuations are high, and caution is needed. In the near to medium term, equities might produce slightly lower returns than their underlying fair values. "We've essentially borrowed returns from the future and are currently ahead of fundamentals," he said.

Edited excerpts:

Have you noticed anything interesting in the market lately?

Over the past 15 to 20 years, we've observed a significant market trend: investing in companies with superior business quality and strong growth characteristics dramatically increases your chances of outperforming the market. These companies offer a 2 in 3 chance of beating the market, compared to just 1 in 3 for companies lacking these attributes.

Our analysis of NSE 500 companies revealed that low-growth, low-ROE (return on equity) companies (8-10%) have outperformed, while high-growth, high-ROE companies (18-20%) have underperformed. This suggests micro bubbles in low-quality segments, posing a risk of permanent capital loss as stock prices have surged 70-80%, outpacing intrinsic value growth. Conversely, high-growth companies (15-20%

intrinsic value growth) are better investments, as they eventually become fairly valued and then undervalued, offering superior returns when the market recognizes their true worth.

Given this thesis, what investment opportunities do you find most appealing right now?

We believe the best investment opportunities lie in companies with higher-than-average returns on equity, indicating good business quality, and the ability to grow faster than average. Specifically, these are companies with expected sales growth rates exceeding 20% per annum and returns on equity over 15%.

So, if you, as an investor, intend to deploy capital in this expensive market, the best opportunities lie in high-quality and high-growth segments. **Could you tell us about your concept of a 'micro bubble' mentioned in your newsletter? Why have you coined it so, and which market segments are affected?**

In our research, we find that stock prices strongly correlate with intrinsic value growth over three to five years. While short-term trends may seem random, long-term patterns emerge: for example, a 10% intrinsic value growth usually results in a 9-11% stock price increase. "Micro bubbles" refers to those set of companies with very low intrinsic value growth and below-average returns on equity, which ideally should trade at low P/E multiples, but are currently



trading at extremely rich valuations despite their weaker long term growth prospects. **Basically, you are calling these companies overvalued?**

Yes. That is why we use the term bubble. Generally, you call an asset or security as overvalued when there is a major mismatch between price and value. But an asset is in a bubble when it is significantly overvalued, and when there is a chance of permanent loss of capital.

Sectors like capital goods have run up quite a bit and are probably entering the overvalued territory. Do you think there is growth potential there?

Yes, there are companies with growth potential, but we need to assess both: what we are paying for that growth and its durability.

In the capital goods sector, growth can be uneven, with large orders followed by periods of low demand. In the cap-

ital goods sector, orders come in bursts—big orders are followed by long periods with fewer orders. This cyclical pattern is normal, but the market might not be prepared for it, unlike the steadier trends in consumer businesses. **Are you suggesting that we are currently experiencing large order wins, but this could moderate in the future, and the market has not yet factored this in?**

Yes, absolutely. **What is your approach at this point in time?**

Our approach is straightforward: as mutual fund managers, we adhere strictly to our mandate. We deploy investor capital without holding cash reserves.

Additionally, we are overweight on large-caps as compared with small- and mid-caps relative to benchmarks. **Why are you overweight on large-caps?**

We assess fair value based on four factors: durable earnings growth, forward returns on equity, business risk, and

the risk-free rate (which we set at 7.5% for India). Using our proprietary models, we continually evaluate each stock's fair worth compared to its market price. Our model indicates that many large caps, despite their recent underperformance, are trading at more attractive valuations compared to similar mid-cap companies. **Do you believe current valuations are high compared to historical averages?**

Yes, valuations are high, and caution is needed. In the near to medium term, equities might produce slightly lower returns than their underlying fair values. We've essentially borrowed returns from the future and are currently ahead of fundamentals. **So, there's a sense of euphoria in the market, correct?**

There is a lot of euphoria in some pockets of the market. It is mostly concentrated in low-quality and low-growth segments of the market. Therefore, if you invest in high-growth and high-quality companies today, you should still be able to achieve reasonable returns over three to five years, unlike in the other segments. **Investors worry about missing out on more gains if they cash out too soon. How big is this concern about timing your exit?**

Markets are often at their riskiest when they seem the easiest to profit from. **Markets are often at their riskiest when they seem the easiest to profit from.**

So, my advice to investors is to religiously stick to their financial plan and avoid emotions like greed (fear of missing out) and jealousy (my friend made more money than me) which are enemies of sensible financial behaviour and well-being.

I believe the Securities and Exchange Board of India is doing a good job of protecting investors' financial health, which is crucial. **Based on your interactions with institutional clients, are they cautious about investing, or are they comfortable investing at these levels?**

Generally, when we speak with foreign institutional investors (FIIs)—not retail investors—they are cautious primarily due to valuation concerns. **We're seeing significant inflows from domestic investors. Do you think domestic investor flows will continue while foreign institutional flows might remain unstable?**

It is difficult to predict. That said, there is no doubt about India's growth potential or the quality of its companies. Two key aspects set India apart globally: first, its rapidly expanding domestic market, and second, the presence of high-quality companies. Many of these companies achieve returns on equity exceeding 15%.

Read an extended version of this interview at livemint.com

Packaged food firms plan price hikes

Suneera Tandon
suneera.t@tlive.com
NEW DELHI

Even as consumer goods makers expect a good monsoon to spur demand, costs of some of the commodities have started rising after months of decline. That's likely to prompt price hikes across cookies and cakes to hair oil.

Britannia Industries Ltd expects a 4-5% inflation in the coming months as prices of flour, sugar and cocoa rise, Varun Berry, vice-chairman and managing director at the maker of Good Day biscuits, said in a post-earnings call on 5 August. The company may have to increase prices "a little bit", he said.

"We will have to figure out which are the brands, which are the categories where we go ahead and take some pricing (action), if required," he said.

Consumer goods makers cut prices over the last few months as inflation eased, offering respite. That reversed some of the hikes announced over the preceding two years when commodity inflation stayed persistently high, hurting consumption. While costs are rising again, they are much below the peaks of FY22 and FY23.

Berry said flour and sugar prices are rising slowly, while cocoa has gone "through the roof". But palm, laminates and corrugated boxes are "balancing" these out, he said. Skimmed milk powder, however, has gone up too, he said.



Britannia Industries MD Varun Berry. @REALVARUNBERRY/X

The company is monitoring the situation and assessing its impact, he said.

He doesn't expect a dent in demand. For about 20 months, inflation was 22% and that "gets us off track because those are the kind of numbers which impact consumer consumption. I don't see that happening," he said.

Pricing pressures are rising even as consumer goods volume growth slowed to 3.8% from 7.5% a year earlier in the quarter ended June, primarily due to slower sales of packaged foods such as salt, flour and oil, NielsenIQ said last week. Companies expect a normal monsoon to spur demand, it said.

For Dabur India Ltd, too, food inflation is a concern. "We might have to take some price increases in food, but it depends upon how the situation is," Mohit Malhotra, chief executive officer at the maker of Realjuice and Vatika shampoo, said in a post-earnings call on 1 August.

Advertisement

GLOBAL INDICES: NEW TRADE BARRIERS



Domain	Index	Institution	India's Rank	India's SKOCH Rank* (Top-10 Economies)
DIGITAL	E-Government Development Index	United Nations (DESA)	105/193	2
SOCIAL	Human Development Index	UNDP	134/193	10
	Global Hunger Index	Concern Worldwide and Welthungerhilfe	111/125	9
	Gender Inequality Index	UNDP	108/193	9
	Global Gender Gap Index	World Economic Forum	129/146	8
	World Press Freedom Index	Reporters Without Borders	159/177	Work in progress
FINANCIAL	Sovereign Rating	Moody's	baa3	a1
	Financial Deepening Index	IMF	-	Score - 31.85 (2021-22)
GOVERNANCE	Voice and Accountability	World Bank	Percentile Rank - 49.28	Work in progress
	Political Stability and Absence of Violence	World Bank	Percentile Rank - 24.53	Work in progress
	Government Effectiveness	World Bank	Percentile Rank - 63.21	Work in progress
	Regulatory Quality	World Bank	Percentile Rank - 50.94	Work in progress
	Rule of Law	World Bank	Percentile Rank - 55.19	Work in progress
	Control of Corruption	World Bank	Percentile Rank - 44.34	Work in progress
ESG	Being Evolved	Multiple	-	India Assessment Released

INDIA CAN SURMOUNT THIS CHALLENGE

Trade barriers are difficult to impose post-WTO. New non-tariff barriers are being created to keep the Global South from the value chains. Recently, the EU passed the Corporate Sustainability Due Diligence Directive. More similar measures are underway. Most transnational corporations have advocacy folks and governments on the multilateral discussion table. This is not the case for Indian businesses and the country as such. Global Indices measure two things: quantitative impact and qualitative impact. India currently has a problem with both.

Quantitative

- Cherry-picked published government data is used as indicators, its relevance notwithstanding. For example, India is a mobile Internet country, so comparing it with wired Internet is futile.
- Indicators where India is a poor performer are used to measure unrelated areas. For example, the number of students in secondary schools is used to measure E-Governance Development. In India, even the illiterate can access e-Governance through intermediaries and voice response systems.
- The debt-to-GDP ratio is not considered while calculating India's Sovereign Rating.
- Elected women representatives are considered only for the parliament, ignoring state legislatures and third-tier of governance in India. This is a rather long and complicated list and at SKOCH Group, we are working on deciphering the inherent biases and suggesting correctives or counter-indices. The response required here

is completely objective, with data-based indices and correct indicators. No qualitative, opinion or survey-based indicator is added to a purely quantitative index.

Qualitative

- Qualitative parameters are mostly selective, expert opinion-based or use limited surveys filled by a non-representative sample. One can practically predict the survey results by naming the expert.
- Most methodologies are a secret and hence cannot be validated. Nevertheless!
- There is practically zero field research or impact assessment. The entire exercise is statistical, opinionated and spreadsheet-based. Therefore, Palestine and Pakistan may be higher rated than India on World Press Freedom Index and so on.
- These indices give a ground reality check and show the outcomes of development.

Tale of Two Indices

It is important to have impact assessment-based qualitative indices separate from quantitative indices. These can then be correlated for a sanity check. For example, the SKOCH EGDI is purely quantitative and the SKOCH State of Governance Index is purely qualitative. As per SKOCH research, in India, the correlation between the two is 0.98. The job of independent think tanks is to do field-based impact assessment and correlate it to the claimed performance rather than offering pure opinion and advice based on anecdotal evidence.

Emerging Threats

Newer barriers are emerging in ESG, sustainability and

environment, which are driven by Global North and backed by Big Tech and Big 4. India is the only country with a structured and mandated CSR policy.

The wisdom from the Big 4 is that this is different from ESG, even though it perfectly aligns with the nine pillars of Business Responsibility and Sustainability Reporting (BRSR) mandated by SEBI for the top 1,000 corporates by market cap. Similarly, the amount of digital transformation sweeping India is enormous, most of which maps to ESG. This needs to be counted and reported. Hardly any Indian company captures and reports these; most global companies, in their countries do.

Solution

Governments tend to work in silos without having a holistic vision of the combined outcome. For example, the E-Government Development Index (EGDI) falls into the domain of the Ministry of Electronics and IT, Ministry of Telecommunications and Ministry of Education. All three may have no coordination or combined envisioning.

Independent centres like the SKOCH India 2047 Centre of Excellence can lead and orchestrate this exercise. To be more credible, such indices must come from independent agencies at an arm's length from the government.

Action from Corporate India

SKOCH Group has conducted a deep-dive study of the Top-50 Indian corporates, examining their project-level outcomes and ranked them on the SKOCH India Involved Index, which considers a wider and more relevant version of ESG than being currently advocated.

There is a serious capacity gap even in the C-Suite, with most enterprises looking at ESG in silos with different department heads rather than an organisation-wide exercise.

What we find is that Indian corporates are reporting only a fraction of the good work under BRSR guidelines. Given the current global trends, this may backfire as a new trade barrier against India. The understanding of what can be reported needs upskilling.

Competitive Federalism

Similarly, the SKOCH State of Governance Report has been measuring outcome-based governance performance. It has studied and ranked governance outcomes across thousands of projects for nearly two decades. States are ranked on multi-indicator project-level impact assessment of central schemes and state initiatives.

This encourages states to perform better, provides a measurement yardstick and helps best practices scale and replicate. Most importantly, it yields data points and time series that may otherwise not be captured by quantitative statistical systems. These can then be emulated and used, for example, as a State of Governance Index rather than the current World Governance Index of the World Bank, which is further used to give India a sub-optimal sovereign rating.

Methodology

SKOCH Group has formed Task Forces consisting of India's finest domain experts under the aegis of the SKOCH India 2047 Centre of Excellence to suggest solutions to the problems relating to global indices.

India's Ranking in SKOCH Global Indices: Top-10 Economies*

Country	EGDI Ratings	Sovereign Credit Rating	Hunger Index	HDI	Gender Gap Index	Global Inequality Index
CHINA	1	a2	1	4	-	7
INDIA	2	a1	9	10	8	9
JAPAN	3	a3	3	1	9	6
ITALY	4	baa2	2	3	7	1
FRANCE	5	a2	6	5	1	3
CANADA	6	a2	7	6	5	5
GERMANY	7	aa3	1	7	3	2
UK	8	a2	4	8	2	4
BRAZIL	9	baa3	8	9	6	10
USA	10	a1	5	2	4	8

* SKOCH Research

- SKOCH research team studies existing methodologies and indicators of key global indices.
- These are then put through a sanity check on whether the indicators are relevant and correctly measured? Or, if a better indicator is available?
- These are then corrected after expert-level discussions and peer reviews. As a Proof of Concept (PoC), the Top-10 economies are rated on the same indicators, drawing from published government sources.
- Once a PoC is generally accepted, detailed work is done on 193 countries and a SKOCH ranking is obtained.
- Zero opinions or surveys are used. The methodology and data sources are in the public domain for discussion and improvement.
- The sanity check for India is done by correlating quantitative data with our years of qualitative research in India.
- Other countries may also be encouraged to conduct project-level governance impact assessments to validate the outcomes of their macro achievements.
- For example, the correlation between the SKOCH EGDI rating, which is based on quantitative parameters published by the government and the SKOCH State of Governance ranking, following a qualitative impact assessment based on a field study, is 0.98. ■



WHY SHOULD YOU CARE?



CORPORATE INDIA

- Market Access Restrictions:** Limits entry, reducing growth opportunities.
- Competitive Disadvantages:** Domestic companies may benefit at the expense of foreign competitors.
- Supply Chain Disruptions:** Causes delays and increases inventory costs.
- Price Hikes:** Additional costs often lead to higher consumer prices.
- Administrative Burden:** Increases workload for compliances.
- Innovation Stifling:** Complex compliance hinders new product introductions.
- Uncertainty and Risk:** Planning challenges for international expansion.
- Reduced Competitiveness:** Struggling with compliance can diminish market edge.

GOVERNMENT

- Policy Reforms:** Countries may need to implement further reforms.
- Investment Attraction:** Poor ratings can deter investors.
- Economic Stability:** Good governance and high sovereign ratings can lead to economic stability and lower borrowing costs.
- Social Improvements:** Emphasis on HDI and gender equality drives social improvements, enhancing quality of life and reducing inequality.
- Environmental Benefits:** Promote environmental sustainability.
- International Reputation:** Higher ratings and good scores enhance a country's global reputation and diplomatic standing.
- Non Tariff Barriers:** Affect a country's economic prospects, social development and international relations.

FINANCIAL SECTOR

- Investment Decisions:** Investors increasingly consider ESG criteria, HDI and governance when making investment decisions, affecting capital flows.
- Risk Assessment:** Influences lending and investment strategies.
- Borrowing Costs:** High ratings can reduce borrowing costs.
- Market Access:** Improve access to international financial markets.
- Reputation Management:** Attracts more clients and investors.
- Credit Ratings:** Impacts lending terms and conditions.
- Investment Risks:** Affects the stability of financial markets and institutions.
- Capital Allocation:** Financial institutions may reallocate capital towards more sustainable and socially responsible investments due to ESG considerations.

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Hindenburg's strike rate up as it goes for bigger targets

Hindenburg has made a profit in 51 of the 63 entities it targeted -- a strike rate of about 81%

Varun Sood
varun.sood@livemint.com
BENGALURU

At 5:34 am on Saturday, 10 August, India time, American short-seller Hindenburg Research put up a cryptic post on X: "Something big soon, India." It immediately sparked curiosity and speculation among investors, analysts and the media. Whom was the New York-headquartered short-seller targeting now? At 9:57 pm on Saturday, Hindenburg ended the suspense with its latest note, this time targeting Madhabi Puri Buch, chairperson of the country's capital markets regulator, the Securities and Exchange Board of India.

"Whistleblower Documents Reveal SEBI's Chairperson Had Stake In Obscure Offshore Entities Used In Adani Money Siphoning Scandal," was the title of a 12-page note posted by the short-seller on its website. The report raised questions of impropriety by Buch, alleging that her ownership of a firm, Agora Advisory, posed a potential conflict of interest. It also alleged that Blackstone Group, a global asset management company in which the Sebi

chief's husband, Dhaval Buch, is an adviser, benefited from regulatory changes related to Indian real estate investment trusts.

Agora Advisory is a private firm headquartered in Mumbai that offers consulting services, although *Mint* could not independently gather details about it. Buch and her husband, Dhaval, issued a statement at 1:43 am Sunday denying the allegations, following by a more detailed rebuttal on Sunday.

Since Nathan Anderson started Hin-



Nathan Anderson, founder, Hindenburg Research. ©CPA_TRENDLINES/IX

denburg as a standalone research firm in December 2017, the short seller has published reports on 63 companies, according to an executive and a review of the reports by *Mint*.

Hindenburg has also flagged problems at Nanban Ventures LLC, a Dallas, Texas-headquartered venture capital

POINTING FINGERS

HINDENBURG says Buch held stakes in entities linked to Adani GPs' money siphoning scandal

IT says Buch's husband's, position at Blackstone influenced Sebi's regulation of Reits

BUCH and Dhaval have denied the allegations; say all disclosures have been made to Sebi

firm, and alleged malpractices at another American firm, J&J Group (not to be confused with pharma giant Johnson and Johnson), and issued four follow-up reports.

The latest salvo on Sebi and Buch adds up to 70 reports, including the follow-up notes, over 81 months—almost

one note every month. Three of the 63 listed companies on which Hindenburg has issued reports have since filed for bankruptcy—software firm Ebix Inc., electric vehicle maker Lordstown Motors, and Sorrento Pharmaceuticals.

Firms like Hindenburg typically share their research with a small pool of investors before the public release, allowing them to take short positions and profit once the report is released. Such firms make a commission off the profits their investor partners make.

When *Mint* analyzed the performance of 45 investment calls by Hindenburg in January last year, the paper found that three-quarters of those, or in 34 of the instances, investors of the short seller had profited.

Since its report on Adani Group in

January last year, Hindenburg's record in making a profit off its report has improved. Only 12 of the 63 listed companies targeted by Hindenburg were trading at a higher price as of 10 August. This implies that Hindenburg made a profit in 51 of the 63 companies—a strike rate of about 81%.

"A success rate of 81% is remarkable," said an investor who works with a New York-based hedge fund. "Speak to any short seller and you'll realise that they struggle to get even a third of their calls right."

After its explosive report on the Adani Group in January 2023, Hindenburg appears to be targeting more high-profile businesses.

Take, for example, its report on Block Inc., the payments group owned by Twitter co-founder Jack Dorsey. In March last year, Hindenburg alleged that Block had artificially inflated its user numbers and facilitated fraudulent transactions.

Block denied the allegations, but its share price has been down by 15% since Hindenburg issued its note.

In May last year, Hindenburg targeted a firm owned by Wall Street's best-known activist investor, Carl Icahn. Hindenburg claimed Icahn Enterprises, a conglomerate owning a car parts business and a portfolio of hedge fund-style investments, was overvalued and holding assets at an inflated value on its balance sheet.

Icahn dismissed the report. But since the Hindenburg report, shares of the Nasdaq-listed Icahn Enterprises are down 68%.



Scan the QR code to read an extended version of this story.

Agora, the consultancy firm Hindenburg linked to Buch

Shayan Ghosh & Varun Sood
shayan.g@livemint.com
MUMBAI/BENGALURU

Madhabi Puri Buch, the chief of India's capital markets regulator, continues to own 99% of a Mumbai-based consulting firm that's now caught in the crossfire of the Hindenburg Research-Adani Group controversy.

In a statement issued on Sunday, Madhabi Puri, and her husband Dhaval Buch said the two consulting companies had become immediately dormant on her appointment with Sebi.

Madhabi Buch owns 99% of the stake in Mumbai-based Agora Advisory Pvt. Ltd, regulatory filings show, although she stepped down as a director before she was appointed as a whole time member of Sebi in April 2017.

In 2022, she transferred ownership of Singapore-headquartered Agora Partners to her husband, two weeks after she took charge as the first woman chief of India's capital markets regulator. Dhaval Buch remains a director at both the consulting firms.

Hindenburg's latest charges against the Sebi chief have corporate governance experts divided on the matter.

"When you are holding the position of Sebi chair, all disclosures regarding your investment in privately held firms should be made in public, possibly through annual reports or on the website," said a Delhi-based corporate governance leader, on condition of anonymity. "It doesn't matter if the business is small or if you have made the disclosures internally to the board."

Another industry expert does not see this as a possible cause of conflict.

"As long as disclosures



Madhabi Puri Buch, chairperson, Sebi. PPT

regarding ownership of shares in India consulting business and/or any offshore entities is disclosed to Sebi's internal compliance department on an ongoing basis, and the businesses themselves are not significant, there is no conflict of interest," said Shiram Subramanian, founder and managing director of proxy advisory firm InGovern Research.

Incorporated in May 2013, Agora Advisory offers advisory and consultancy services to governments, business, commerce, industry, non-profits and other entities, according to filings made to the ministry of corporate affairs.

Agora Advisory lists two directors, including Buch's husband and Kavita Shah.

However, despite her resignation from the firm's board in 2017, Buch—who earned Rs 3.2 lakh a month, or Rs 38.3 lakh a year as Sebi chair (as per September 2023 disclosures by Sebi)—continued to own majority equity in Agora Advisory.

As on 31 March, she held 9,900 shares of Rs 10 each, or 99% of the equity in Agora Advisory, while the remaining 1% is owned by Kavita Shah, per

MCA filings. Agora Advisory earned Rs 14 lakh in revenue in the financial year ended March, a 65% decline from the Rs 40.8 lakh it made in 2022-23. Net profit plunged 59% to Rs 8.1 lakh. Financial details of the Singapore-based Agora Partners Pte were not available.

Hindenburg Research on Saturday alleged that Sebi was unwilling to act on its report on the Adani Group because Buch and her husband had invested in offshore funds having links with the conglomerate.

Buch and her husband "first appear to have opened their account with IPE Plus Fund I on 5 June 2015 in Singapore", as per whistle-blower documents, the short seller said.

The fund, it said, was a small offshore Mauritius entity set up by an Adani Group director via wealth management firm IIFL.

The Adani Group rejected the allegations, terming them as "malicious, mischievous and manipulative selections of publicly available information to arrive at predetermined conclusions for personal profiteering with wanton disregard for facts and the law".

Hindenburg's latest allegations come two months after Sebi issued a show cause notice to the US short seller

CreditAccess looks to sell off India biz

FROM PAGE 1

among 87 microfinance firms.

In the promoter group entity—CreditAccess India B.V.—Olympus Capital Asia, a fund that focuses on mid-cap Asian firms, alone holds 15%.

Emails sent to CreditAccess India B.V., ADB, Olympus Capital, CreditAccess Grameen, Paolo Brichetti (founder of CreditAccess India), as well as to Daniel Mintz and Frederick Long (founders of Olympus) remained unanswered. Barclays Investment Bank declined to comment. Spokespersons from Jefferies and Bank of America declined to comment.

Asian Development Bank owns 9% in the promoter entity, while around 50% is held collectively by a bunch of family offices and HNIs. To be sure, CreditAccess India B.V. has been reducing stake in the lender over the past year. In June 2023, it sold 5.8% of its stake worth about ₹1,100 crore through a block deal.

Founded in 1999 in south Bengaluru as a non-government organization by T. Muniswamappa Trust (TMT) to support bottom-of-the-pyramid women and their entre-



ADB owns 9% in CreditAccess Grameen's promoter entity. AFP

preneurial activities, CreditAccess Grameen survived multiple crises in the microfinance space over the past decade to become a non-banking finance

company in microfinance (NBFC-MFI) business under the supervision of Reserve Bank of India in 2007. It was taken over by the Amsterdam-based promoters in 2014. The company lends in 16 states via 1,976 branches.

In its early years, The Gramscen Trust, Bangladesh had provided \$35,000 in seed capital

funding to TMT for replicating the Grameen Bank Bangladesh microfinance model that was inspired by Bangladesh's Nobel laureate Muhammad Yunus.

In FY24, total income touched ₹5,172.65 crore, from ₹3,550.8 crore in FY23 and just ₹147.8 crore in 2014 when the Amsterdam-based promoter took over. Since listing in August 2018, its stock has gone up from ₹422 to ₹1,253.

According to a 12 April 2024 report by Goldman Sachs, CreditAccess may continue to

grow faster than its rivals in the coming days. It said CreditAccess's district-based expansion strategy has enabled "lower credit costs and higher operating leverage".

"This approach is expected to drive major growth, with a projected loan book of approximately ₹51,900 crore by financial year 2028 estimate (FY28E)," the Goldman Sachs report said.

Conservative practices and geographical diversification have helped the lender maintain relatively stable asset quality compared with industry peers, said the report.

CreditAccess Grameen has diversified its borrowing sources away from traditional bank credit.

This may provide CreditAccess Grameen a long and sustainable runway for growth, particularly amid potential rises in bank loan pricing, says Goldman Sachs, predicting a 21% growth in the lender's profit over FY24-26.

Driven by 229 lending entities, India's microfinance industry recorded a 24.5% year-on-year growth in gross loan portfolio to ₹4.34 trillion catering to 78 million borrowers in FY24.

India working on unified system to post complaints on misleading ads

FROM PAGE 1

The government's plan for a unified mechanism is likely to be presented to the Supreme Court this week by information & broadcasting, and consumer affairs ministries. It's expected to be part of their response after the apex court last month censured the government for not registering enough complaints related to misleading health claims made by companies.

According to the top court's 30 July order, from April 2022 to May 2024, 132 consumer complaints related to the health sector were received, and of these 116 were resolved. However, over 2,500 complaints were registered between April 2018 and 2022 before the National Consumer Helpline (NCH) portal was established.

Queries emailed to the ministries of consumer affairs, and information & broadcasting remained unanswered till press time.

Misleading ads are false or exaggerated claims about products or services, omission



Over 2,500 complaints were registered with NCH between April 2018 and 2022. MINT

of critical details or deceptive imagery. These can mislead consumers, affecting their decisions and leading to unfair practices.

A single data centre to collect and manage all complaints against misleading advertisements will ensure that the issues are handled more efficiently and seamlessly, the second person quoted earlier said.

"So far, three meetings have been conducted with stakeholders and we have summarized all the suggestions and are submitting only those that

are feasible," this person said. "Neither the stakeholders, nor the government will need to engage repeatedly with each other to take action against any violator."

According to Shweta Purandare, founder of advertising regulation consultant Tap-A-Gain, poor coordination among central and state regulatory agencies has created a haven for unscrupulous advertisers, who are further emboldened by absence of consequences for misleading claims.

The Supreme Court's criticism of the government is spot on, said Purandare, former secretary-general of Advertising Standards Council of India (Asci)—a self-regulatory body. "It has aptly identified the primary lacunae—lack of efficient suo motu action by regulators, lack of transparency in complaint handling, and lack of accountability for inaction by any stakeholder." Consolidating everything into a single-point system with a dashboard providing updates on action taken would address these gaps, said Purandare.

In 2023, Lamborghini crossed the 10,000 units worldwide mark and at the same time in India the company crossed the 100-cars mark. In the first half of 2024, deliveries worldwide are still showing growth compared with previous year and India is on a similar trend, he added.

Last year, China was Lamborghini's biggest market in the Asia Pacific region with 845 units, followed by Japan (660), Korea (434), Australia (263) and Taiwan (131).

When asked how far India can rise in the rankings of its top markets in the region, Scardaoni said, "It is still a long way to go to reach number three, two and number one but again we believe that in the long run for a country like India, it is possible... I believe that in the medium-term India can grow very fast." He further said, "We believe that India has all the right indicators in place to let us think that there would be really an exponential growth."

her shareholding, both had been disclosed to Sebi, it said.

Sebi, in its own statement, said it has probed all allegations against the Adani group, and that Buch made disclosures and recused herself in matters involving potential conflicts of interest.

For an extended version of this story, go to [livemint.com](https://www.livemint.com).

Hindenburg flux: Sebi has all info, no conflict, says Madhabi Puri Buch

FROM PAGE 1

denburg report was made in 2015 when they were both private citizens living in Singapore and almost two years before Madhabi joined Sebi, even as a whole-time member."

In a statement, 360 One, (earlier IIFL Wealth & Asset Management) said, "Throughout the fund's tenure, IPE-Plus Fund I made zero investments in any shares of the Adani Group either directly or indirectly through any fund." It added that the fund invested over 90% of its assets in bonds.

Hindenburg's latest report said the founder and chief investment officer of IPE-Plus

Fund was Anil Ahuja, who served three terms across nine years through June 2017 as a director of Adani Enterprises, the port-to-energy conglomerate's flagship.

"We had previously noted Adani's total confidence in continuing to operate without the risk of serious regulatory intervention, suggesting that this may be explained through Adani's relationship with Sebi chairperson, Madhabi Buch," alleged Hindenburg. Referring to the Sebi probe into the offshore fund holders in Adani group companies, Hindenburg said, "If Sebi really wanted to find the offshore fund holders, perhaps the Sebi chairperson could have started by looking



Hindenburg said, if Sebi wanted to find the offshore fund holders, Buch could have started by looking in the mirror. PPT

in the mirror".

In a rebuttal to this, Buch said, "The decision to invest in this fund was because the chief investment officer, Mr Anil Ahuja, is Dhaval's childhood

friend from school and IIT Delhi and, being an ex-employee of Citibank, J.P. Morgan and 3i Group plc, had many decades of a strong investing career. The fact that

these were the drivers of the investment decision is borne out by the fact that when, in 2018, Mr Ahuja, left his position as CIO of the fund, we redeemed the investment in that fund."

According to Hindenburg, the redemption in the IPE Plus Fund was worth \$872,000.

Responding to the allegation of Dhaval Buch's appointment to global private equity giant Blackstone as a senior adviser despite not having worked for a fund in real estate or capital markets before, the statement said, "Dhaval's appointment, in 2019, as senior adviser to Blackstone Private Equity was on account of his deep expertise in supply

chain management. Thus, his appointment pre-dates Madhabi's appointment as Sebi chairperson. This appointment has been in the public domain ever since. At no time has Dhaval been associated with the real estate side of Blackstone." When he joined Blackstone, the private equity group was immediately added to Madhabi's recusal list maintained with Sebi, the statement added.

The Blackstone Group posting of Dhaval was added pronto to Madhabi's recusal list maintained with Sebi

On Hindenburg's charge that the Sebi chief continued

to have 100% stakes in two consultancy firms the joint statement clarified that the two had "immediately become dormant on her appointment with Sebi". The companies and her shareholding, both had been disclosed to Sebi, it said.

Sebi, in its own statement, said it has probed all allegations against the Adani group, and that Buch made disclosures and recused herself in matters involving potential conflicts of interest.

For an extended version of this story, go to [livemint.com](https://www.livemint.com).



India dialling China for its lithium-ion cell ambitions

Indian EV battery manufacturers are turning to China for essential know-how and materials

Alisha Sachdev
alisha.sachdev@livemint.com
NEW DELHI

A growing number of Indian firms are striking licensing and technology transfer pacts with China's leading lithium-ion cell suppliers, in a sign the country's drive to domestically produce electric vehicle (EV) battery cells is increasingly dependent on Chinese expertise and technology. Despite India's recent lithium discoveries and the government's push through a production-linked incentive (PLI) scheme for advanced chemistry cells, Indian battery makers are turning to China for critical know-how and materials to kickstart their production. Advanced chemistry cells are very small cells used in lithium-ion batteries, and can store electric energy as chemical energy, and convert it back to electric energy when needed.



Jayadev Galla, CMD of Amara Raja, said that domestic battery players need to harness the benefits of China's scale.

Amara Raja Energy & Mobility Ltd, one of India's leading automotive battery makers, is the latest to secure a partnership with a major Chinese lithium-ion cell maker. Amara Raja has inked a licensing agreement with Gotion-InoBat-Batteries (GIB), a unit of China-based Gotion High Tech, to produce lithium-ion cells, more specifically cylindrical and prismatic LFP (lithium-ion phosphate) cells in India. The company has announced a 16 GWh cell capacity and a 5 GWh pack facility in Telangana. It expects to reach 8-10 GWh cell capacity by FY27 and 16 GWh by FY31.

ments to locally make LFP electric vehicle batteries for South Korean car-makers Hyundai and Kia in India, Tata AutoComp is already a supplier of batteries to Tata Motors, India's largest passenger electric vehicle maker.

Mint had reported in May that the Sajjan Jindal-led JSW Group is finalizing a significant technology transfer partnership with a Chinese lithium-ion cell manufacturer. This deal aims to establish a 60,000-tonne lithium-ion refinery and a 50GWh cell factory in Paradip, Odisha.

Amara Raja has agreements with two and three-wheeler maker Piaggio for supplying LFP cells and battery packs, and with Ather Energy to supply both LFP and NMC (nickel manganese cobalt) battery packs to the two-

wheeler startup. Amara Raja also has an agreement with Jiangsu Highstar Battery Manufacturing Co. for NMC technology, and is likely to announce pacts with passenger vehicle original equipment manufacturers (OEMs) in the coming months.

So why is India, despite the geopolitical tensions with China, turning to its neighbour to advance its battery cell ambitions? Jayadev Galla, CMD of Amara Raja, told Mint in an interview that domestic battery players, being beginners in the technology, need to harness the benefits of China's scale.

"We chose Gotion as our partner because they are leaders in lithium iron phosphate (LFP) technology, which we believe is best suited for the Indian market", Galla said, adding, "They are

vertically integrated, handling everything from mining to refining. They operate not only in China but also have a lithium mine in Argentina. Initially, we will rely on them to source all the critical raw materials since we are starting at a very small scale."

Amara Raja aims to corner a 30% share of the lithium-ion battery market in India. "I think we'll start with a very high market share and probably settle at about 30%," he said.

He cautioned that India's cell manufacturing industry may take "decades", rather than "years" to reach the level of scale and technological advancement China has achieved, if India doesn't 'de-link' its geopolitics with what the industry needs to get cell manufacturing off the ground.

50GWh
cell plant to be set up by JSW with Chinese co's help

30%
Share that Amara Raja eyes in lithium-ion battery market

MINT Q1 EARNINGS TRACKER

The combined revenue of the companies that have declared their June-quarter financial results so far has risen 9% year-on-year, while net profits have increased 5%, a Mint analysis showed. Excluding the companies in the banking, financial services and insurance (BFSI) sectors, the topline grew 5.6%, while profits were down 3%. The analysis covered 1475 BSE-listed companies (including 219 banking and financial services firms) that had declared their results by Friday and whose data was available on Capitaline's database. Watch this space for updates every week as more companies announce their results in the ongoing results season.



Shorts and reels make Netflix to Amazon Prime sweat

Lata Jha
lataj@htlive.com
NEW DELHI



A consumer on an average spent 37 minutes watching shorter user-generated content and news snippets on film, fashion, food and global events in 2023, according to a report by Ficci-EY. That's higher than 33 minutes in 2022, and more than 70% of such videos were less than 30 seconds long.

Streaming services from Netflix to Amazon Prime and long-form storytellers face a stiff challenge from short-video apps as attention spans dwindle and users feast on snacky content.

A consumer on an average spent 37 minutes watching shorter user-generated content and news snippets on film, fashion, food and global events in 2023, according to a report by Ficci-EY. That's higher than 33 minutes in 2022, and more than 70% of such videos were less than 30 seconds long.

OTT executives and content creators say keeping audiences engaged for long periods is tough when such snackable content is often available for free and the habit of paying for

subscriptions hasn't developed among Indians. "Today, the focus is on bite-sized, engaging content that captures attention in a fast-paced world. Short videos are increasingly becoming the go-to entertainment format, offering an immersive and interactive experience for creators and viewers alike," said

Gaurav Jain, chief business officer, ShareChat & Moj. "They are not only easily accessible, but can also be shared and consumed quickly, making them ideal for a generation on the move."

About 60% of ShareChat's audience comprises Gen Z and millennials; 40% of the users hail from tier-I cities and the rest come from tier-II and III centres, Jain said.

OTT is trying to replicate the TV behaviour but the biggest impediment is that as soon as an ad appears, users go back to their mobile screens, preventing effective brand building, according to Jain. "While long-format content is here to stay, shorter attention spans have led to creators pivoting to the other format that helps them intrigue their audience and also leads to better views and monetization."

UP to retain tax waiver for hybrids despite opposition

Alisha Sachdev
alisha.sachdev@livemint.com
NEW DELHI



EVs currently account for a mere 1.5% of the country's passenger vehicle market. MINT

The Uttar Pradesh government has sent a clear signal about its favourable stance on hybrid vehicles: A full road tax waiver on the purchase of a hybrid car in the state, as stipulated by the government's policy on green mobility, will stay.

Despite intense lobbying by electric vehicle (EV) makers, particularly by Tata Motors which is a dominant player in India's passenger EV market as well as Hyundai Motor India and Mahindra & Mahindra, the state has decided to continue to extend road tax waivers and cash incentives on strong hybrid vehicles, two people with direct knowledge of the matter told Mint on condition of anonymity.

EV makers want the state government to prioritize and extend such sops exclusively to electric vehicles.

The decision came after a high-stakes meeting with the officials of major automakers, including Maruti Suzuki, Tata Motors, Toyota Kirloskar Motor, Honda Cars

different stage, and we need to explore all avenues".

"Many OEMs (original equipment manufacturers) emphasized that EVs need to be treated differently. While the Uttar Pradesh government appreciates the fact that ZEVs (zero-emissions vehicles) and low-emissions technologies need to be differentiated, they are of the view that both technologies are needed to reach the ultimate goal of carbon reduction", one of the persons cited earlier told Mint.

The government's rationale is clear - while EVs represent a promising future, they currently account for a mere 1.5% of the country's passenger vehicle market, the same as hybrids, emphasizing that both technologies need to be encouraged to minimize the remainder 97% of the polluting internal combustion engine vehicles on the roads.

While the government's view is clear, it could consider offering a lower quantum of incentives on hybrids, the person said.

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

How Musk is using Tesla and his other firms to kickstart xAI

Meghan Bobrowsky
feedback@livemint.com

Elon Musk has big plans for his startup xAI. A key part using his other companies.

The billionaire's year-old artificial-intelligence bet is relying on talent, data and hardware from his other businesses to help it develop what he has said will become the most powerful AI in the world by December.

So far, xAI has hired at least 11 employees who have worked at Tesla, according to xAI's website and LinkedIn profiles. That includes six who have worked directly on the Autopilot team focused on AI-powered self-driving technology that Musk has said is pivotal for Tesla's future.

The startup has leased computer chips critical for AI—called graphic processing units, or GPUs—from his social-media platform X, according to people familiar with the matter, and it boasts access to real-time X data.

Musk also has asked for GPUs that were reserved for Tesla to be redirected to xAI and X. He has talked publicly about the troves of visual data that Tesla collects, which he has said could serve as a resource to train xAI's models, and said last fall that X shareholders will own 25% of xAI.

"xAI is a fairly new company," Musk said in an interview with conservative Canadian psychologist Jordan Peterson last month. "So we have a lot of catching up to do relative to companies that have been around for five or 10 or 20 years."

The concern for some investors is that as Musk shifts manpower and hardware to xAI, his other businesses don't benefit. Musk has said such sharing benefits investors in all of his companies, but the practice has brought lawsuits and was used as an argument by critics against Tesla giving him a pay package worth tens

of billions of dollars.

At least three Tesla shareholders—the electric-vehicle maker is Musk's only publicly listed company—have filed suits claiming that a shifting of resources to xAI has hurt the carmaker's investors. Those cases are pending in the Delaware Court of Chancery.

"It's all going to be problematic," said Brian Quinn, a law professor at Boston College. "Every time he's playing with the resources of any of these companies, he's dealing with other people's money. He can't treat all these assets as his own personal assets."

As recently as last month, Musk was pitching potential collaborations between his companies. He posted a poll on X, asking users if Tesla should invest \$5 billion in xAI, and said it was meant to test the waters because any such move would require board and shareholder approval.

After X users voted 68% in favor of the move, Musk posted: "Looks like the public is in favor. Will discuss with Tesla board."

Musk, Tesla, xAI and X didn't respond to requests for comment. Musk posted on X last month that xAI, Tesla and X are all looking to hire talent.

He also has said previously that hiring employees from his other companies at xAI is a way to prevent prized engineers from going to competitors.

The shifting of resources between Musk's companies isn't new. For years, he has used his companies—SpaceX, the rocket startup; Neuralink, the brain-implant chip firm; tunnel maker Boring Co.; and X, the social-media platform, in addition to Tesla and xAI—to help one another.

When Musk bought the company then known as Twitter in 2022, he brought in employees from across his business empire to help with the transition. In court testimony, Musk said the Tesla engineers briefly helped out on a voluntary after-hours



For years, Elon Musk has used his companies—SpaceX, Neuralink, Boring Co. and X, in addition to Tesla and xAI—to help one another.

basis.

"Did Tesla no longer need those engineers?" a lawyer asked him.

"No. Tesla needed the engineers," Musk responded.

One of Tesla's board members said in court testimony that the engineers were paid for their work.

xAI, meanwhile, also has capitalized on its connections to Musk's network of companies to raise \$6 billion in recent months. xAI investors say they were pitched on the idea that xAI could use data from Musk's other businesses, including Tesla, to train its large-language models.

Some investors said those connections were part of the allure. Musk said in the interview with Peterson that xAI hadn't yet applied real-world video from Tesla to xAI's large-language models.

xAI now boasts a \$24-billion valuation, second only to OpenAI in terms of size of AI startups. Musk co-founded OpenAI in 2015 and left the company's board of directors in 2018.

Since its launch in July 2023, xAI has released a chatbot named Grok and is building what Musk has called the biggest data center in the world. Musk's record of building businesses has engendered loyalty from some investors.

Several xAI investors have poured money into the billion-

aire's other companies. Others have bristled at the overlap. The Tesla shareholders are accusing Musk of violating his fiduciary duties by moving talent and other resources to xAI, seeking damages and asking the court to order Musk to move his equity stake in xAI to Tesla. In one of the suits, shareholders are asking that Musk's interest in xAI be put in a trust.

Tesla didn't respond to questions about the lawsuits. Musk said on an earnings call last month that "Tesla is learning quite a bit from xAI. It's been actually helpful in advancing Full Self-Driving and in building up the new Tesla data center."

Sharing resources between companies isn't illegal on its own, if each entity is fairly compensated. But such arrangements are rare at big corporations, and considered fraught practice because they raise concerns that the chief could make decisions for one company at the expense of another.

"The law doesn't prohibit people from having fiduciary responsibilities to multiple companies," said Scott Cummings, a law professor at the University of California, Los Angeles. "What the law prohibits is acting in ways that essentially harm one company to the benefit of another."

Musk might have more leeway with his private companies than with Tesla, but he is still beholden to investors in those firms, including xAI, according to corporate governance experts. The difference is that investors in xAI or Musk's other private companies might be less likely to take legal action against him.

"In a private company, there might be 10 shareholders where everybody knows everybody," said Quinn, of Boston College. "It's much more likely to be resolved with a phone call."

The stakes are higher with Musk's public company, Tesla, where he doesn't own a majority stake. One of the institutional investors suing him is the Employees' Retirement System of Rhode Island, which says it provides retirement, disability and survivor benefits to roughly 60,000 public employees.

Tesla and xAI each have distinct AI ambitions, putting the companies in an awkward position as they compete for resources. Tesla is trying to develop fully-autonomous driving software and a humanoid robot, in addition to selling electric vehicles.

One of the shareholder lawsuits, filed by the Cleveland Bakers and Teamsters Pension Fund, takes aim at the GPU reallocation between the companies.

"Musk is creating enormous value at xAI—potentially worth hundreds of billions of dollars in the near future—at Tesla's expense," according to the complaint.

After CNBC reported that Musk had asked for Nvidia's chips to be redirected to xAI and X from Tesla, he offered an explanation.

"Tesla had no place to send the Nvidia chips to turn them on, so they would have just sat in a warehouse," Musk posted on X in June. CNBC cited an internal Nvidia email that said the same number of GPUs would be moved from xAI and X to Tesla at a later date in exchange.

xAI also hasties with another of Musk's companies: X.

X has contributed \$250 million in computing power to the startup. The Wall Street Journal has reported.

xAI's Grok has been made available exclusively on X with a subscription, and xAI engineers have been tasked with fixing problems at X and using xAI's models to improve X's features, according to people familiar with the matter.

At an Nvidia conference in March, one of xAI's head engineers, Igor Babuschkin, said integrating Grok into X was "a nice sort of exercise" but isn't their main goal, without elaborating.

—Alexa Corse, Alexander Saeedy and Deepa Seetharaman contributed to this article.
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The chip maker that's too big to turn, too vital to fail

Dan Gallagher
feedback@livemint.com

The chips are down as never before for Intel. But in 2024, even a greatly diminished semiconductor manufacturer may be too big to fail.

Intel's disastrous second-quarter report this month has put the struggling chip maker in a whole new light—and not a good one. Falling sales in key markets and rising costs for its ambitious manufacturing turnaround have forced the company to take more drastic steps to conserve cash. Those include laying off 15% of the workforce, cutting the capital expenditures used to build and equip production facilities and suspending the dividend that Intel has paid since 1992.

The latest reboot has investors unplugging en masse. Intel lost a little more than a quarter of its market value the day after its Aug. 1 earnings report, and the stock has shed another 8% since—worse than the drubbing seen by most other chip stocks in this past week's global selloff. Intel shares

have now lost about 68% since Chief Executive Pat Gelsinger first articulated his turnaround plan after rejoining the company in early 2021. The S&P 500 is up 39% over that time.

Intel is also now trading below the company's book value for the first time since at least 1981, which is as far back as data from FactSet goes. This means investors are now valuing one of the world's largest chip manufacturers for less than the value of its facilities and other assets on its balance sheet.

But those facilities are also the key to Intel's staying power. The pandemic's disruptions and other forms of global instability over the past few years have awakened political leaders on both sides of the aisle to the importance of shoring up domestic production of such a key component of modern life. And chip fabrication plants can't be spun up overnight—or on the cheap. Modern fabs require years to build and equip and now cost around \$20 billion.

That is why the U.S. government is kicking in. The Chips Act passed in 2022 outlined \$39 billion in direct grants to chip makers to help with the cost of building new



Intel's data centre revenue is projected to hit \$12.6 billion this year, less than half its peak just four years ago. BLOOMBERG

facilities. Intel has been the largest beneficiary, landing \$8.5 billion of that pot that is helping to fund the building of new fabs in Arizona and Ohio. Intel is already the biggest fish in the American pond; the company's current fabs account for about 41% of the country's 300 mm wafer production capacity—the type of chip production most commonly used in key market segments—according to market research firm TechInsights.

But a big part of Intel's current problem is that the chips it makes for itself aren't selling as well as they used to. The company's once-booming data center business, in particular, has been hit hard as it has lost share in server CPU chips to Advanced Micro Devices. It also has seen a sharp shift in data center budgets to Nvidia's AI accelerators, which are key to powering generative artificial intelligence services. Intel's data center revenue is projected to hit \$12.6 billion this year, less than half its peak just four years ago, according to consensus estimates from Visible Alpha.

The rapid shift to spending on AI—and Nvidia in particular—wasn't something contemplated when Intel laid out an ambitious and expensive plan to catch up its manufacturing processes to those of Taiwanese rival TSMC three years ago. "The issue, in our view, is that the server-centric data center Intel built their fabs to serve no longer exists, replaced by AI

spending that Intel missed," wrote Chris Caso of Wolfe Research in a recent note to clients.

That has also contributed to Intel's fabs being underutilized—an expensive problem for chip manufacturers who have high fixed costs. Underutilization charges contributed to Intel's adjusted gross margin coming in at a shocking 38.7% in the second quarter, 5 percentage points lower than Wall Street expected.

Wall Street is divided on where Intel should go from here. Some analysts think it needs to focus on regaining product leadership, even if that comes at the expense of the foundry business the company is building to serve other chip designers. Others think the company needs to focus on getting more major customers for the foundry side, since Intel's chances of getting competitive in key markets such as data center GPUs look slim.

None of those paths will be quick, though. And loss of the dividend leaves Intel investors with little to hang on to; it is now one of only three Dow components not paying one. But Intel's large role in what is now deemed an industry vital to national security also provides a floor of sorts. In his report, Caso noted that "given the sensitivity toward domestic U.S. semiconductor production, we doubt the U.S. government would allow for Intel's problems to become terminal."

Uncle Sam might be the biggest bull in Intel's pen for a long while.

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Underutilization charges led to Intel's adjusted gross margin coming in at a shocking 38.7% in Q2

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Bangladesh garment factories to Western buyers: You can rely on us

Apparel-export industry seeks to reassure buyers after protests, violence rocked the country

Jon Emont
feedback@livemint.com

In recent weeks, Bangladeshi garment-factory owners have been on the phone with Western clothing brands, making the case that their country is a stable link in their supply chains. It has been a tricky sell.

The world's second largest garment producer has been rocked in recent weeks by protests and instability triggered by anger over grim employment prospects. The turbulence followed large-scale wage protests last year that were marked by violence.

This time around, an industry body for the \$38 billion clothing-export sector estimates the exporters have lost six days of production because of unrest that erupted in mid-July, though other factory owners say the loss is closer to twice that much time.

"It is not a massive body blow by any means," said Miran Ali, vice president of the Bangladesh Garment Manufacturers and Exporters Association.

On Sunday, deadly clashes killed at least 85 people, after weeks of tumultuous demonstrations that led the government to impose curfews and cut off the internet. Prime Minister Sheikh Hasina resigned and fled the country. Police have left their posts, and businesses associated with the old government were targeted by mobs.

Muhammad Yunus, a Nobel laureate and economist who pioneered micro-credit, took charge of a caretaker government Thursday and appealed for calm. "We are one family," he said.

Congestion on roads and a minimal police presence mean some factory owners have decided to delay shipping finished clothes. A small number of factories were burned by arsonists during the turmoil.

With the situation now stabilizing, many factory owners say they have managed to get their factories back up and running, and workers have been eager to return to work and earn their paychecks.

With Yunus in charge "the global image of Bangladesh will be of a country that is being reformed," Ali said. "I'm expecting a net benefit."

But industry analysts say that the combination of recurring bouts of instability, higher wages and long-term problems—such as Bangladesh's infrastructure being significantly worse than rivals like China and Vietnam—are gnawing at the country's competitiveness.



An industry body for the \$38 billion clothing-export sector estimates exporters have lost six days of production because of unrest that erupted in mid-July, though other factory owners say the loss is closer to twice that much time. AFP

Last October, hundreds of factories paused operations after a worker campaign for higher wages descended into violence. Garment workers eventually settled for a 55% rise in the minimum wage to around \$113 a month—far less than worker advocates sought—but a significant boost nonetheless. In December, when the new minimum wage took effect, workers making clothing for Swedish giant H&M received a wage of \$138, a 30% bump to what they received the month before, according to the company.

Bangladesh's garment exports to the U.S., its top market, declined 11% in the first half of this year, compared with the first six months of 2023.

The 2024 Fashion Industry Benchmarking Study, a survey of about 30 major U.S. fashion companies, released in July found that 48% of major U.S. fashion companies intended to increase purchases from Bangladesh over the next two years, down from 58% in 2022.

Sheng Lu, a professor of apparel studies at the University of Delaware, said Bangladesh's higher minimum wage and shifting consumer interest toward trendier items produced elsewhere had cut into the nation's market share. Meanwhile, another low-cost rival, India, is gaining, thanks to its ability to produce its own fabric, which saves production time.

Bangladesh faces "some really tough situations right now," said Lu, who helped conduct the benchmarking study. From late July into August, shipping clothing from Bangladesh was far from smooth. Government curfews forced ports to work with skeleton staff. Some ships waited for up to five days to load and unload at the Port of Chittagong. Maersk this week said container movement continues to be slow, with fewer officials on site at the port. Clothing brands are staying nimble. During an earnings call on Tuesday, Bracken Darrell, the chief executive of VF Corp, an American company that owns brands such as North Face and Vans, said it is facing some disruption in Bangladesh, where about 15% of its production is based. Darrell said he was fairly confident that the situation would improve, but he added that orders could be shifted elsewhere if necessary.

An H&M spokeswoman said that according to the company's latest information, factories are gradually opening again. She said H&M, one of the biggest buyers of Bangladeshi garments, has told suppliers it wouldn't seek to claim discounts on goods that

are delayed, a typical practice in the industry.

The period between June and September is a crucial time in Bangladesh for the industry, as factories rush to fulfill orders for the back-to-school season and the December holidays.

A 2013 factory collapse at Rana Plaza killed more than 1,000 workers, putting the spotlight on poor working conditions and causing a wave of worker protests around Bangladesh. While safety conditions have improved markedly since then, brands continue to treat Bangladesh as a sensitive place from which to source, even as it has emerged as a top garment exporter.

A critical question for retailers is whether the political situation will remain calm.

The latest round of unrest, which came after elections in January that were boycotted by opposition parties, has seen some of the country's deadliest violence in years. More than 300 people have been killed after clashes intensified around mid-July.

Anger is still simmering toward Hasina's Awami League over its autocratic rule, while student protest leaders and political parties are likely to differ over the road map to elections. If the instability continues, said Lu, it "surely will raise concerns about sourcing from the country."

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At Warner Discovery it's lean times, except for the movie studio bosses

Joe Flint
feedback@livemint.com

Money was a primary issue when Netflix and director Maggie Gyllenhaal parted ways over her plans for a new take on the 1935 classic "Bride of Frankenstein" last year.

Among the concerns was Gyllenhaal's desire to shoot "The Bride!" in New York City. Netflix pushed for New Jersey because it would be cheaper, people familiar with the matter said.

The co-chairs and CEOs of the Warner Bros. motion picture unit, Mike De Luca and Pam Abdy, stepped in to foot the bill. The movie's costs, including production and marketing, will likely exceed \$100 million, a figure some Hollywood executives say is rich for the period drama, which is scheduled for release in the fall of 2025.

"It's a risk to take on me, and they really have supported me in every way," said Gyllenhaal, adding that the pair never pressured her "and I know that's something that can happen, especially on a big-budget movie."

De Luca and Abdy have long had a reputation in Hollywood for being talent whisperers with a willingness to spend. Their aggressive dealmaking since assuming their posts two years ago has cast them as outliers inside parent company

Warner Bros. Discovery, a media conglomerate that is in austerity mode.

With a debt load of nearly \$40 billion and a stock price down about 50% over the past year, Warner has been trimming costs just about everywhere.

On Wednesday, the company reported a nearly \$10 billion loss primarily because of a write-down of the value of its cable networks.

The company's TNT network was unable to strike a new deal to hold on to its rights to National Basketball Association games because it didn't want to pay as much as rivals NBC and ESPN.

Many movies and TV shows have been removed from Warner's Max streaming service, and Turner Classic Movies, which plays old films, had much of its staff eliminated. This summer, some 800 jobs are being eliminated across the company, on top of the several thousand job cuts over the past two years.

When it comes to spending on content, De Luca and Abdy have been spared the scrutiny some other departments have faced, some executives inside the company say. Some describe the duo as the "chosen children" of Warner Discovery Chief Executive David Zaslav, a movie buff who counts the De Luca-produced "Moneyball" as one of his favorites.

Stephen Galloway, dean of

Chapman University's film school, said the problems in the theatrical business—with consumers going to the theater less than they used to—make it hard to justify heavy spending. That is especially true for a company like Warner Discovery, which is also battling other challenges.

Zaslav, he said, "has much bigger concerns" than the stagnant movie business.

De Luca and Abdy's admirers say they are paying what the market justifies in competitive situations, and aren't just trying to make splashy deals.

A senior Warner studio executive said the pair are under the same level of scrutiny as their counterparts throughout the company and added that their film slate carries a fraction of the overall annual budgets of other content divisions.

Following 'Barbie'
Last year, Warner's global box-office market share was 11.6%, behind Universal and Disney, according to Comscore, in a year when all studios were hit by a months-long labor strike that delayed production and paused new releases. The megahit "Barbie," which surpassed \$1 billion in box-office revenue, and "Wonka" were among Warner's strongest performers.

Those films were approved by the previous regime, as were disappointments like this summer's "Furiosa." Movies



The megahit "Barbie," surpassing \$1 billion in box-office revenue, and "Wonka" were among Warner's strongest performers. AP

hatched on De Luca and Abdy's watch are just now starting to hit the big screen. The first one—"The Watchers" from Ishana Night Shyamalan, daughter of filmmaker M. Night Shyamalan—performed poorly at the box office.

This past weekend, "Trap" from M. Night Shyamalan took in only \$15.4 million in the domestic box office, a disappointing showing that was lower than what the studio hoped.

"We have a really good team with Mike and Pam," Zaslav said of the movie production unit on an earnings call. "We're encouraged by our slate ahead. We're still working our way through the slate that we inherited."

The movie industry faces

big challenges as consumers embrace streaming and it becomes harder to persuade people to go to a theater. Most studios aren't in risk-taking mode, preferring to count on established franchises and superheroes.

At Warner, the pair is trying to create a diverse slate of movies—horror, science fiction and adult drama—as well as the occasional sequel. Comic-book films, with the exception of "Joker," are left primarily to Warner's DC unit, which doesn't report to De Luca and Abdy.

Catering to talent
The duo has made flashy deals with stars such as Tom Cruise, Timothée Chalamet, George Clooney and Margot Robbie as well as filmmakers

like Ryan Coogler. Big bets include "Mickey 17," a science-fiction effort from Oscar winner Bong Joon-ho ("Parasite"), and the mob movie "Alto Knights" starring Robert De Niro. Both were originally to premiere this year but now are planned for 2025.

"Mickey 17" has a production budget of at least \$120 million and a cast that includes Robert Pattinson and Mark Ruffalo. The movie has been through scheduling delays and now is set to be released in January, a month typically seen in Hollywood as a dumping ground.

"An expensive question mark" is how David Herrin, founder of the film-tracking firm The Quorum described "Mickey 17," adding, "Once you move a movie to January it telegraphs that you don't think this is an Oscar contender."

The production budget for the sequel to the massive hit "Joker" has ballooned to the \$200-million range, more than three times the original movie. "Joker: Folie à Deux," which has Lady Gaga joining star Joaquin Phoenix, is a musical, which might not be what fans of the first one are expecting.

De Luca and Abdy don't just open their wallets—they have a reputation for catering to talent. To land "Black Panther" director Coogler's as-yet-untitled supernatural thriller starring Michael B. Jordan, the

studio agreed to give the copy-right of the movie back to Coogler after 25 years. It is a rare concession that was a bridge too far for other studios. Some at Warner were against it for fear of setting a precedent.

Art-house filmmakers are also getting big checks. Director Paul Thomas Anderson, a critical darling whose credits include "Magnolia" and "Licorice Pizza," has a budget of more than \$140 million for his next movie, which stars Leonardo DiCaprio and Sean Penn.

That amount is more than double his typical budget. The highest-grossing movie of Anderson's career is 2007's "There Will Be Blood," which took in \$76 million at the box office.

Warner executives say DiCaprio's box-office track record justifies the budget for Anderson. DiCaprio's payday for the movie is \$20 million.

'Big swings, nothing safe'
Bryan Lourd, chief executive of the powerhouse talent agency CAA, applauds the pair's willingness to take risks. "All big swings, nothing safe about it," he said of their approach. The marketplace wants "differentiated premium experiences," and they are "backing many of the best artists in the business," he added. A force in the industry for more than three decades, De Luca was only 27 when named president of produc-

tion for New Line Cinema, where he championed commercial and critical successes such as "Austin Powers," "Seven" and "Boogie Nights."

Before joining Warner in 2022, he was chairman of MGM's Motion Picture Group Studios, and Abdy was president. The pair had a mixed record. Successes included "Dog," while expensive misses included "Gucci" and "Cyrano."

Still, they were credited with pumping life into what was perceived as a moribund studio and increasing its value to suitors. The pair left after MGM was acquired by Amazon in a deal valued at \$8.5 billion.

What appeals to filmmakers is that De Luca and Abdy don't see movies as "just a product or a commodity," said director Tim Burton, whose long-awaited sequel to "Beetlejuice," titled "Beetlejuice Beetlejuice," is scheduled for release by Warner this fall.

"Wonka" producer David Heyman credits them with encouraging a new take on the ending "that had a significant impact on making it a better film."

"Yes, there will be failures," Heyman said of the challenge moviemakers face, "but we mustn't use that to prevent us from moving forward and taking risks. And I think Mike and Pam believe that and know it."

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NEWS NUMBERS

40.5%

THE PERCENTAGE of low-cost deposits (current account and savings account) in the public sector banks in 2024, down from 45% in 2022, raising concerns

₹918 cr

THE NET profit reported by Aurobindo Pharma in June quarter of FY25, up 61.3% from ₹569 crore in the same period last year, aided by strong sales across markets

74%

THE PERCENTAGE of people in Pakistan who said they struggled to meet monthly expenses, as the economic crisis deepens in the country, according to a survey

37 min

THE AVERAGE time consumers spent watching shorter user-generated content and newsy snippets per day in 2023, up from 33 minutes in 2022, as per a report

₹13,019.6cr

THE AMOUNT at which CVC Capital Partners has valued Aavas Financiers, setting the stage for the largest buyout in the Indian housing finance sector

HOWINDIALIVES.COM

₹1.66 tn mcap drop hits top eight firms

The combined market valuation of eight of the top-10 most valued firms eroded by ₹1,66,954.07 crore last week, with Reliance Industries and Life Insurance Corporation of India emerging as the biggest laggards, in line with weak trend in equities. Last week, the BSE benchmark slumped 1,276.04 points or 1.57%.

The market capitalization (mcap) of Reliance Industries tanked ₹33,930.56 crore to ₹19,94,765.01 crore, the most among the top-10 firms.

The valuation of Life Insurance Corporation of India (LIC) slumped ₹30,676.24 crore to ₹7,17,001.74 crore.

State Bank of India lost ₹21,151.33 crore from its valuation which stood at ₹7,35,566.52 crore. The market valuation of Infosys dived ₹20,973.19 crore to ₹7,35,277.28 crore and that of Tata Consultancy Services (TCS) tumbled ₹19,157.77 crore to ₹15,30,469.11 crore. **PTI**



FPIs made net investment of ₹22,134 cr in equities, data with the depositories showed. **ISTOCKPHOTO**

FPIs turn net sellers, withdraw ₹13,400 cr

After infusing money during the last two months, foreign investors have turned net sellers as they pulled out over ₹13,400 crore from Indian equities in August so far due to unwinding of the yen carry trade and recession fears in the US.

So far this year, FPIs have made a net investment of ₹22,134 crore in equities, data with the depositories showed.

Going forward, if the market continues to rise, FPIs are likely to press more sales since Indian stock valuations continue to remain elevated, particularly in relation to valuations in other markets, V.K. Vijayakumar, chief investment strategist, Geojit Financial Services, said.

According to the data, Foreign Portfolio Investors (FPIs) withdrew a net amount of ₹13,431 crore from equities so far this month (1-9 August).

This came following an inflow of ₹32,365 crore in July on expectation of sustained economic growth, continued reforms and better-than-expected earnings season, and ₹26,565 crore in June driven by political stability and the sharp rebound in markets. **PTI**

Coal imports rise by 6% to 75.26mt

India's coal import rose by 5.7% to 75.26 million tonnes (mt) in the first quarter of the current fiscal compared to 71.16mt of coal in the same period of the previous fiscal.

Coal imports in June were also higher by 6.59% at 22.97mt compared to 21.55mt in the same month of the previous fiscal, according to data compiled by mjunction services ltd, a B2B e-commerce platform from a joint venture between Tata Steel and Sail.

mjunction managing director and chief executive Vinaya Varma said that given the surplus coal available in the system and the slowdown in industrial activity during monsoon, import demand is likely to remain subdued in the coming month. Of the total imports in June 2024, non-coking coal imports stood at 14.19mt, higher than 13.29mt imported in June last year. Coking coal imports were at 5.45mt, against 5.33mt imported in June 2023. During April-June 2024, non-coking coal imports were at 49.12mt, higher than 46.53mt imported during the same period last year. **PTI**

Godrej Properties to launch ₹21,000 cr worth housing projects

Godrej Properties aims to launch ₹21,000 crore worth of residential projects by March across major cities to encash strong consumer demand and achieve 20% growth in sales bookings this fiscal.

In an interview with PTI, the company's executive chairperson Pirojsha Godrej expressed confidence that the company would achieve the targeted sales bookings of ₹27,000 crore for the current fiscal.

In the last fiscal, the company's sales bookings jumped 84% to a record ₹22,527 crore, the highest among listed realty firms in 2023-24.

Asked about the launch pipeline, Pirojsha said, "We are targeting to launch projects worth ₹30,000 crore this fiscal year. We have already launched around ₹9,000 crore worth of projects in the first quarter of this fiscal."

The launch pipeline for the remaining three quarters is strong, he said. Godrej Properties mainly focuses on Mumbai Metropolitan Region, Delhi-NCR, Bengaluru, Pune and Hyderabad for group housing projects. It sells plots in tier II cities. **PTI**



Godrej Properties executive chairperson Pirojsha Godrej. **MINT**

WEEKEND DELUGE



Vehicles and people navigate a waterlogged Gurugram road following heavy monsoon rainfall on Sunday. **PTI**

Delhi recorded 197% surplus rains in 24 hrs; flights affected

Heavy rainfall erases monsoon deficit for Delhi-NCR with a surplus of 15% since 1 June

Puja Das
puja.das@livemint.com
NEW DELHI

After enduring a scorching summer and witnessing uneven start to the monsoon in June, the Delhi-National Capital Region (NCR) is now experiencing heavy rainfall, especially over the past few days. In the 24 hours leading up to 8:30am on Sunday, Delhi recorded 197% surplus rainfall. This recent deluge has reversed the early deficit, bringing the rainfall since 1 June to 15% above normal. June ended on a sultry note in Delhi, with no rainfall recorded until the month end, but logged 228% overall excess rainfall for the month, following a single day's downpour of 228.1mm. The normal monthly average for June is 74.1mm. India Meteorological Department (IMD) forecasted moderate rainfall for Delhi on Sunday, marking the fifth consecutive day of significant

rainfall in the region. Temperatures are expected to range between 32°C and 26°C, with cloudy skies.

Heavy rains lashed Delhi on Saturday and Sunday, causing traffic disruptions due to waterlogging. According to the Public Works Department, 20 complaints of waterlogging were received during the day. The Municipal Corporation of Delhi received five complaints, including for uprooted trees.

According to IMD, Delhi's maximum temperature on Saturday was 32.8°C, slightly below the season's average, while the minimum temperature was 25.8°C in the morning, 1.2°C below normal. Due to the continuous heavy rains in Delhi, airlines have issued a travel advisory urging passengers to verify their flight status, as operations may be affected.

"Due to bad weather (heavy rain) in Delhi (DEL), all departures and arrivals, and their consequential flights may get affected. Passengers are requested to keep a check on their flight status," SpiceJet said on X (formerly Twitter) at 9:14am. Budget carrier IndiGo also issued an advisory on X noting that the

heavy rain in Delhi may impact flight schedules.

"Heavy rain is pouring down over #Delhi, which may play rough with flight schedules. We sincerely regret the inconvenience caused if your flight is impacted. Please keep a tab on your flight status and allow extra travel time due to potential traffic snarls. We wish you a pleasant journey!"

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

The IMD forecasted moderate rainfall for Delhi on Sunday, marking the fifth consecutive day of significant rainfall in the region

OYO raises ₹1,457 cr in Series G funding

OYO, the parent company of OYO, has raised ₹1,457 crore from a consortium of investors in the latest funding round, people with the knowledge of the matter said.

The IPO-bound unicorn has raised nearly ₹1,040 crore in the Series G funding round. This follows an earlier raise of ₹416.85 crore in the same series and concludes the round.

According to different documents accessed by PTI, the additional equity issuance was approved by 99.99% shareholders in an EGM held on 8 August.

The capital will be used to support OYO's growth and its global expansion plans, the company said.

The additional fund raise values the company at the same valuation of \$2.4 billion, as the first Series G tranche issued to InCred in July, one of them said. **PTI**



The all-India average cement price was at ₹348 per 50kg bag in June 2024, down about 3% y-o-y. **MINT**

Cement firms' sales increase, prices fall

Leading cement manufacturers reported single-digit volume growth in the June quarter, though their topline was muted on account of the continued downtrend in the price.

Listed manufacturers such as UltraTech, Ambuja Cements, ACC, Shree Cements and Dalmia Bharat in their latest quarter earnings reported gains in volumes, ranging from 3% to 9% and increase in capacity utilization.

However, soft cement prices have put their topline under pressure in the April-June period. Besides, raw material costs went up marginally due to an increase in the cost of fly ash and slag.

The all-India average cement price was at around ₹348 per 50kg bag in June 2024, down around 3% year-on-year. However, this was higher when compared to ₹335 per bag in May 2024. **PTI**

Tata Motors targets domestic rebound

Tata Motors expects demand to remain sluggish in overseas markets this fiscal while pinning hopes on a gradual bounce back in the domestic market on the back of new launches and the upcoming festive season.

Earlier, the automaker reported consolidated net profit of ₹5,566 crore and total income of ₹109,623 crore for June quarter.

"Overall, from a demand perspective, we do anticipate that as far as the global demand is concerned, it is likely to remain muted. It has been that way. It's likely to remain muted. No immediate changes there," Tata Motors Global CFO P.B. Balaji said in an analyst call. In the domestic market, the firm expects a gradual improvement in demand during the rest of the year aided by government plans to invest on infrastructure, healthy monsoons, favourable overall economic macros, new launches and upcoming festive period, he noted. **PTI**



External affairs minister Jaishankar being received by foreign minister of Maldives Moosa Zameer. **PTI**

Maldives key Indian Ocean ally: EAM

The Maldives is a key partner for India in the Indian Ocean region and the two nations aspire to turn their cooperation into a modern partnership, external affairs minister S. Jaishankar said on Sunday.

Jaishankar's remarks came as he, along with his Maldivian counterpart Moosa Zameer attended the handing over ceremony of Addu Reclamation and Shore Protection Project and inauguration of the 4-lane Detour Link road project facilitated by the Government of India under the Line of Credit of EXIM Bank.

"Maldives for us is a key partner in the Indian Ocean region. It is very much at the heart of our 'Neighborhood First Policy' and it is therefore very natural that the cooperation between our two countries has moved beyond the traditional role and today really aspires to be a modern partnership," Jaishankar said.

In the last few years, India has invested around \$220 million in Addu which provides a fair idea of the importance that India attaches to regional development in the Maldives, the minister said. Jaishankar also highlighted other projects being undertaken with India's assistance in the Maldives. **PTI**

LIC to invest about ₹1.3 trillion in FY25

Life Insurance Corporation of India (LIC) managing director and chief executive officer Siddhartha Mohanty has said that the corporation is looking to make fresh investments of around ₹1.3 trillion in equities during the current financial year.

During April-June FY25, the insurance behemoth made an investment of about ₹38,000 crore in shares as against ₹23,300 crore in the same period a year ago.

LIC earned a profit of ₹15,500 crore from its investments in equity markets during the first quarter. The profit from its investment was higher by 13.5% quarter-on-quarter.

"We are surely looking at the markets and price movements...we are looking to invest a good amount at least whatever we had invested in last financial year...LIC made an investment of around ₹1.32 trillion in FY24," he said.

Market value of LIC's investment in stocks of various companies stood at around ₹15 lakh crore at the end of June, he said. **PTI**



SIP LESSONS FROM A SPRINGSTEEN CONCERT

India's SIP investors are in the middle of a 'fallacy of composition' situation. Is there a way out?

Vivek Kaul

feedback@livemint.com
MUMBAI

On 25 July, me and my younger sister were at Wembley Stadium in London watching Bruce Springsteen and the E Street Band perform. I had wanted to be as close to the stage as possible given that watching the 'Boss'—as the fans lovingly call Springsteen—was possibly going to be a once in a lifetime event. But buying tickets closest to the stage would have meant watching the concert standing.

Now, unlike many younger singers of today who do two-hour concerts, the concerts of the E Street Band go on for over three hours, and are extremely high on energy, even though most band members are over 70 now.

Also, given that one wasn't going to take the risk of arriving at the concert just-in-time and would be there at least an hour in advance, buying tickets closest to the stage would have meant standing for more than four hours. Further, taking into account that it would take an hour to get to the Wembley Stadium, then possibly 30 minutes to get out of it once the concert was over, and another hour to get back to the hotel, it would have meant standing for more than six and a half hours.

So, we bought tickets which were close to the stage—though not as close as standing-room only tickets—but which allowed us to watch the concert sitting.

At around 7.15 pm, Springsteen came on stage and the band started singing *Lone-some Day*. Fifteen minutes on, they were playing my favourite Springsteen number *No Surrender*, and the energy in the stadium had gotten people in the rows in front of us on their feet, and soon everyone was standing and singing along with the E Street Band.

Of course, once people in front of us were standing we also had to stand up in order to get a better view of the stage. Now, this forced those behind us and those behind them to stand up as well. The energy and the atmosphere in the stadium was responsible for this, but, so was the need to get a better view of the E Street Band on stage.

Economists have a term for a situation like this: the fallacy of composition. Or as Greg Ip writes in *Foolproof—Why Safety Can Be Dangerous and How Danger Makes Us Safe*: "This fallacy occurs when what benefits an individual is wrongly assumed to benefit an entire group. For example, if one moviegoer stands, he can see the show better. But if everyone in the audience stands, no one sees better, and everyone is uncomfortable."

Something similar happened to those watching Springsteen's concert seated. The fallacy of composition ensured that they saw the concert standing. Of course, there was enjoyment in standing, clapping and singing along with the band, but there was discomfort as well, which wouldn't have been experienced if everyone had seen the concert sitting.

Dear reader, if you are wondering where I am going with this, allow me to explain. India's systematic investment plan (SIP) investors are in the middle of a fallacy of composition situation like those at the Springsteen concert. Further, the retail SIP investors have no idea about this, and if they continue to be ignorant, somewhere down the line, it's going to hurt them.

THE SIP STORY

In July 2024, ₹23,332 crore was invested in mutual funds through the SIP route. An SIP is a way of regularly investing in mutual funds (MFs), particularly equity MFs. Equity MFs invest a bulk of their money in listed stocks. A January 2023 *CNBC TV18.com* news report quoted N.S. Venkatesh, the then chief executive of the Association of Mutual Funds in India (Amfi), the mutual fund lobby, as saying that "90% of the total SIP inflows were into equity schemes". Which means indirectly into stocks. Now, let's take a look at chart 1, which plots the monthly SIP inflows into MFs.

As can be seen, the total amount of money coming into MFs through the SIP route has gone up majorly. In 2024-25, the inflow was more than ₹20,000 crore in each month.

The jumps in SIP investment came at two points. First, in 2017 after Amfi launched the *mutual fund sahi hai* ad campaign in March 2017. The second and the more significant jump came in mid-2021 onwards, once stock prices had run up considerably after falling big-time in



A file photo of a hoarding displaying the mutual fund sahi hai ad campaign near a highway in Mumbai. The Association of Mutual Funds in India launched the campaign in 2017.

BLOOMBERG

March 2020.

THE FALLACY OF COMPOSITION

Investors investing in stocks through the SIP route is largely good news, at least on the face of it. First, investing through SIPs ensures that investors invest regularly. Second, by investing regularly investors ignore all the noise of the so-called analysis that comes with investing in stocks. Third, an SIP ensures that every month, or every week, some money is invested in stocks. Hence, regular savings happen.

So, investing in equity MFs through SIPs makes sense at an individual level. But as the fallacy of composition states what makes sense at an individual level may not necessarily make sense at an aggregate level. Among other reasons, the flood of money coming into stocks through the SIP route has ensured that stock prices have gone from strength to strength, and the prices of many stocks now are not in line with their current, or for that matter, the prospect of future earnings.

Hence, the SIP investors are buying stocks indirectly at higher and higher prices. This means that in order to make money in the years to come, the stock prices will have to continue going up at a fast pace from where they currently are, and thus continue to be out of whack with the prospect of future earnings of companies. And that's not a good thing.

Now, let's take a look at chart 2, which plots the price to book ratio of the NSE 500 index from 1996 onwards. The price to book ratio is a measure of valuation and the NSE 500 is a stock market index which includes 500 listed companies.

The valuations of companies that make up the NSE 500 index are at a very high level. The price to book ratio in 2024-25 has been higher than at any point of time except in 2007-08 and 2006-07, when the stock market was in bubbly territory. This explains why what is good for an individual SIP investor isn't really good at an aggregate level. The situation is similar to the Springsteen concert, where each row was better off standing, but on the whole,

it hurt. Further, these high prices are creating another problem.

COST AVERAGING

Cost averaging is the most important part of SIP-ing. It ensures that an investor continues to buy when stock prices fall and the higher number of MF units bought at these lower prices help once the stock prices recover.

Let's say an investor SIPing ₹15,000 buys units of an equity MF at a price of ₹15 per unit in a particular period. Hence, 1,000 units are bought. In the next period, the stock prices have fallen, and the price per unit stands at ₹12. This helps the investor buy 1,250 units, with the total number of units now standing at 2,250. In the third period, the price rises back to ₹15, with the 2,250 units now being worth ₹33,750, higher than ₹30,000 that has been invested, even though the price per unit is only back at where it originally was. This is how cost averaging works.

But for cost averaging to work, the stock market has to be volatile. That is, it has to go up and go down and go up again, something that has stopped happening in the Indian stock market over the last few years.

KIND OF INVESTING

Also, what kind of equity MFs are the SIP investors actually investing in? Amfi does not provide that kind of detail. Nonetheless, some educated guesses can be made by looking at the net inflow of money into different kinds of equity MF schemes. This is the overall figure, which includes money coming in through the SIP route and other routes, minus the redemptions being made. So, take a look at chart 3 which plots the net inflows into equity MFs on the whole and thematic/sectoral funds in particular.

We can see that inflows into equity MFs have gone up, and quite a bit of this money is coming into sectoral/thematic funds. From April 2023 to July 2024, a net inflow of ₹3.15 trillion has come into equity MFs. Of this, more than 35% or ₹1.11 trillion is the net inflow into thematic/sectoral funds. In 2024-25, half of the net inflows into equity MFs have been in sectoral/thematic MFs. These funds invest in stocks based on certain themes (business cycle, consumption, innovation, special opportunities, etc.) or in cer-

mint SHORT STORY

WHAT

The total amount of money flowing into mutual funds through the systematic investment plan route has soared. In July 2024, ₹23,332 crore was invested through this route.

SO

The flood of money has ensured continued strengthening of stock prices—the prices of many stocks now are not in line with their current or future earnings potential.

NOW

Cost averaging is the most important part of going the SIP way. But for this to work, the stock market has to be volatile. The Indian markets haven't been volatile in recent years.

TIME TO CHANGE YOUR TUNE?

Chart 1: In full flow

In 2024-25 so far, the inflow into MFs through the SIP route has been more than ₹20,000 crore in each month.

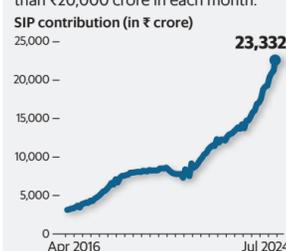


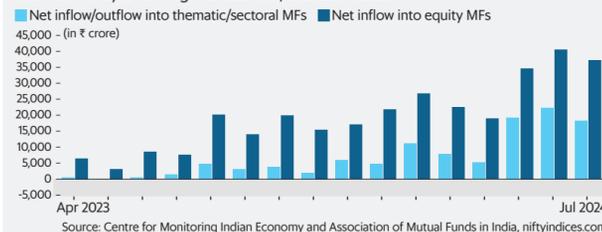
Chart 2: Bubbly territory?

The valuations of companies that make up the NSE 500 index are at a high level. Price to book ratio of NSE 500



Chart 3: Scary zone

A lot of money is flowing into sectoral/thematic funds.



tain sectors (public sector units, defence, banking and so on).

Now, several insiders working with the asset management companies have been suggesting that a lot of investor money is flowing into frothy themes and sectors, where valuations are totally out of line with the prospect of future earnings, driving up prices further. Or as Neil Parikh, the CEO of PPFAS Mutual Fund tweeted in July: "The sheer number of [new schemes] launched, especially thematic funds, is a bit scary."

So, the data shared above possibly hints at the fact that what's happening in equity MFs on the whole, is also happening with SIPs, or that SIP investors in equity MFs may also be chasing these racy themes and sectors, and in the process buying stocks indirectly at very high prices.

To say this with absolute certainty will require more detailed data on the different kinds of equity MFs that SIP investors

are investing in.

Further, what is interesting to see is that from April 2023 to July 2024, only ₹2,048 crore, or around 0.65% of the net investment in equity MFs, has been made in large cap equity MFs. Large-cap MFs invest in stocks that are ranked in the top 100 as measured by market capitalization. From a valuation point of view, such stocks are the most reasonably priced at this point of time.

So, what should retail investors following the SIP route do? Should they stop their SIPs? No. Then?

There is a need to look at the types of equity MFs they are investing in. Is the bulk of the investment going into a sector which is already very frothy? Or is the investment going into a theme that has run out of steam? Or is the investment

going into small-cap stocks which are extremely expensively priced? There is a need to sit down and figure this out.

Of course, above everything else, whether investments are adequately diversified—with money being invested across different asset classes, from stocks, directly and indirectly, to fixed deposits, gold, etc.—also needs to be figured out.

Finally, the after-effect of the fallacy of composition at the Springsteen concert, of standing constantly for more than six and a half hours, was a day or two of feeling tired. Things won't be as simple for those who have become victims of the fallacy of composition by investing in expensively-priced stocks through the SIP route. So, it's important to course correct.

Vivek Kaul is the author of *Bad Money*



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How this plant manager is revising his financial plan to address gaps

As Kumar approaches his mid-40s, he wants to ensure past mistakes are not repeated in his financial strategy

Jash Kriplani
jash.kriplani@livemint.com

After enduring substantial financial losses during the covid-19 pandemic, Gagneesh Kumar, a plant manager from Rudrapur, Uttarakhand, is reassessing his investment strategy. Known for his aggressive investments in stocks and small- and mid-cap mutual funds, he is now seeking a more balanced and goal-oriented portfolio.

"During the pandemic, my stock portfolio took a significant hit, and some stocks never recovered. I don't want to face such a situation again as I work towards my long-term goals."

To avoid future challenges, he has sought expert advice to adjust high-risk investments, enhance insurance coverage, and align his financial strategy with his long-term goals, including retirement and daughter's future.

High equity exposure

Kumar's strategy is notably aggressive, with 90% of his portfolio allocated to equities. Of this, one-third is invested in stocks. Additionally, one-third of his mutual fund portfolio is allocated to small-cap schemes. The remaining 10% of his portfolio is allocated to debt, primarily through his employee provident fund.

"When we assessed Kumar's risk profile against his portfolio, we found a mismatch. The portfolio was heavily skewed toward equity and high-risk return categories. But, his risk tolerance didn't align with his equity exposure level," said Suresh Sadagopan, founder of Ladder7 Wealth Planners.

To achieve a balanced investment approach, Kumar has been advised to diversify his portfolio. The strategy includes allocating 75% to equities, 20% to debt, and the remaining portion to gold via sovereign gold bonds.

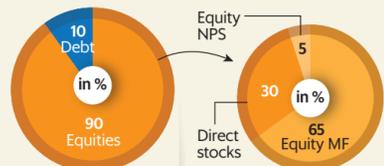
To build his debt exposure, he was advised to start making incremental investments in debt MFs. For direct stock investments, Kumar will hold onto these investments for at least a

Finding the missing pieces

Rudrapur-based Gagneesh Kumar wants to make sure his portfolio is on right track with the help of an adviser

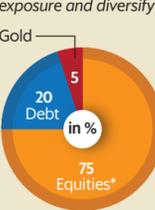
GAGNEESH KUMAR, 44, Rudrapur, Uttarakhand
Work: Plant manager
Wife: Monika Punani, 40, home-maker
Child: Daughter, 10, student
Advisor: Ladder7 Wealth Planners

Current asset allocation



Portfolio changes recommended by adviser

Reduce equity exposure and diversify



*Gradually bring down direct stocks after LTCG holding period, switch to equity MFs
 **Sovereign gold bond

Current mutual fund allocation (in %)

Category	Allocation
Small-cap	33
Large-cap	19
Mid-cap	17
Flexi-cap	16
Large- and mid-cap	15

Recommended mutual fund allocation (in %)

Category	Allocation
Large-cap	20
Flexi-cap	19
Large- and mid-cap	15
Mid-cap	9
BAF+debt funds	37



PRANAY BHARDWAJ/MINT

Other recommendations

- ▶ Get additional life cover of ₹1.4 crore
- ▶ Get accident cover as he works in a factory
- ▶ Get super top-up of ₹20 lakh on health cover
- ▶ Start a contingency fund for 3 months of expenses
- ▶ Close car loan
- ▶ Switch to direct plans of mutual funds

What are your financial goals?

- ▶ **Retirement:** Achieved 14% of targeted corpus
- ▶ **Post-retirement life:** Work to give back to society
- ▶ **For child:** Daughter's education and wedding
- ▶ **For family:** Two annual family trips within India

mint

mended increasing this coverage by an additional ₹.4 crore to ensure adequate cover throughout his extended income-earning years.

Additionally, considering Kumar's role in a manufacturing unit, he was advised to secure accident insurance with ₹1 crore cover for total permanent disability, and ₹15 lakh for total temporary disability.

For health insurance, Kumar has a ₹5 lakh personal family floater policy and additional ₹3 lakh cover from his employer. His adviser has asked him to increase his coverage by adding a ₹20 lakh super top-up to his personal policy, with a ₹5 lakh deductible.

Deductible is the amount that must be paid out-of-pocket before the super top-up coverage kicks in.

Strategic adjustments

Kumar has closed his car loan, following his adviser's recommendations. "I didn't make sense for him to continue making interest payments on a depreciating asset like a car," said Prateek Patani, senior manager-investment advisory, Ladder7 Wealth.

Funds for car loan EMIs are being redirected to MF SIPs, and gradually switch to direct plans from regular plans to save on commissions.

"Right now, I am okay with my home loan as I get tax deductions on repayments." Kumar was also advised to build a contingency fund, which now includes three months of household expenses in a combination of bank savings and debt mutual funds.

Reflecting on his revised strategy, Kumar acknowledged the shift in his approach has helped him. "I plan a more balanced approach to investing. My wife was keen on physical assets like real estate but is now more open to equities as an asset class," he said.

year to benefit from long-term capital gains taxation before switching these investments to mutual funds.

"My work schedule doesn't allow much time to track and analyse individual companies and fundamentals. Hence, my adviser has suggested that I make the switch to MFs entirely, which I think is the right approach."

He has also been advised to gradu-

ally exit his small-cap fund exposure and reallocate those investments to flexi-cap and large-cap funds.

Funding future objectives

Kumar has been working towards building his retirement corpus, but has so far achieved only 14% of his target. He is planning to allocate funds specifically for his daughter's higher education and wedding expenses.

Considering these are long-term objectives, he is primarily investing in equities to meet the requirements. He has also been advised to fund the family's biannual trips, within India, by parking the required amount separately in an arbitrage fund.

Addressing insurance shortfalls

Kumar has a term life insurance policy of ₹50 lakh. His adviser recom-



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Expert tips: How to report foreign ESPP holdings in schedule FA

Mahesh Nayak

Should an employee stock purchase plan (ESPP) in a company stock listed overseas, awarded earlier, be declared as a foreign asset in IT Return? Are there any exceptions for ESPP amount that will negate it? ESPP was declared in Form 16 issued by the organization for the same year.

—Aparna

As your employer disclosed the income from the exercise of ESPP, you must be owning the shares listed overseas. So, you need to disclose them in Schedule FA (foreign assets) of IT return. Assets owned overseas by a resident (other than a non-ordinarily resident) must be disclosed in Schedule FA, irrespective of the asset value.

Non-disclosure of foreign assets by a resident will result in penal consequences under

ASK MINT TAXATION

the Black Money Act. Disclosure in Form 16 is not considered a disclosure in ITR, as Form 16 only reflects income taxable in hands of employee on the exercise of the option.

Budget 2024 has proposed that from 1 October 2024, penalty will not be levied under Black Money Act for a

non-disclosure of assets in ITR, if the value of foreign assets (other than an immovable property) do not exceed ₹20 lakh. However, it is a good practice to disclose all foreign assets. Besides, if the foreign asset is not disclosed in original return for AY25, you can file a revised return before 31 December 2024. The information in the revised return will also be considered as a valid disclosure.

Schedule FA requires resident taxpayers to disclose foreign assets held during a calendar year, i.e., in return for AY25, assets held in 2023 must be disclosed.

If the shares were received during calendar year 2024, you would need to disclose the shares in Schedule FA of the income tax return for AY26, even though the income would be taxable in the financial year in which the option

was exercised.

As you are holding shares, you would need to disclose the shares in Table A3 or Table B of Schedule FA.

—Mahesh Nayak, chartered accountant, CNK & Associates

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

Best home loan rates

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

Loan amount = ₹30 lakh. Tenure = 20 years

Lender	Interest rate (%)	EMI (₹)	Processing fee
City Union Bank	8.25-10.50	25,562-29,951	0.20% - 0.35% + GST
Bank of Maharashtra	8.35-10.90	26,283-30,762	0.25% (Max. ₹25,000)
Central Bank of India	8.35-9.50	26,283-27,964	Waived up to 31 December 2024
UCO Bank	8.35-10.00	26,283-28,951	0.5% (Min. ₹1,500 and Max. ₹15,000)
Union Bank of India	8.35-10.75	26,283-30,457	0.50% (Max. ₹15,000) + GST
South Indian Bank	8.35-11.70	26,283-32,407	0.50% (Min. ₹10,000) + GST
Bank of Baroda	8.40-10.60	25,845-30,153	Nil; Subject to out of pocket expenses of up to ₹10,000 + GST
Bank of India	8.40-10.85	25,845-30,660	0.25% (Min. ₹1,500 and Max. ₹20,000) for Individuals.*
Canara Bank	8.40-11.25	25,845-31,478	0.50% (Min. ₹1,500 and Max. ₹10,000) + GST^
Indian Bank	8.40-10.35	25,845-29,650	Up to 0.25%
Indian Overseas Bank	8.40-10.60	25,845-30,153	Up to 0.50% (Max. ₹25,000) + GST
Punjab National Bank	8.40-10.10	25,845-29,150	0.35% (Min. ₹2,500 and Max. ₹15,000)
Nainital Bank	8.40-11.00	25,845-30,966	Not updated
IDBI Bank	8.45-12.30	25,940-33,662	₹5,000 to ₹15,000; Nil for Inward Balance Transfer and PMAY Cases
State Bank of India	8.50-9.65	26,035-28,258	0.35% (Min. ₹2,000 and Max. ₹10,000) + GST

Data taken from banks' websites as on 7 August 2024. EMI range is indicative and calculated on the basis of interest rate range; it may include other charges and fees. Actual applicable interest rate may vary based on the credit profile of the loan applicant.

*0.50% (Min. Rs. 3,000 and Max. Rs. 40,000) for other than individuals; ^50% waiver from 01.08.2024 to 31.08.2024 under Retail Loan Festival

PRANAY BHARDWAJ/MINT

Source: MyMoneyMantra.com

US inflation won't derail Fed's Sep rate cut

Bloomberg
feedback@livemint.com

US inflation probably picked up modestly in July, but not enough to derail Federal Reserve from a widely anticipated interest-rate cut next month.

The consumer price index on Wednesday is expected to have risen 0.2% from June for both the headline figure and the so-called core gauge which excludes food and energy. While each would be an acceleration from June, the annual metrics should continue to rise at some of the slowest paces seen since early 2021.

The recent easing of price pressures bolstered Fed officials' confidence that they can start to lower borrowing costs while refocusing their attention on labor market, which is showing greater signs of slowing. July jobs report showed US employers substantially scaled back hiring and unemployment rate rose for a fourth month, triggering a key recession indicator and contributing to a global stock market selloff.

Should the CPI come in as expected, it would indicate that inflation remains on a downward trend, and economists reckon a slight pickup is



due after June's surprisingly low reading. They expect the reversal largely stemming from what's known as core services excluding housing, a key category watched by policymakers. Some forecasters are also flagging an upside risk to goods prices given the higher shipping costs.

However, the long-awaited slowdown in shelter costs that started in June may continue. That category comprises a third of the overall CPI and is a big determinant of the broader inflation trend. The producer price index — due a day before CPI — will be scrutinized for categories that feed through to the Fed's preferred inflation gauge, the personal consumption expenditures price index. "July's CPI will likely be soft,



POWER POINT

SURESH SADAGOPAN

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

WHY PART-TIME ADVISERS MAY NOT BE THE ANSWER

The Investment Adviser Regulations, 2013, has been around for 11-plus years, but has attracted just about 960 advisors!

The latest consultation paper on IA Regulation is attempting to do a course correction by bringing down the eligibility criteria in terms of education, and doing away with the experience requirement, besides passing the certification exams just once. There are a host of other changes as well, many of them positive, which will give the much-needed lift to the advisory profession.

However, the consultation paper has struck a few discordant notes, too, which need a relook. I would focus my attention on just one of them in this piece—part-time investment adviser (IA).

There is a fundamental problem that is embedded in the initial regulation itself, where investment advice is defined as: "Advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning."

This definition focusses on products, transaction, portfolio advice and, lastly, financial planning as an after-thought. In fact, the term investment adviser is a misnomer as it indicates a focus on investment products, selection, portfolio construction, etc.

If the intention was to provide holistic financial advice, considering the needs of the customer and his family members, we should be referred to as financial planners, not IAs.

In the part-time IA construct, anyone employed as a teacher or professor, or in education-related businesses, as well as professionals like doctors, lawyers, and architects, or anyone employed in or pursuing an activity permitted by a financial services regulator, can become a part-time IA. This broadens the range of people eligible to become IAs. But then, can someone already pursuing other professions have the bandwidth to professionally provide investment advice?

Besides, customers are yet to understand the difference between a distributor and adviser. A part-time adviser will only add to the confusion. Financial distributors deal in a range of products such as insurance, bonds, fixed deposits, mutual funds, etc. However, what they typically do is sell products. The idea of part-time advisers arose because the role of an IA is often perceived as merely providing product-level investment advice. This perception suggests that anyone, even on a part-time basis, could do it, similar to how financial services distributors sell multiple product lines.

However, advisory is a different ballgame. It is a profession and we need to recognize it. In advisory, one needs to understand the client's needs, personal situation, and current and future cash-flows, only after which an advisor comes up with a financial plan. The investment recommendations come right at the end of this process. Advisory also involves far more detailed interactions, a higher level of understanding and connect with customers, for it to work. The knowledge and skill requirements are also higher.

Advisory is a specialized area like legal or medical professions. One cannot practice part-time in most of these professions. Why should it be different with advisory? Here's the definition of an investment adviser: "any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons, and includes any person who holds out himself as an investment adviser, by whatever name called." So, only if a fee is charged for advice, one needs to come under IA regulation. This means, anyone can give free advice and not come under the IA regulation. Product sellers use this route. But such "advice" may be self-serving and have major implications for a customer. This loophole needs to be closed. Also, for Sebi, part-time advisers maybe a minefield. So, the part-time IA approach may not be the best way to increase the advisor count and should not be pursued.

—Sadagopan is MD and principal officer at Ladder7 Wealth Planners, and author of "If God Was Your Financial Planner".

business sentiment, industrial production and home construction. Regional Fed presidents Raphael Bostic, Alberto Musalem, Patrick Harker and Austan Goolsbee are scheduled to speak.

Looking north, housing starts for July will reveal whether the Bank of Canada's back-to-back rate cuts are helping stoke investment in new building. Canadian wholesale and manufacturing sales for June are expected to decline.

Elsewhere, key data in the UK from wages to inflation, production and retail numbers from China, and likely decisions to keep rates unchanged in Norway and New Zealand are among the highlights.

China's data blast on Thursday will likely show the economy did a little better in July versus June but is still mostly limping along. Industrial output growth may have accelerated to 5.5%, a pace that's still slow enough to drag the year-to-date tally up a tad.

The same goes for retail sales, which are seen picking up to 2.6% while pulling the seven-month pace down to 3.5%. Fixed asset investment is seen holding steady, while the decline in property investment is forecast to moderate.



OUR VIEW

MY VIEW | THE INTERSECTION



Either-or taxation could go down a slippery slope

Choice is usually heartening, but in the case of taxes, joy dissipates fast if we're left staring at a maze of mathematics. Beware, forked levies, lest we slide further into legal complexity

Once upon a time, only storytellers took it upon themselves to challenge Mark Twain's quip that death and taxes were the two certainties of life. They came up with zombies, neither dead nor alive. Policymakers might be relatively new to the task, but did not take long to sap the certainty of taxation. Among other devices, they invented the oddity of either-or gateways to comply with the law. In India, of course, the stated purpose is to offer taxpayers choice. This has a certain ring of liberty to it, the kind that consumers learnt to relish after Indian markets were liberated from the Licence Raj. Paying taxes, however, is not the same as buying a household durable. Confronted with a liability that differs by which of two options is exercised, taxpayers are easily confounded by the math involved in weighing one versus the other.

The ground for forked taxes was laid more than half a decade ago, sprung on us, ironically, by that great simplifier of indirect levies: the goods and services tax (GST). Take the case of pre-built homes that don't count as 'affordable' in the taxman's lexicon: larger than 646-sq-ft in carpet area, i.e., and priced above ₹45 lakh. Before 1 April 2019, their sales were charged GST at a rate of 12% with the burden lowered by input tax credit (ITC) for levies on inputs. In response to a plea that much of what went into flats was sourced from the informal sector, with no trail of tax bills for respite, that rate was slashed to 5%, but without any ITC granted. Apart from cost confusion among builders with partly built residential projects, which sell by and by, the upshot in some cases was differing prices of identical flats within the same housing complex. Such an uneven pitch can tempt a

googly, and India's pre-covid budget delivered one soon for a far larger group: Assessee of income tax. We could either go by the old tax regime, with its rates rising in slabs from 5% to 30% on earnings after claiming tax relief for a clutch of investments, insurance premiums, housing outflows, etc, or forgo deductions to opt for a simplified new regime with lower slab charges. For folks uneasy about making annual allotments of money just for tax savings, this was a bold display of fiscal justice. Many others, though, got caught between the two options, unsure which works out more favourably. If the privilege that lets salaried earners switch back and forth hasn't eased the dilemma, nor has the low interest tax-consultants apparently have in freeing clients of complexity. Authorities can hardly profess surprise that some taxpayers got pushed to the end of their wits. Any choice (barring a Hobson's) constitutes a 'Pareto' gain over none at all, since it favours at least somebody without making anyone else worse off. This theory is behind last week's bifurcation of capital-gains tax on secondary sales of long-held homes into a choice of paying either 20% of one's gains with 'indexation' or 12.5% without using this deflator to lessen the effect of inflation. This reprieve spans more than two decades, but it's not as if the 'money illusion' of a weakening currency can't be seen through for homes held for fewer years. Post-budget home buyers will get no choice, but for many homeowners, it's yet another puzzle to reckon with. 'Positive for AI,' sums up the snarky reviews.

Mark Twain was either impressed or amused by the multiplicity of everything in India. But when it comes to tax liabilities, it's far from costless. Either-or taxation mustn't multiply, lest we go down a slippery slope to complexity.

What, if anything, compels us to spend public money on sports?

National glory, public health or other gains? Indian policy needs clarity on what we're aiming for



NITIN PAI

is co-founder and director of The Takshashila Institution, an independent centre for research and education in public policy.

Now that the 2024 Olympics have come to an end, it is a good time to reflect on India's sports policy. The most important question is usually left unasked: why should the Union and state governments spend public funds on sports? Specifically, why should the Indian exchequer finance participation in the Olympic Games? Let me report on an animated discussion we had at Takshashila last week. There were multiple points of view and I isolated a few ways of answering these questions.

The zeroth response came from my libertarian colleagues. It says that the government should not spend public funds on sports. Doing so would both be a violation of individual liberty and an undue state intervention in society. This does not mean sports is unimportant, only that government should keep out of it. Leave it to society. Most citizens consider religion important, but we keep the state out of it, right? Right?

The public health argument, in my mind, successfully makes the case for government involvement in promoting sports. The more people engage in sports, the fitter and healthier they will be. This will contribute both to public health and reduce healthcare expenditure. There are big positive externalities from sports and hence there is a case for a government role. From this angle, the administration must ensure there are playgrounds, sports facilities, gyms, sta-

diums and swimming pools within easy access to citizens. It could require sports to be included as part of school curricula, with kids getting enough time and opportunities to engage in sporting activities. However, the public health argument does not require the government to finance sportspeople to compete in the Olympics, world cups or other international championships.

The social psychology argument contends that competitive sports is essentially a substitute for warfare and offers a way to create higher-level unity in a diverse, fractious and polarized society. External competition provides a superordinate incentive for internal unity. One of the few occasions when Indians in India identify as Indians is when we cheer for our national sports teams. Ergo, the government must invest in winning international championships to strengthen the sense of nationhood and unity. Playgrounds and facilities for common citizens are nice to have, and important to the extent that they contribute towards the quest for gold medals and championship trophies.

There are two variants to the social psychology argument. The first is that the Olympic medals tally demonstrates national achievement and power to the world, although countries like North Korea and those in the former communist bloc take this too far. The second is that seeking medals despite low per capita income is a statement of national aspiration, much like how Nehru supported nuclear, space and aerospace research in the 1950s despite India being desperately poor. We remind ourselves and the world of where we think we belong, regardless of where we are right now.

Beyond public health and national glory, there is the utilitarian argument. Sports can be a source of economic activity, growth and development. Around the world, many cities have invested in massive sports facilities and Formula One circuits to attract visitors who spend on hotels, shopping and

tourist attractions. Odisha's investments in sports facilities have the potential of becoming a growth vector to the state. The success of premier league cricket, football and kabaddi point to the economic potential of sports. Utilitarians argue that the government must invest in infrastructure, facilities and training for the sports economy to flourish.

Here's the thing, though: While we have three different reasons for public expenditure on sports, each suggests a different goal with a different strategy. Public health calls for the government to promote a sporting lifestyle by providing infrastructure. National glory recommends hot-housing world champions by directing resources towards our best bets. Economic benefits will come if we attract celebrity sportspeople and franchises. India must therefore choose why it must invest taxpayer money in sports. Else, we will spread our efforts and budgets too thin to make a serious impact towards any one goal.

In practice, government expenditure tends to be driven by bureaucratic incrementalism, both in goals and budgetary allocations. The answer to why public money is spent on sports is "because we did so last year." The Union sports ministry's budget this year is practically the same as the previous year's. Our public expenditure on sports in general, and on Olympics in particular, is much smaller than that of countries that top the medals tally. This strengthens the case for clarity of purpose. Unless there is a substantive policy review that clarifies basic public goals, we will do more of the same.

Finally, a note of caution to those who argue for boosting the medals tally. There is a correlation between Olympic medals and per capita income. It is reasonable to impute causality: As we get richer, we will have more resources for competitive sports. No harm then in focusing on good old economic growth. The medals will come, as will better public health and national glory.

10 YEARS AGO



JUST A THOUGHT

It's income tax time again: time to gather up those receipts, get out those tax forms, sharpen up that pencil, and stab yourself in the aorta.

DAVE BARRY

MY VIEW | MODERN TIMES

Why there's a clash over classifying an athlete as female

MANU JOSEPH



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

Who is a female athlete? The attempt at an answer has created confusion and rage in top sporting competitions. As we saw at the Olympics few weeks ago when Algerian boxer Imane Khelif was at the centre of a storm after an Italian boxer quit in less than a minute of a bout, and later gave fear of death as the reason because Khelif's blows were too strong. Khelif's gender came under question, once again.

The people who run global sports and those who frame mainstream decency have since defended Khelif vehemently. As far as the Olympics are concerned, Khelif is a woman because she says she is one and her passport says so. On her part, she has never revealed details that can put the matter to rest. For instance, if she has XX chromosomes, there can be no further argument.

Almost all humans have 46 chromosomes in every cell and they exist as 23 pairs. The 23rd pair is of sex chromosomes. Depending on your age, you may or may not have learnt in school that a woman is considered a per-

son whose 23rd pairing of sex chromosomes are XX and a man is one whose are XY. But this is not the scientific opinion anymore.

For clarity, I will refer to humans who have XX pairing as 'XX' and those with XY pairing as 'XY.' This is how things stand today: All men are XY but not all XY are men; and all XX are women but not all women are XX.

This means there are XY women. They have many attributes of most women, even reproductive structures. Also, they consider themselves women. But their condition may give them high testosterone levels that are in the range observed in men. Testosterone greatly contributes to muscle size and strength, and create other features that help in sports. How much the hormone contributes to sporting prowess and in which sport is a matter of debate, but there is no doubt that its high level is useful.

So there has for long been a debate around whether women who have XY chromosomes should be allowed to compete against 'normal' women. There are powerful arguments on both sides.

A sporting contest is primarily a measure of physical inequalities. When seen that way, all great sporting geniuses are physical freaks. Why shouldn't the Y chromosome in a woman and her high testosterone be con-

sidered ingredients of genius? Sports are also a measure of economic disparity. The boxer who surrendered to Khelif was from Italy, which is many times richer than Algeria, where Khelif was raised by a family of modest means. Who is to tell which is a greater unfair advantage—the backing of an advanced European nation or a Y-chromosome?

The Olympics are also a moral festival. The International Olympic Committee (IOC) gives precedence to freedom of participation and the framing of the world as a decent place that does not discriminate based on who you are.

In any case, the IOC has tried hard to be fair to XX women, those who are widely considered 'normal women.' For instance, it requires XY women to have low testosterone levels or to medicate themselves to bring down those levels. But women with XX chromosomes do not have a cap on testosterone levels. However, I don't think the world knows of a single XX woman who has male-range testosterone levels.

Also, in aquatics, apart from requiring XY women to have low testosterone, transgenders who went through puberty as males are not allowed to compete. So, it is not as though the IOC has not tried hard to be fair to XX women.

There are equally powerful arguments against the decency of the Olympics, why it is important to define women, and why the world should stop pretending that there is no such thing as a 'normal woman.' In pursuit of decency, the mainstream tends to go overboard in denying normality, ending up putting a majority at a disadvantage. This is happening with XY women. Ten years ago, anecdotally, the biggest champions of transgenders, XY women, or women with differences in sex development, or simply women who didn't look like women, were 'normal' XX women. But now I see a shift.

When a minority grows stronger, easy compassion for them dries up. There can be no moral argument in favour of the view

that XY women should not be considered women. Only practical.

For instance, consider the nature of influence. Why are there separate tournaments and grading systems for women in chess? Isn't that an insult in a mental sport? But if you have a daughter, you will understand why it makes a lot of sense. The sport's organizers are trying to create female chess icons and encourage more girls to play. We are inspired by people who look like us, or who are us. Girls are inspired women.

In physical sports, there is already a feeling among gifted XX girls, in their formative years of athleticism, that they don't stand a chance against women whose chromosomes differ. In many physical sports, XY women are set to change how future female sporting icons are going to look. This can create a scarcity of 'normal women' in some sports. People can say decent things, and maybe they should, but people do feel a lot of things that may not be decent yet are human nature. And I do believe that XX girls are more inspired by XX women than XY.

On many turfs of women, what creeps in and colonizes are not the ploys of patriarchy, but a certain soft maleness.



MY VIEW | GENERAL DISEQUILIBRIUM

MINT CURATOR

Our geopolitical balancing beam has suddenly become bumpier

As events in Bangladesh complicate India's strategic regional interests, New Delhi requires a new South Asia master-plan



RAJRISHI SINGHAL is a senior journalist and author of the recently released book 'Slip, Stitch and Stumble: The Untold Story of India's Financial Sector Reforms' @rajrishisinghal

The balancing beam in India's geopolitical gymnasium has got narrower and harder to handle. The resignation of Bangladesh's leader Sheikh Hasina and her subsequent flight to India from Dhaka, capping a month of unrest and street violence, has injected fresh instability in the South Asian neighbourhood. Security issues have arisen from the governance vacuum in Bangladesh, including apprehensions of increasing encirclement, adding to India's existing geopolitical headaches. This is expected to have repercussions on India's domestic economy as well.

This is the latest addition to a series of tough geopolitical challenges for India which began with Russia's invasion of Ukraine and got muddier with the Israel-Palestine conflict. Both wars, unnecessary and unending, have adversely affected India's economy by disrupting established global trade and supply routes, and introducing imported inflation through elevated commodity prices. India has chosen a strategic neutral position, criticizing war but steering clear of condemning Russia. India's dependence on Russia for military hardware—and the availability of Russian crude at discount rates—has necessitated this 'balanced' response. New Delhi's dependence on Tel Aviv for critical aviation technology and crucial intelligence inputs has resulted in the noticeable absence of an official response to Israel's wanton violence in Gaza.

But this balanced outlook has limited shelf appeal. Threats in the immediate neighbourhood are likely to demand a completely different response from India's foreign policy desk and security apparatus. Dominoes have been falling one after another, with Bangladesh merely the latest casualty.

The chronology of developments in Bangladesh makes for interesting reading. On 13 July, Sheikh Hasina returned from Beijing, cutting short her trip by a day, ostensibly miffed over China's extension of \$100 million in aid against the \$5 billion expected. She also reportedly may have felt slighted by the treatment meted out to her. To make matters worse, she had completed two trips to New Delhi before flying to Beijing. Before travelling to China, Hasina had encouraged a bidding war between India and China for the expansion and modernization of Bangladesh's Mongla port on Rupsa river and for its operating rights. Once she got back to Dhaka, media reports claimed India had bagged Mongla port's operational rights. This followed the 2018 decision to allow India access to both Chittagong and Mongla ports for transporting goods to the Northeast.

An *India Today* story on her balancing act between India and China had quoted professor Asif Nazrul of Dhaka University as saying, "There



will be a point in time when India-Bangladesh and China-Bangladesh relations will come to a head." The port deal seems to have become that point, with trouble that had been simmering in the background suddenly acquiring critical mass.

On 1 July, students in Bangladesh had gone on protest asking for reforms of the country's job quota system. So far, so peaceful. On 14 July, a day after Sheikh Hasina returned from Beijing, the protests suddenly changed complexion: they became generalized, acquired a violent streak, and spilled on to the streets. On 16 July, police firing killed six students, further inflaming protests. India's Mongla port deal was struck somewhere around 18 July. By 20 July, as protests and violence claimed over 260 lives, military curfew was imposed. Finally, on 5 August, Sheikh Hasina was forced to resign and flee the country as the military confessed its inability to resist waves of marauding mobs, speculated to be controlled by the Jamaat-e-Islami, which is known to be close to Pakistan's Inter-Services Intelligence (ISI), and, by extension, subject to Beijing's imprimatur.

Apart from losing an ally in the neighbourhood, India faces other challenges: Bangladesh's new regime is bound to re-examine all past deals. So, not only does the Mongla deal now appear in jeopardy, even as India's access to the Northeast through Mongla and Chittagong stands disrupted, it is also quite likely that the new regime will favour other powers by granting them access to critical Bay of Bengal springboards.

Developments in Bangladesh could be viewed as

part of a broader trend in the South Asian jigsaw puzzle. Pakistan, facing near bankruptcy and ear-deep in domestic instability, finally has a government in place. With elected leader Imran Khan in jail, the Pakistani army—and its cat's paw, the ISI—has also managed to regain control over the country's political system. It is well known that debt-servicing problems have Pakistan over a barrel, forcing Prime Minister Shehbaz Sharif to hofoot to Xi Jinping in return for Chinese largesse, both in terms of restructuring old debt as well as appealing for fresh funds.

Down south, Sri Lanka's 2022 economic crisis has left it partially vulnerable, though baleful Chinese influence through crippling infrastructure debt seems to have receded momentarily. Further south in the Indian Ocean, the 2023 elections in the Maldives threw up President Mohammed Muizzu, who has perceptibly increased the distance between Malé and New Delhi. Whether the archipelago will truly get warmer towards China is yet to be seen.

On India's north-eastern borders, the ever-revolving political carousel in Nepal has settled on K.P. Sharma Oli as the prime minister for a fourth time. Oli is seen as more favourable to Beijing than to New Delhi. Even Bhutan is now seeking to thaw ties with China, ostensibly to reduce security threats and settle pending border disputes.

Clearly, India's new gymnastics routine will now have to include a new set of somersaults and cartwheels.

Like Biden, Boeing's new CEO should only be a bridge leader

The plane-maker ought to work on a succession plan right away



BETH KOWITT is a Bloomberg Opinion columnist covering corporate America.



Boeing's incoming CEO Kelly Ortberg is expected to end its turbulence.

Boeing Company has gotten a lot very wrong over the last few years, at times with devastating consequences. But when its board announced its new pick for CEO, the market seemed to think it had finally gotten something right. Investors sent the stock up 2% on the news that Kelly Ortberg would be its next chief.

Ortberg seems to check all the boxes: a company outsider untainted by past Boeing scandals, industry experience, a background in mechanical engineering, and, perhaps most important to the board and Wall Street, he's been a CEO before. He ran Rockwell Collins, a maker of cockpit controls, beginning in 2013 and sold it to what was then United Technologies in 2018.

The Boeing board's logic is that Ortberg's past CEO experience means he can jump into the job without the learning curve that first-time big bosses often experience. That's especially important right now for Boeing, which faces challenges that would be daunting for even the most seasoned executive: cratering sales and profits, a much-needed cultural overhaul, upcoming union negotiations, completing and integrating its acquisition of Spirit AeroSystems, and managing an incensed public and Washington.

This kind of turmoil is unique to Boeing, but the chaos of the global economy right now is not. The CEO job has never been more complicated, as companies grapple with everything from geopolitical tensions to an uncertain economic environment to the war on 'woke capitalism.' Hiring someone with a realistic grasp of what the job entails seems like it would be a real advantage, and boards are embracing that line of thinking. Last year, 22% of incoming S&P 500 CEOs had previously held the job at another public company, up from just 4% in 1997, according to executive search firm Spencer Stuart. As it has noted, "For some, prior experience becomes a seemingly logical proxy for future performance."

But the data indicates that's just not true. In a 2020 study of 855 S&P 500 CEOs over a 20-year period, Spencer Stuart found that while 97% of repeat CEOs had outperformed the market in their first CEO gig, only 38% did so in their next roles. In fact, first-time CEOs have higher total shareholder returns and less volatility in performance than experienced CEOs. We need only look to Boeing for evidence that prior CEO experience isn't the safe bet that boards hope it will be; two of its last three previous chiefs, David Calhoun and Jim McNerney, were both repeaters—and we all saw how that worked out.

Spencer Stuart found that repeat CEOs have an advantage in the early years of their tenure when they can rely on their old playbook, one that often focuses on short-term goals like improving efficiency and profitability. But around year four, that playbook tends to stop working, and problems compound when an executive refuses to deviate from it. Meanwhile, first-timers generally have a longer-term focus, in part because they tend to have a longer tenure in the job.

Boeing has specific needs right now, and Ortberg may in fact be the right CEO at this point in the game. At Rockwell, he was known for being a regular presence on the factory floor and for having strong relationships with customers and regulators—a boon for Boeing as it rebuilds an engineering-first culture and its reputation.

But that doesn't mean Ortberg is the perfect person to lead for the long term—a point the company seems to have recognized. The board waived its mandatory retirement age to hire the 64-year old, and unless it waives it again, Ortberg will depart before his 71st birthday in April 2031. That would give him a 6.5-year tenure, below the average for an S&P 500 CEO. Just as President Joe Biden once referred to himself as a "bridge" to the next generation of leaders, the company should be thinking of Ortberg as a bridge CEO, and start its succession planning now.

At one time, Stephanie Pope, the company's chief operating officer and head of its commercial aeroplanes unit, was considered a top CEO contender. Her background as both a Boeing insider and finance person made her the wrong person for the moment. But the board's decision to pass her over is also representative of what happens when companies look to hire a repeater. The vast majority of CEOs are male and Caucasian—which means the pool of candidates looks more or less the same. As Spencer Stuart writes, "Reliance on prior experience as an indicator of future success thus perpetuates the *status quo* and represents yet another barrier to underrepresented groups."

Now Boeing's board has the chance to use these next six-plus years under Ortberg to prepare to make a different—and hopefully more out-of-the-box—choice the next time around.

THEIR VIEW

India's small current account deficit has a flip side to it

DHIRAJ NIM



is an economist at ANZ Research.

India's sharply narrowed current account deficit is undoubtedly a marker of improved external stability, but it also reflects a rising investment gap in the economy, largely due to under-investment by businesses amid a service-sector boom and external competition. There is no easy fix.

A decade ago, India was one of the 'fragile five' economies, with excessive reliance on foreign capital to sustain growth. Its high vulnerability to foreign capital flight and sudden stops had caused excessive foreign exchange volatility as the current account deficit hit nearly 5% of gross domestic product (GDP) in 2012-13. Much water has flowed under the bridge since then.

The current account deficit has narrowed to around 1% of GDP in recent years, and occasionally even lower. Notably, India posted a rare \$5.7 billion current account surplus in the first quarter of 2024, the largest since early 2004 in a non-crisis year. While this is good on an external-stability gauge, such low deficit levels have a flip side.

From a national accounting perspective, the current account deficit-to-GDP ratio is the difference between domestic saving and investment rates. It is the amount of foreign capital needed to meet the economy's investment demand. Therefore, a current account deficit adds to the net external liabilities of the economy.

A healthy and sustainable amount of debt is good for growth. Therefore, a current account deficit is neither a curse nor a blessing—only its adequacy as a ratio of GDP is important. And as is the case with any kind of recurrent debt, its sustainability is key.

The standard public debt sustainability framework, when applied to the current account deficit, yields a sustainable level of 2-2.5% of GDP. Even if India's current account deficit were 2% of GDP, its external stability will not be hurt and net external liabilities would remain stable as a share of GDP.

With the deficit almost 1 percentage point below the sustainable level, there is an opportunity forgone in terms of a potentially higher investment rate. But who exactly is forgoing this opportunity?

The trends among three key economic agents—the general government, households and firms—show firms are to blame. The general government is a net borrower,

but its negative savings-investment (SI) gap is now improving from pandemic lows, thanks to fiscal-deficit consolidation alongside a massive capital expenditure programme. While its SI gap is still below the pre-pandemic level, further improvement is likely. In other words, the government is rightly creating space for other sectors to increase their investments.

Households are net savers in India, and their SI gap is now reducing, given their focus on building assets such as housing amid limited income growth and rising debt.

Companies used to be net borrowers, but have gradually turned into net savers over the last decade. Their SI gap used to be around -2% of GDP, but has gradually risen into positive territory.

It may not just be a pandemic-related aberration that companies in India are not undertaking enough capital expenditure. There are structural and cyclical reasons to consider, such as the strong rise of the services sector.

It's a sign of stability on the external front but also reflects insufficient investment in India's economy

Over the last decade, India has added close to \$1.7 trillion to its nominal GDP, 52% of which came from the services sector, compared to 11% from manufacturing. Services are far less capital intensive, as they do not require heavy machinery and large factories. Thus, the capital intensity of Indian growth has fallen in tandem.

Even cyclically, the post-pandemic demand for services, both domestic and external, has been much stronger than for manufacturing. There has been a significant growth dividend from the rise of e-commerce, tourism, fintech and global capability centres in recent years.

A booming services sector also leads to a concentration of the economic surplus. The backward linkages of this sector happen to be relatively weak. For each additional dollar worth of output by it, only 30 cents reflects the inputs it absorbs from other sectors in the economy. For the manufacturing sector, in contrast, this proportion is much higher at 73 cents.

Two other intertwined issues behind lacklustre business capital expenditure are the post-pandemic weakness in low-end manufacturing and excess foreign capacity, which has resulted in stiff competition.

Industrial production data shows sectors (mostly low-tech) that account for 15% of manufacturing output have still not reclaimed their pre-pandemic output. In some of these, such as leather and apparel, production is still down by more a fifth from their pre-pandemic levels.

Excess capacity, such as in China, could also be restraining manufacturing-sector capex. India's trade deficit with China has widened to around \$100 billion, with \$40 billion added over the last three years. This coincides with the yuan depreciating on a real effective basis due to relatively low inflation in China and a weakening exchange rate. Chinese goods have become cheaper, especially in low-tech categories.

To sum up, a complex demand problem underlies India's weak business capital expenditure, which has kept the current account deficit much below the sustainable level. There is no single solution, but the need for a higher investment rate is undeniable. India's capital stock per capita is lower than that of its peer economies.

EXTRACT

Why we miss chances to network

The 'liking gap'—being unsure of the impression we've made on a person—often keeps us from connecting with them

David Robson

I'd like to introduce you to a recently discovered phenomenon known as the "liking gap", which leads us to ignore the potential for connection—even when it is staring us in the face. ... A few years ago, the psychologist Erica Boothby happened to be engaged in a conversation with a new acquaintance, while her partner—another psychologist, Gus Cooney—stood close by. After the conversation, Boothby was worried that she'd made a bad impression. To Cooney's ear, however, the exchange had been warm and friendly. What could possibly have gone wrong?

As the two psychologists chatted about the event, they began to wonder whether this is a common human experience—that after a meeting, we consistently underestimate how much the other person enjoyed our company. We lose faith in the shared reality created in the first meeting, and our doubts weaken the bond that had formed. Boothby and Cooney named the phenomenon the "liking gap"—and set about investigating its prevalence.

In the first study, participants were placed into pairs and given a five-minute ice-breaking task, before answering questionnaires about how much they liked the other person, how much they thought the

other person liked them, and whether they would like to see each other again. As the researchers had hypothesised, most people were overly pessimistic about the impression that they'd given, as they started to question whether they'd really established a mutual understanding. In general, the other person liked them a lot more, and would have been much keener to follow up with another meeting, than they ever imagined.

The "liking gap" is the reason we may enthusiastically exchange numbers or emails with a new acquaintance—but then never send a message or make a call. Boothby and Cooney's initial findings have been replicated many times, with one experiment showing that the liking gap can linger through months of regular contact with people.

Despite living together, university roommates continued to feel insecure about the ways their companions viewed them for the best part of a year, for instance. Later research has shown that the "liking gap" is also prevalent among colleagues in the workplace, where it can limit creative collaborations.

When I first read about the "liking gap", I couldn't help but flinch while thinking about all the times I might have ignored overtures of friendship. As a science writer specialising in psychology and neuroscience, however, I was deeply excited. Since



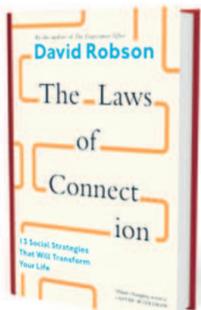
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we don't know, but people are often more than grateful to strike up a conversation with a stranger—with huge benefits for everyone's well-being. And when we do have the chance to connect, we shy away from discussing deeper topics in favour of superficial small talk, yet it is exactly the more profound conversation that would foster the creation of a shared reality. Equally importantly, our compliments and our apologies are often woefully misjudged, so that we fail to say the words that would help us to reinforce or repair the mutual understanding that is essential for a strong bond. And our fears of seeming needy or incompetent prevent us from asking for help, when a simple request for assistance can increase our standing in others' eyes. Indeed, asking for a favour is counterintuitively one of the best ways to build a rapport with someone, improving both your and their well-being.

These are just a few of the ways our intuitions prevent us from establishing the mutual understanding that contributes to more meaningful relationships.

Excerpted with permission from *The Laws of Connection: The Scientific Secrets Of Building A Strong Social Network*, by David Robson, published by Canongate.

Write to us at businessoflife@livemint.com



The Laws of Connection: The Scientific Secrets Of Building A Strong Social Network
By David Robson,
Canongate, 307 pages, ₹899.



CREATIVE CORNER

Inside an all-white 'crazy scientist lab'

Atomicc Code's Gautam Seth on why he likes to keep his workspace white

Pooja Singh
pooja.s@htlive.com

For Gautam Seth, spirituality is a big driving force. "I find great strength in leaning on our culture and rituals to inform my work and practice," says Seth, a chemical engineer by qualification, who co-founded Klove Studio, a Delhi-based lighting design company known for its hand-blown glass installations, with Prateek Jain in 2005. Earlier this year, he established Atomicc Code, a spiritual wellness and lifestyle brand that offers candles, fragrances and other home products, bringing together science and traditional practices.

In an interview with *Lounge*, Seth talks about his all-white workspace and the importance of incense in his professional and personal life. Edited excerpts:

Describe your current workspace to us.

My workspace is all white. I think the colour white provides a beautiful shell for any creator to think without any interference. White also represents freshness and a certain welcoming feeling. In terms of work, the room has lots of stuff—design samples, totems I picked up while travelling like a sea shell, *ittar* that I like to splatter around, an incense stand, graphics. It looks like a crazy scientist lab.

How would you define your daily relationship with this space?

Very sacred. This is the first space I go to once I get up in the morning, and sit with my three dogs. We soak in the sun; I do my stretching. There is a sense of calm and balance here. **One thing that's always been at your workspace?**

There's always some sort of incense burning in my environment. Whether I am returning home from a long day at work or some intense meeting, the moment I smell that fresh aroma, it just changes my mood. I love the smell of *havan* ingredients that we use in our Indian homes. We make our ingredients ourselves and burn them every day with a bit of *ghee*.

What work has inspired you?

I love the work of (architect) Vincent Van Duysen; his language is so calm yet so effective. For art, I have been deeply influenced by B. Prabha. I used to study her as a student. We used to sketch and try to figure out her language.

How do you maintain work-life balance?

I learnt something very early from my partner Prateek. He taught me that work is a part of life and not life. That was a great learning because I've always been a workaholic and I realised that at some point I am going to feel empty if I don't start looking and working towards that balance now. So today I very happily enjoy my life and keep work as a happy part of it as much as possible.

Creative Corner is a series about creative individuals and their relationships with their workspaces.



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