

Thursday, October 24, 2024

mint

Think Ahead. Think Growth.

mint primer

What the border pact means for India and China

BY N. MADHAVAN

India and China have announced that they have reached an agreement on patrolling their common border after more than four years of tension. Can this boost trade and investment flow between the two economic powers? *Mint* explains:

Shock proof

The slide in India-China bilateral relations did not affect their trade.

Total bilateral trade between India and China (in \$ billion)



Source: Ministry of commerce and industry

SATISH KUMAR/MINT

1 How significant is the border pact?

It is a first step towards rebuilding their relationship which took a beating following the border clash at Galwan in June 2020. Almost all forms of bilateral engagement came to a halt after the clashes between the two nuclear-armed neighbours. The agreement paved the way for a meeting between Chinese President Xi Jinping and Prime Minister Narendra Modi on the sidelines of the Brics Summit in Russia on Wednesday—their first since 2020. Thawing of the relationship may ease anti-China sentiment among Indians—a Pew Research Centre survey says 67% of Indians have an unfavourable view of China.

2 What ails their relationship?

There are multiple friction points. The 3,379km border is not clearly demarcated, and this causes periodic flare-ups—like the one at Galwan in Ladakh. Trade is massively skewed in China's favour. This causes angst as India exports to China far less than what it imports. More important are geopolitical factors. China's 'all weather' relationship with Pakistan makes India uncomfortable. China, for its part, views India's growing proximity with the US with suspicion. Not to mention its participation in the Quad grouping along with the US, Australia and Japan, which it perceives as an anti-China alliance.

3 How has the trade relationship been?

Through it all, trade between India and China continued to grow. Chinese imports crossed the \$100 billion mark in FY24, the year trade stood at \$118.4 billion. Indian imports were \$101.7 billion and exports \$16.7 billion—a trade deficit of \$85 billion. In the first six months of FY25, trade grew by 12%. In FY24, China pipped the US to become India's largest trading partner.

4 What about investments?

China doesn't figure in the top 10 investing countries by FDI equity inflows, says commerce ministry data. Despite this, as ties nosedived in 2020, India released Press Note 3 which said all investments from countries sharing a border with India needed specific government approval. They cannot take the automatic approval route available for other countries. This rule was targeted at China. In July 2023, the government rejected a \$1 billion investment by China's BYD, the world's biggest electric vehicle manufacturer.

5 Does India need Chinese investments?

Not much importance was given to FDI from China, until the 2023-24 Economic Survey batted for it. It said it would be better to receive FDI from China and make the goods in India rather than importing them from China. The Survey also raised questions on whether it would be possible for India to plug into the global supply chain without first plugging itself into the Chinese supply chain. But for this to happen, the trust deficit between the two countries must reduce, experts say. The border pact offers some hope.

QUICK EDIT

RBI policy continuity

This month's monetary policy committee's (MPC) meeting that voted to keep the Reserve Bank of India's (RBI) policy rate steady was the first since this panel's reconstitution. That decision had the support of five members, including new members Saugata Bhattacharya and Ram Singh. But Nagesh Kumar, the third new member, cast a vote of dissent. Citing "demand deficits" and "anchored" inflationary expectations, he called for a 25-basis-point rate cut, as RBI's release of the meeting's minutes shows. Kumar flagged the contraction over two quarters of the cement, iron and steel and chemicals sectors, despite heavy government spending, as a concern, and said India risked hurting its competitiveness if the rupee rose against currencies of countries where policy rates were falling. A revival in demand, he argued, would boost private investment. The rest of the panel, while acknowledging pockets of economic weakness, went with the reasoning that inflation must align durably with the 4% inflation target before going in for monetary easing. Doing it prematurely, RBI governor Shaktikanta Das recently said, would be risky. The central bank has its priority clear.

MINT METRIC

by Bibek Debroy

A Greek sought every ruse
To go and smell neighbours' shoes.
This strange addiction
Led to his conviction
And gave him the blues.

QUOTE OF THE DAY

We must uphold the three key principles: no expansion of the battlefields, no escalation of hostilities, and no fanning flames and strive for swift de-escalation of the situation.

XI JINPING
CHINESE PRESIDENT



MINT VIDEOS



MINT LUXURY LOUNGE

A Kannauj-based brand called Boond, launched in May 2021 by siblings Varun and Krati Tandon, set up during the pandemic to help artisans, is reinventing attars. They have a range of ethical attars, including Gulabi, Motiya and Oudh. Their best seller, though, is a Maati Attar that mimics the scent of petrichor.



MONEYNOMICS

Retiring early—or just leaving a regular job before retirement—is something that many youngsters now think about—and one big question everyone has is, 'how much do I really need to have saved up to be able to retire early?' To help you with this, we have a calculation—a simple, effective rule of the thumb.



INVEST IN SAMVAT 2081

In this episode, Edelweiss' Radhika Gupta shares her ideas on how investors should approach the upcoming samvat 2081—What should be your investing strategy? How should you navigate a volatile market and which sectors are likely to be in the spotlight next? Watch!





How a slowdown in China impacts India

BY HOWINDIALIVES.COM

China's gross domestic product (GDP) in the July-September quarter grew at the slowest pace in the past six quarters. The slowdown in the world's second-largest economy is having knock-on effects around the globe, from the global oil market to Indian exports of spices. The Chinese government announced a stimulus package in September, but analysts expect it to take some time to have an effect. Instead, the worry is that after decades of blazing growth, the Chinese slowdown is more long-term than just cyclical in nature. If so, the adjustment for the global economy could be painful.

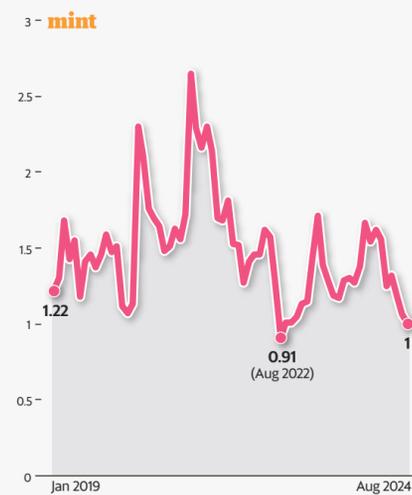
Closer home, the effects are already being felt. Indian exports to China fell 23% year-on-year (y-o-y) in August to \$1 billion, the lowest since August 2022, when parts of the country had emerged from severe covid-19 lockdowns. India's exports to China have now fallen for six consecutive months. The fall in exports has made India's merchandise trade deficit with China (exports minus imports) hit new highs. It was about \$41 billion for the April to August 2024 period, a y-o-y increase of about 14%. India's trade deficit with China in these five months accounted for around one-third of its total trade deficit.

Incidentally, imports from China rose to their highest monthly level in August, of \$10.8 billion. Weak domestic demand in China means that its exporters, already among the most competitive globally, will seek to make greater inroads into foreign markets.



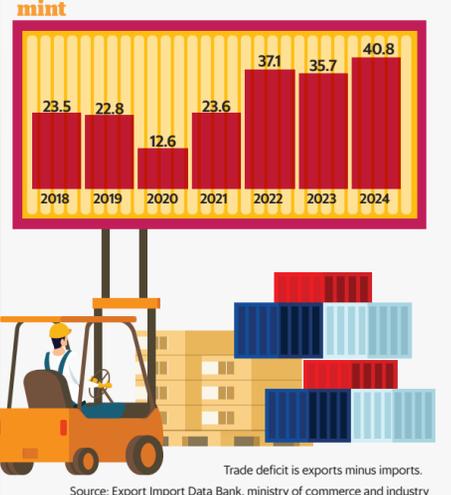
India's monthly exports to China are at a two-year low

India's exports to China (\$ billion)



India's trade deficit with China is at an all-time high

India's trade deficit with China (April to August) (\$ billion)



Growth Pangs

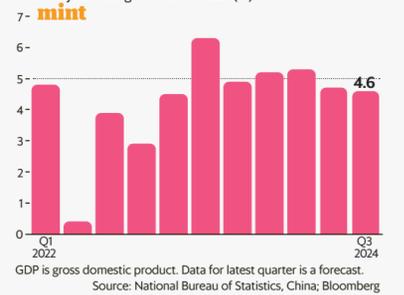
IN THE 11 quarters beginning 2022, China's y-o-y GDP growth has been below 5% in eight quarters, including the latest two. The current slowdown has been driven by the implosion of its real estate sector, a key driver of its growth for a long time. Further, mounting government debt has weakened infrastructure investments by local governments, another major factor in the Chinese growth process. Crucially, banks have become wary of lending more to both these sectors.

In the longer term, the big challenge for China is switching to a mode of growth that is driven less by investments, exports and real estate, and more by domestic household consumption.

Another important policy aim has been to promote manufacturing investment in key emerging sectors such as electric vehicles and battery technology. The opinion is divided on whether China will pull off this 'rebalancing', even though it has been an official economic goal since at least 2004.

China's GDP growth came in below 5% in eight of the past 11 quarters

Year-on-year change in China's GDP (%)



Seven of India's top 10 exports to China have declined this year so far

Top 10 sectors with exports of at least \$100 million in Apr-Aug 2023.

Sector	Exports in Apr-Aug 2024 (\$ million)	Year-on-year change (%)
Iron ore	882	-24
Petroleum	577	14
Seafood	334	-12
Vegetable oils	239	13
Human hair	180	0
Granite, stone-building materials	117	-25
Ferro-alloys	117	-55
Spices (Anise, cumin etc)	98	-43
Peppers/chillies	96	-28
Cotton yarn	83	-80

Sectors arranged in descending order of value. Source: Export Import Data Bank, ministry of commerce and industry

Export Pullback

AMID CHINA'S growth pangs, Indian exporters are feeling the pinch. For the five-month period from April to August 2024, Indian exports to China fell by \$528 million compared to April-August 2023. Of the 634 sectors for which export data to China was available for both periods, 305 sectors declined in value terms. The sectors that saw a decline in India's exports to China included seven of the 10 sectors where India's exports to China exceeded \$100 million in April-July 2023. Iron ore, India's biggest export to China, declined from \$1.15 billion to \$882 million.

Amid the collapse in Chinese real estate and construction, the exports of granite and other similar stone materials fell 25% on a y-o-y basis. The worst hit in this set of 10 sectors was cotton yarn, whose exports slumped 80%. The two sectors that managed to buck this trend were petroleum and vegetable oils.

Oil Slick

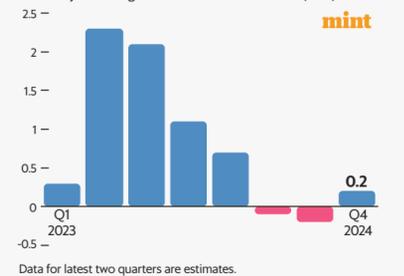
INDIA'S PETROLEUM exports to China rose 14% in April-August to \$577 million, second only to iron ore. This comes even as the International Energy Agency (IEA) has flagged a global weakness in oil demand caused by the Chinese slowdown.

The IEA said: "China's centrality to global oil demand growth this century has been so great that the precipitous slowdown in growth this year raises significant questions about the future global trajectory. If China's long upsurge is really losing momentum, and with demand in advanced economies currently at the same level as in 2014 and set to decline, questions arise over whether other countries or regions could replace China as the engine of global oil demand growth." This can impact refining margins of Indian refiners like Reliance Industries and Indian Oil — one of many pockets in which a China slowdown will be felt.

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

Incremental Chinese oil demand has been tapering

Year-on-year change in oil demand from China (in %)



Data for latest two quarters are estimates. Source: International Energy Agency

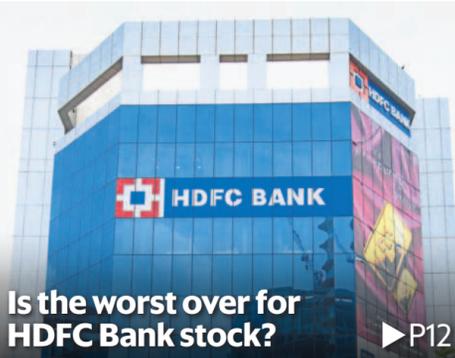
PEANUTS by Charles M. Schulz



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Is the worst over for HDFC Bank stock? ▶ P12



India missing world-class labs: 'Godfather of AI' Yann ▶ P5

Border chill may thaw slowly, FDI bar to stay

Government in wait-and-watch mode as ghost of Galwan haunts relations

Gireesh Chandra Prasad & Dharendra Kumar

NEW DELHI

Despite the recent easing of tensions between New Delhi and Beijing, the ghost of the 2020 Galwan clash is likely to hover for a while, as the implications of the border disengagement between the two countries unravel only slowly.

Some of the measures taken by India against Chinese businesses may be scaled back, but other restrictions such as import of finished goods and caution on foreign direct investments (FDI) from the eastern neighbour are likely to stay, according to persons privy to discussions in the government.

One of the persons quoted above said import of equipment and machinery from China for India's manufacturing sector will remain smooth. "Quicker processing of visas for technicians from China is



Narendra Modi with Xi Jinping in Kazan on Wednesday. AP

TALKING TERMS

CHINESE CHECKS
INDIA imposed restrictions after 2020 Galwan clash
SOME measures against China cos may be scaled back
FDI will continue to be evaluated on case-by-case basis

expected; already, streamlining of business visas to technicians from China employed by our factories availing of production linked incentives is underway," this person said, requesting to not be named. However, the person added

that FDI into India will continue to be evaluated on a case-by-case basis, as per Press Note-3, which requires all investments from countries that share a land border with India to be cleared by the Centre.

At the same time, a senior commerce ministry official said on the condition of not being named, "There is a possibility that the flow of FDI from China, which has been stalled for an extended period, may see improvement. The resolution of border issues between the two nations is also likely to ease trade barriers, benefiting both the economies."

Queries emailed on Wednesday to the ministries of commerce, finance and to the Prime Minister's Office seeking comment remained unanswered at the time of publishing.

After the violent clashes between the troops of the two countries at Galwan valley in 2020, India imposed several restrictions on Chinese businesses. This included banning several popular Chinese apps, mounting a hawk eye on Chinese FDI inflows, and introducing stricter customs checks and inspections on imports from the eastern neighbour, among

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DON'T MISS

Mid-income group tax share dips

While individuals have been paying more income tax than businesses for two years, the share of middle-income earners in the kitty has fallen over the past five years. >P2

MPC more confident on inflation

The Monetary Policy Committee (MPC) is increasingly confident about inflation aligning with its target, even as they do not want to fritter away hard-won gains. >P8

SC revives Byju's insolvency case

In a blow to the once-high-flying edtech giant Byju's, the Supreme Court on Wednesday overturned a decision that had halted insolvency proceedings against the firm. >P7

After Nestle, HUL spots urban blues

Suneera Tandon & Gaurav Laghate

NEW DELHI/MUMBAI

India's largest household goods company Hindustan Unilever Ltd (HUL) on Wednesday highlighted a slowdown in urban markets—especially in larger cities, echoing rival Nestle that experienced demand deceleration in megacities.

Yet, the maker of Vim bars and Pond's range of personal care products remained optimistic about rural markets, which are showing signs of gradual improvement.

"Urban growth has trended downward, especially in the larger cities, which have been the engine of FMCG growth for some time. We have observed a slowdown across channels and



Rohit Jawa, chief executive and managing director, HUL.

segments," Rohit Jawa, chief executive officer and managing director, HUL, said at a press conference after the company missed analysts' estimates for both revenue and profit in the second-quarter results on Wednesday.

TURN TO PAGE 6

Grand road plan takes a backseat

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NEW DELHI

The Centre has put its grand highway expansion plan spanning decades on the back burner, shifting its preference to short-term projects that can be approved and rolled out quicker, two people aware of the change said.

The complexities of long-duration projects prompted the Union road ministry to stop pursuing its Vision 2047 blueprint, the people cited above said on the condition of anonymity. Earlier, the government had decided to end Bharatmala, its self-a massive highway building plan, in favour of the Vision 2047 plan.

"While long term-planning is not being shelved altogether,



Complexities of long-duration works prompted a rethink. MINT

Cabinet clearance would now increasingly be taken for a limited number of projects, where work can be completed over a shorter duration. Projects under the Bharatmala programme where work is still going on would continue, and

TURN TO PAGE 6

Wall Street pros eye profit from Trump win

Caitlin McCabe
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Some large hedge funds and money managers, sensing a potential shift in momentum, are getting behind trades that could pay out if Donald Trump beats Kamala Harris in the presidential election.

While most polling still shows a tight race, that shift has rippled across markets in recent weeks, boosting assets seen as likely to benefit from a Republican victory. For instance, the private-prison operator GEO Group is up 21% in October, on pace for its best month since 2022, while the bitcoin miner Riot Platforms has risen 34%.

The well-known hedge-fund manager Dan Loeb reckons that a Trump victory has become more likely, he said this month. His \$11 billion firm,



While polling shows a tight race, some investors are putting on wagers that could pay off if Trump beats Harris. REUTERS

Third Point, has added to positions that could benefit, by buying stocks and options, and shifted away from companies that won't.

"We believe the proposed 'America First' policy's tariffs will increase domestic manu-

facturing, infrastructure spending, and prices of certain materials and commodities," he wrote in an investor letter. "We also believe

that a reduction in regulation generally and especially in the activist antitrust stance of the

Biden-Harris administration will unleash productivity and a wave of corporate activity."

Mark Dowding, chief investment officer of RBC BlueBay Fixed Income at RBC BlueBay Asset Management, has stepped up trades tied to a Trump victory since the end of September. Dowding, whose group oversees \$130 billion in assets, has concentrated on interest rates and currencies.

Dowding is betting the dollar will strengthen and the U.S. yield curve will steepen, meaning long-term rates will go up more than short-term ones. He is wagering that inflation breakevens—essentially, bond-market measures of price pressures—will widen.

All three bets reflect Dowding's belief that Trump's agenda will stoke inflation, owing largely to tariffs. Trump

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Bharat chana dal will be sold at ₹70 per kg.

Discounted Bharat chana dal back in NCR retail stores

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NEW DELHI

Union minister of consumer affairs, food, and public distribution Pradip Joshi launched the sale of discounted chana dal, a cheap and popular source of protein, under the Bharat Chana Dal Phase-II scheme on Wednesday.

Under the second phase, 300,000 tonnes of chana stock from the government buffer will be converted into chana dal (split peas) and whole chana for retail.

The discounted pulses will be sold at ₹70 per kg and whole chana at ₹58 per kg under the scheme, which is restricted to the National Capital Region (NCR).

Mint first reported about the impending launch of the scheme on Tuesday.

In addition to chana, the government has expanded the Bharat brand to include moong and masur dal. Bharat Moong dal will be available at ₹107 per kg, whole moong at ₹93 and masur at ₹89.

This move comes ahead of the festive season, ensuring supplies of essential pulses for consumers in Delhi-NCR.

As per the consumer affairs ministry, the retail price of chana dal in Delhi is ₹100 per kg, marking an increase of 13.6% from ₹88 a kg a year ago. Moong dal is sold at ₹123 a kg in Delhi, while masur dal is priced at ₹90 per kg.

Speaking at the event, Joshi said the government is committed to ensuring affordable food.

"The retail sale of Bharat Chana Dal and other essential food items like rice, atta, dals and onions is part of our direct intervention to stabilize prices and ensure food security for the citizens," he said.

The government has been actively implementing various policy measures to ensure the steady availability of pulses in the domestic market, Joshi said.

The average retail price of chana dal is ₹95 per kg, which is 14.5% higher than last year's ₹83.

To read an extended version of this story, go to [livemint.com](#).

Mid-income earners' share shrinks in income tax kitty

The declining share of this group is the result of a series of relief measures over the years

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While individuals have been paying more income tax than businesses for two years, that masks a less-obvious shift: the share of middle-income earners in the kitty has fallen over the past five years, thanks to deductions and incentives, even as the contribution of wealthier taxpayers has risen.

Although the tax department makes no such distinction, typically, a middle-income earner would be someone who pays ₹1.5 lakh in taxes, putting their total earnings at ₹1.25 lakh under the old tax system and ₹1.5 lakh under the new one.

Taxes paid by this group slipped from 19.2% of overall personal tax collections in the assessment year 2020 (AY20) to 13.3% in AY24, according to a Mint analysis of the income tax department's data for five years.

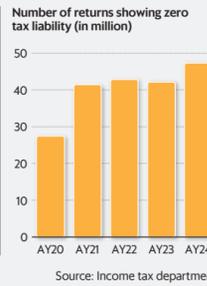
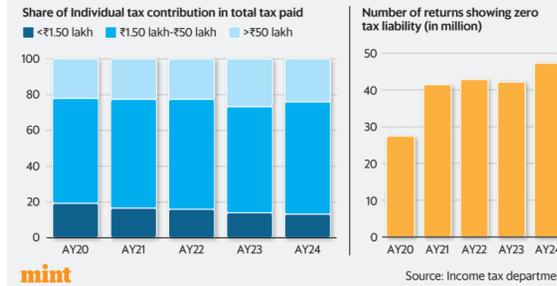
The number of return filers with zero liability jumped about 50% from 27.4 million in AY20 to 47.4 million in AY24.

An assessment year is one in which returns are filed for the income earned in the previous financial year.

To be sure, the aggregate tax paid by middle-income earners rose in absolute terms—except for the pandemic-hit

Shifting weight

The share of taxes paid by middle-income earners in the overall income tax receipts has declined sharply over five years.



AY21—tracking the buoyancy in the government's overall personal tax revenue in a growing economy.

That's most likely because the number of such taxpayers rose. The returns filed by those with an annual liability of up to ₹1.5 lakh rose steadily between AY20 and AY24, except in the pandemic year.

However, the growth in the aggregate tax for this group in each of these assessment years has been slower than that of those paying higher taxes.

The declining share of this cohort in the overall personal tax collection, along with a higher number of zero-tax filers, is the result of a series of relief measures over the years.

Former finance minister Arun Jaitley introduced a standard deduction of ₹40,000 for salaried employees in AY20, which was raised to ₹50,000 later. In the interim budget of 2019-20, then finance minister Piyush Goyal exempted people earning up to ₹5 lakh (after deductions) from having to pay income tax.

Finance minister Nirmala Sitharaman introduced the new personal income tax regime with lower rates in 2020 and sweetened the incentives by raising the tax rebate to ₹7 lakh from the earlier ₹5 lakh and increased the basic exemption limit to ₹3 lakh from ₹2.5 lakh. She also introduced a standard deduction in the

Union Budget for FY24.

The new tax regime with reduced, concessional rates helped empower the middle class, offering a rebate for a total income up to ₹7 lakh and a standard deduction of ₹75,000, said Sandeep Sehgal, partner, tax, at AKM Global, a tax and consulting firm.

Earlier, a tax liability of up to ₹1.5 lakh would cover middle- and upper-middle-income earners, who paid 30% tax on part of their income under the old tax regime.

Individuals aged under 60 years and earning up to ₹1.25 lakh would pay a tax of ₹1.5 lakh under the old tax regime if they didn't claim any exemptions. To be sure, depending on deductions and age, even those with a higher income would fall into this bracket.

However, under the new regime, those with an annual income of ₹1.5 lakh would face a tax liability of ₹1.5 lakh.

Meanwhile, there has been an uptick in the share of wealthier taxpayers with a higher liability in three income slabs—₹5 lakh to ₹10 lakh; ₹10 lakh to ₹20 lakh; and ₹20 lakh to ₹50 lakh. Absolute collections rose for all these groups as well.

The new tax regime limits the scope for traditional deductions and exemptions, but despite that, many people, including high net-worth individuals, are increasingly opting for it, said Sehgal.

To read an extended version of this story, go to [livemint.com](#).

47.4 mn
Number of return filers with zero liability in AY24

₹75k
Standard deduction under the new tax regime

States can regulate industrial alcohol: SC

Krishna Yadav & Varuni Khosla
NEW DELHI

A nine-judge Constitution bench of the Supreme Court (SC) on Wednesday upheld the authority of state governments to regulate industrial alcohol, clarifying that it falls under the category of "intoxicating liquor."

The bench asserted in an 8:1 majority ruling that industrial alcohol, despite not being intended for human consumption, is considered an intoxicating substance, which states are allowed to tax under List II (State List) of the Seventh Schedule of the Constitution.

The Seventh Schedule divides powers between the Union and state governments into three lists, which define the subjects on which each can regulate and legislate.

In the State List, the term "intoxicating liquors" includes the production, manufacture, possession, transport, purchase and sale of such substances, allowing states to formulate laws according to local conditions and requirements.

The court highlighted a common thread among alcohol, opium and drugs: Their potential misuse as harmful substances.



Chief Justice D.Y. Chandrachud authored the majority judgement.

It ruled that Parliament cannot usurp states' legislative powers regarding intoxicating liquors.

Chief Justice D.Y. Chandrachud, who authored the majority judgement, said "intoxicating" can also be understood as "poisonous," indicating that liquor not traditionally seen as alcohol could still be classified as "intoxicating liquor" under the Constitution.

While the majority—the chief justice and Justices Hrishikesh Roy, A.S. Oka, J.B. Par-

diwala, Ujjal Bhuyan, Manoj Misra, S.C. Sharma and A.G. Masih—supported state powers, Justice B.V. Nagarathna dissented, arguing for parliamentary supremacy in regulating industrial alcohol.

She emphasized the importance of industrial alcohol in the Indian economy, particularly in its use for blending with petrol and manufacturing chemicals.

With this ruling, the apex court has overruled a 1990 seven-judge bench decision in the Synthetics & Chemicals Ltd vs

State of Uttar Pradesh case, which limited state regulation to potable alcohol and placed industrial alcohol under central authority.

States like Kerala, Maharashtra, Punjab and Uttar Pradesh voiced serious concerns about central control, as taxation powers over industrial alcohol are crucial for generating revenue, especially in the post-goods and services tax era.

They also argued that centralizing control could hinder their ability to combat illegal consumption, stressing that they could not afford to remain passive until a tragedy occurred.

Industry bodies called the verdict beneficial.

"...Entrusting the states with the power to regulate the production and manufacture, until such time as it certifiably becomes incapable of human consumption through a process of denaturing, is welcome," said Suresh Menon, secretary general, International Spirits and Wines Association of India, a spirits association that represents the interests of international brands.

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To read an extended version of this story, go to [livemint.com](#).

With granaries full, India axes export duty on parboiled rice

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NEW DELHI

The government has removed the export duty on parboiled rice, according to a notification issued by the finance ministry late on Tuesday.

It also removed the minimum export price (MEP) of \$490 per tonne on overseas shipments of non-basmati white rice with immediate effect, according to a notification issued by the Directorate General of Foreign Trade (DGFT) on Wednesday.

In September, the government had cut the duty from 20% to 10% and approved the resumption of non-basmati white rice exports, but set a minimum export price of \$490 per tonne.

The latest decision is expected to give a boost to rice exporters, who have been facing challenges in the global market because of the export duty. It is also expected to ease the storage burden as India's granaries are full.

By removing the duty and minimum export price, the



India exported 7.57 mt of parboiled rice in FY24.

government aims to stabilize India's rice exports and meet growing international demand, particularly from Africa and Southeast Asia.

According to final estimates released by the agriculture ministry, India is set to achieve a record foodgrain production of 332.29 million tonnes (mt) in the 2023-24 agricultural year, which runs from July to June -- an increase of 2.61 mt from the previous year, attributed to better rice, wheat and millet output.

Rice production in 2023-24 was a record 137.83 mt, an

increase of 2.07 mt (1.52%) from the previous year. Wheat also hit a new high at 113.29 mt, up 2.74 mt (2.48%) from 2022-23, the data showed.

A good harvest of rice and wheat is crucial for maintaining food security in the world's most populous country.

"The removal of the export tax on parboiled rice reflects the government's confidence in a better harvest for the upcoming season," said Vijay Setia, former president of the All-India Rice Exporters Association.

The ban on these exports was announced last July to safeguard domestic food security and protect consumers from price shocks while ensuring farmers received decent prices, as El Niño disrupted rainfall.

On 27 September, the government halved the export duty on parboiled rice to 10% as granaries were filled with the previous year's paddy stock. Procurement of the new crop began on 1 October. On 28 August, Mint reported that the government was looking at relaxing restrictions on rice exports as paddy sowing was expected to set a record this year.

MINT SHORTS

Road ministry to tighten norms for EPC contractors: Gadkari

New Delhi: Road minister Nitin Gadkari said the government has decided to double the 'defect liability period' to 10 years for contractors of engineering, procurement and construction (EPC) projects. Currently, under EPC projects, the responsibility for maintenance of national highways lies with the government after the defect liability period of five years is over.

Govt imposes anti-dumping duty on five Chinese products

New Delhi: India has imposed anti-dumping duties on

five Chinese goods for five years to guard domestic players from cheap imports from the neighbouring country. The duties were imposed as these products— isopropyl alcohol, sulphur black, cellophane transparent film, thermoplastic polyurethane and unframed glass mirror—were exported to India from China at below normal prices.

NMDC iron ore prices up by as much as 18% since August

Kolkata: State-run NMDC Ltd has announced another price hike for its iron ore effective from 23 October, a notification said. The price of lump ore has increased by 18.69% since August this year and by 10.43% in October alone to ₹6,350 per tonne, while fines have seen a 17.35% hike since August and a nearly 8% rise in October to ₹5,410 per tonne. On 7 August, the price of lump ore stood at ₹5,350 per tonne and fines at ₹4,610 per tonne.

Diesel consumption to rise 3-4% in FY25: IOCL chair



New Delhi: India's annual diesel consumption is expected to rise by 3-4% in the current fiscal year to March 31, said V. Satish Kumar, chairman of Indian Oil Corp. Ltd (IOCL). India's annual diesel demand in the first half of this fiscal year rose 1% to 44.4 million tonnes, according to government data, even though heavy rains curtailed the movement of trucks.

Sitharaman urges IMF, WB to stick to core competencies

New Delhi: The International Monetary Fund (IMF) and the World Bank (WB) should not drift away from their core competencies, as their decisions impact the global monetary systems, finance minister Union Nirmala Sitharaman warned on Wednesday.

Odisha to incentivize airlines to launch new flights to state

Bhubaneswar: The Odisha cabinet on Wednesday approved the Air Connectivity Policy under which substantial financial incentives would be offered to airlines to encourage them to launch new domestic and international flights from airports in the state, officials said. Under the policy, the government would provide viability gap funding to airlines for the new services, they said.

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Zomato leaves Street intrigued

Manish Joshi
feedback@livemint.com

Zomato Ltd's September quarter (Q2FY25) result was decent. A key parameter—gross order value (GOV)—of food delivery and Blinkit grew 21% and 122% year-on-year, respectively. Growth rates are in line with management's guidance. The company needs an average GOV of ₹7 lakh a day per store to achieve breakeven. It's currently at ₹9.81 lakh, up 30% on-year, it said. While the contribution margin (revenue minus variable costs) rose sequentially for food delivery, from 7.3% to 7.6%, it declined from 4% to 3.8% for quick commerce. This is the first time the quick commerce business has seen a sequential decline in the contribution margin. It remains to be seen whether this was because of the strategy of waiving delivery charges or offering promotional incentives by new stores. The Street is more intrigued by its sudden ₹8,500-crore fundraising plan. Since Zomato has a market cap



Zomato is on target to have 1,000 Blinkit stores by March 2025. MINT



against Zomato's ₹10,800 crore. Reliance Retail also talked about a renewed push in the quick commerce space—without any delivery fees—but then no amount of money would be enough to match its parent company's financial might. Irrespective of the potential fundraise, Zomato is on target to have 1,000 Blinkit stores by March 2025 and 2,000 by December 2026. Blinkit saw its highest store-count addition of 152 in Q2FY25 and now has a total of 791. The company has not talked about any inorganic growth initiative for the near term. Also, it generated ₹288 crore of cash in Q2FY25, after accounting for working capital and capital expenditure, which shows annual cash surplus from operations could easily exceed ₹1,000 crore. The Street seems to have taken the modest equity dilution and the commentary in its stride, with the stock up around 3% on Wednesday.

On the flipside, Zomato's fixed costs rose 9% for food delivery and 20% for Blinkit sequentially, indicating that it continues investment in marketing. Though profit before tax (PAT) was ₹237 crore, almost the same as in Q1FY25, a tax outgo of Rs 61 crore led to 30% sequential drop in PAT to ₹176 crore. As Zomato exhausted unabsorbed depreciation, it had to pay tax on treasury income. Meanwhile, the stock is up more than 100% so far this calendar year. Zomato is likely to report earnings per share (EPS) of ₹4.3 for FY27, according to Bloomberg consensus estimates. The proposed equity dilution of 4% does not materially change this. The stock is trading at a P/E multiple of 60x based on Bloomberg's estimates. The premium valuation may be because food delivery in India is a duopoly, but investors must not overlook the growing competition in quick commerce.

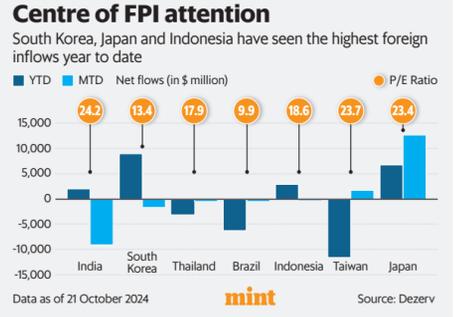
BALANCING ACT

THE company needs an average GOV of ₹7 lakh a day per store to achieve breakeven

THIS is the first time the quick commerce business has seen a sequential decline in contribution margin

of ₹2.2 trillion, the equity dilution could be about 4%. For now, there is limited clarity on how the company plans to use these funds. In the earnings call, the management said the funds were needed to strengthen the balance sheet, though it did rule out using the cash for discounts to gain customers in quick commerce.

The news comes as Swiggy looks to raise funds and competition in quick commerce heats up. Swiggy's draft prospectus showed it had investments worth ₹2,918 crore and ₹837 crore in cash equivalents as of Q1FY25. Even if it raises ₹3,750 crore from the IPO, its cash pile would be around ₹7,500 crore



FII's are pulling out of India. Where is the money going?

Dipti Sharma
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MUMBAI

Foreign investors are pulling money out of India. While that may not be surprising, the question is which global markets are catching their attention now?

The short answer: Apart from China, it was South Korea, Japan and Indonesia. These three markets alone attracted foreign investments of over \$18.5 billion so far in 2024, according to data from Dezerv as of 21 October. Foreign portfolio investors (FPIs) offloaded Indian equities worth a net \$8.48 billion from 1 to 17 October, data from the National Securities Depository Ltd showed. In early October, the global market chatter was all about China. The moment China unveiled stimulus and economic prospects brightened, foreign investors rushed into Chinese equities, redirecting capital away from India and Japan, said Rupen Rajguru, head of equity investment and strategy, Julius Baer India.

lowed by Hong Kong's Hang Seng's 22%. Japan's Nikkei 225 was up 14%, while the Nifty 50 rose 13%, and China's Shanghai Composite gained 12%. Indonesia's Jakarta Stock Exchange is up 7%. But South Korea's Kospi lagged with a negative return of 2%.

Experts said the FPI outflow from India is likely temporary, driven by two factors: profit-taking after a stellar rally and investors finding more attractive markets. Against this backdrop, India's long-term growth narrative still positions it as an attractive long-term investment bet. However, FII's are currently seeking alternative opportunities in light of high valuations and more favourable returns elsewhere.

"Currently, Indian equities are trading at higher valuations (PE at 24.2x) compared to markets like Indonesia, Taiwan, and South Korea, trading at 18.6x, 23.7x and 13.4x, respectively," said Porwal.

Foreign portfolio investors offloaded Indian equities worth a net \$8.48 billion from 1 to 17 October

"South east Asian markets like Indonesia and Vietnam are also attracting interest due to their strong economic fundamentals and lower valuations," pointed out Vipul Bhowar, senior director of listed investments at Waterfield Advisors. He added that the strong FPI inflows into Indonesia and South Korea could be attributed to their favourable valuations compared to India, and sectoral strengths, particularly in technology.

Souvik Saha, an investment strategist at DSP Asset Managers, said the MSCI India Index has pulled back by about 6% from its peak largely due to heavy selling by FIIs.

"This marks the fourth-largest selloff in India's history in absolute terms," he noted, adding that large-cap stocks had the steepest decline from peak to trough across all categories of market capitalisation.

Alongside China, the South Korean and Indonesian markets also attracted inflows in a broader shift in investor sentiment towards Asia markets. Taiwan's TSEC Weighted Index led the gains in Asia with a 30% year-to-date rise, fol-

lowed by Hong Kong's Hang Seng's 22%. Japan's Nikkei 225 was up 14%, while the Nifty 50 rose 13%, and China's Shanghai Composite gained 12%. Indonesia's Jakarta Stock Exchange is up 7%. But South Korea's Kospi lagged with a negative return of 2%.

"After the transaction, we've seen that interest has only gone up, and we are working on a select few transactions, which we hope to announce over the next few weeks," Vashista added. On the new-age market, Vashista said the pipeline for that business has grown. "The ecosystem has evolved well and from a broader, country-level perspective, that is very additive, because it allows capital formation in that sector and allows more innovative businesses to tap market-based capital, both on the private side and public side."

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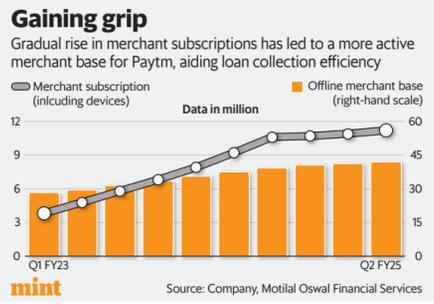
Paytm's merchant loan business has to do the heavy lifting

Abhinaba Saha
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Paytm parent One97 Communications Ltd's stock rose 8% on Wednesday. While the September quarter (Q2FY25) earnings had a few positives, such as improved traction in merchant loan disbursements and visible cost-control efforts, the exuberance stemmed from it getting the National Payments Corporation of India's (NPCI) nod to onboard new customers on its unified payments interface (UPI) application. In early 2024, Reserve Bank of India (RBI) barred

Paytm Payments Bank, an associate of Paytm, from boarding new customers. Now that NPCI has allowed it to onboard customers onto its UPI app through third-party tie-ups with banks, it can expand its consumer UPI business while its merchant UPI operation is getting better. Merchant subscriptions grew 22% year-on-year (y-o-y) to 11.2 million subscribers in Q2FY25, resulting in a 9% y-o-y uptick in merchant transactions at ₹991 crore.

Paytm plans to capitalise on its merchant base to expand its financial services operations, which contributes 23%



of revenue and has a higher profit contribution margin than payments services. As of Q2FY25, it has 600,000 such customers, including consumers and merchants. The lending service provider (LSP) has started

extending merchant loans under RBI's revised first loss default guarantee (FLDG) norms that require LSPs to pay 5% of the loan portfolio to creditors in case of defaults. This ensures more skin in the game from LSPs, giving creditors more confidence.

Paytm stands to accrue higher collection revenues via higher volumes of FLDG loans if the credit loss is lower than budgeted. More FLDG loans may boost profitability, especially when the average take-way rate on FLDG and non-FLDG loans is the same at 5%.

Paytm pays the cover charge to SMFG India Credit

Co. Ltd—its sole lending partner—in advance, below the 5% cap, as direct expense. And half of its merchant advances, totalling ₹1,651 crore in Q2, were FLDG loans.

But its overall disbursements at ₹5,300 crore in Q2FY25 were below expectations, with personal loans contracting.

In the past six months, Paytm stock has jumped 93%. Further re-rating will depend on faster recouping of lost monthly transacting users, strong bounce-back in the lending business, and no further regulatory disruption, said Emkay Global Financial Services report on 23 October.

Sebi cracks the whip on influencer deals

Pratishtha Bagai & Neha Joshi
MUMBAI

The market regulator on Wednesday asked regulated entities—including recognized stock exchanges, clearing corporations, and depositories—to terminate any existing contracts with unregistered financial advisers like financial influencers within three months.

The latest circular of the Securities and Exchange Board of India (Sebi) follows its decision of June 27 to bar association with unregistered content creators who offer advice or recommendations or make claims on the performance of any security. After Sebi's consultation paper, influencers had stopped working with regulated entities, which had also started to cut down business with them, said Sharan Hegde, co-founder of 1% Club, a financial awareness and education platform. "It is just a final brick in the wall to end it."

"Mega influencers" had stopped all affiliations with regulated entities already, so they would not be affected, he said. "This move will put a full stop to smaller influencers that were involved."

The trading platforms that have pre-existing affiliate links with influencers, Hegde said, should also stop paying commissions after this.



Sebi exempted those engaged in investor education. REUTERS

Sebi, however, exempted those engaged in investor education, and do not advise, recommend or make claims on share performance. It also excluded associations made through a "specified digital platform", which has a mechanism to take preventive as well as curative action to ensure that it is not used for any activity specifically prohibited by Sebi. The regulator's draft circular inviting public feedback on the criteria had laid out such specified digital platforms.

In its consultation paper of August 2023, Sebi had defined influencers as people who provide information on financial topics such as stock investment, personal finance, banking, insurance and real estate through social media platforms such as Instagram, Facebook, YouTube, LinkedIn and X.

The latest Sebi circular follows its decision of 27 June to bar association with unregistered content creators

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Analysts split on India's market outlook

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Analysts are becoming more divided on the outlook for India's stock market after an 11-month winning streak.

While Goldman Sachs Group Inc. has tactically lowered Indian shares to neutral from overweight given slowing economic growth, UBS Global Wealth Management said it's time to "buy the dip" as the soft patch in the nation's growth and earnings appears transitory.

The divergence in consensus underscores growing uncertainty over the sustainability of company earnings in India

amid weakening consumer spending and lofty valuations. Some investors are expecting a slower upward grind in markets, while others see a dimming of India's relative appeal as China's efforts to pull its economy out of a rut lure back global funds.

"While we believe the structural positive case for India remains intact, economic growth is cyclically slowing down across many pockets," Goldman strategists including Sunil Koul wrote in a note on Tuesday. Worsening earnings senti-

ment, high valuations and a less supportive backdrop could limit the near-term upside for local shares, they added.

The market may correct over the next three to six months,

though a large drop is less likely due to support from domestic flows, they said. Goldman lowered its 12-month target for the NSE Nifty 50 Index to 27,000 from 27,500 previously, implying a 10% upside from Tuesday's close. Goldman joins a growing group of brokerages casting doubts on India's stock rally. Earlier this

month, Bernstein Societe Generale Group cut local equities to underweight, citing expectations for continued outflows and weak profits, while predicting further upside for Chinese equities thanks to a policy boost.

Although the South Asian nation's record gain is already showing signs of fatigue, for the bulls, the slowdown is due to one-off factors and economic growth is expected to resume. Investors should continue to raise "foundational or strategic asset allocation into the market" as India remains the fastest growing economy in the G20 group, Tan Min Lan, head of UBS's Asia Pacific chief investment office, said in a Bloomberg TV interview.

While Goldman Sachs lowered Indian shares to neutral, UBS Global Wealth says it's time to "buy the dip"

Large MNCs eye India IPOs after Hyundai's market debut: Citi

Samiksha Goel
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BENGALURU

Large multinational corporations (MNCs) are keen to explore initial public offerings (IPOs) in India after Hyundai Motor India's market debut, according to Rahul Saraf, India head of investment banking at Citi, which counts many such companies among its clients.

"I think they're actually encouraged by the listing of Hyundai rather than discouraged... We feel fantastic about the execution of the transaction and it was very well received by institutional investors," Saraf said while discuss-

ing India's investment banking landscape and outlook at Citi's virtual media roundtable.

On Tuesday, Hyundai Motor India listed at ₹1,934 on the National Stock Exchange (NSE), a discount to its IPO price of ₹1,960. The company's ₹27,870-crore offering is the country's largest IPO ever, exceeding state-run Life Insurance Corp. of India's (LIC) initial share sale of ₹21,000 crore in 2022. Citi was an advisor to the transaction.

The offering comprised 142.19 million equity shares, with Hyundai Motor Co., the promoter, selling a portion of its stake in the Indian subsidiary. The IPO of Hyundai Motor



On Tuesday, Hyundai Motor India listed at ₹1,934 on the NSE at a discount to its IPO price of ₹1,960. PTI

India, the second-largest automaker in India's passenger-vehicle market, drew strong interest from institutional investors but the retail portion

was only 50% subscribed. Arvind Vashista, India head of equity capital markets at Citi, said only time would tell how well the stock performs but said

he felt confident, given the interest level in "the best-ever anchor book in many years" and "some very large market investors" coming on board.

"We feel very confident about the success of the transaction. We have seen significant support from foreign institutional investors... There are some very meaningful investors who participated in the main book of the transaction as well," he said.

"After the transaction, we've seen that interest has only gone up, and we are working on a select few transactions, which we hope to announce over the next few weeks," Vashista added. On the new-age market, Vashista said the pipeline for

that business has grown. "The ecosystem has evolved well and from a broader, country-level perspective, that is very additive, because it allows capital formation in that sector and allows more innovative businesses to tap market-based capital, both on the private side and public side."

"In terms of the pipeline, lots of conversations are happening all year round. People are choosing India as it offers an alternative to markets such as Singapore. But the most important element that we see is that the underlying growth of those businesses has been moving," he added.

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Shiprocket turns to supercharging its emerging business

Sowmya Ramasubramanian & Ranjani Raghavan

BENGALURU/MUMBAI

Logistics aggregator Shiprocket is looking to increase investments in its emerging businesses, contributing a fifth of the total revenue, as it gears up to log its first full year of profitability on an adjusted Ebitda level, a top executive said.

The Temasek-backed company, which is valued at over \$1 billion, will double down on three segments—cross-border shipping, checkout, and quick deliveries, among others—to fuel its next level of growth, at a time when the first two quarters of the current financial year are already profitable on an adjusted Ebitda basis, Saahil Goel, managing director and chief executive officer of Shiprocket, said in an interview with *Mint*.

For the firm, adjusted Ebitda is earnings before interest, depreciation and taxes, adjusted for employee stock options (Esop) expenses.

"Our core business is already profitable and we continue to reinvest the profits into the emerging verticals. These businesses together, which used to be very minuscule years ago, already account for a fifth of the total revenue," Goel said.

Launched in 2017, Shiprocket aggregates third-party logistics players like Delhivery, FedEx, Blue Dart, and Shadowfax to fulfill orders for large corporations and small and medium businesses. To date, it has raised upwards of \$233 million from Temasek, Lightrock, Bertelsmann, and listed food delivery player Zomato, among others.

It joined the coveted unicorn club in 2022 after raising \$32



Shiprocket aggregates third-party logistics players. **MINT**

million.

Last year, it secured an additional \$11 million in an extended Series E round from McKinsey.

An investment unit of Koch Industries, the second largest privately owned business group in the US, is looking to buy a minority stake in Shiprocket, *Mint* reported in August.

Shiprocket launched Shiprocket X, its cross-border service, two years ago to facilitate shipping to more than 220 countries, including the US, Australia, and Germany.

Shiprocket Checkout was rolled out to enable direct-to-consumer brands with services such as payment gateway integration and quick order checkout solutions.

The emerging businesses are growing 70-100% year-on-year and the fastest-growing verticals will attract the highest investment, according to Goel. sowmya.r@livemint.com



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

'Godfather of AI' finds India lacks something

Meta's AI chief sees potential for the technology in various sectors in India

Leslie D'Monte
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NEW DELHI

Meta Platforms Inc.'s chief AI scientist, Yann LeCun, was in Davos for the annual World Economic Forum meeting in January when he met Nandan Nilekani—the Infosys co-founder at the vanguard of India's many technological advances. That meeting, LeCun says, partly triggered his decision to visit India a third time.

Nilekani "introduced me to India's dynamic ecosystem," he said in an interview with *Mint* on the sidelines of Meta's first 'Build with AI Summit' held in Bengaluru on Wednesday.

"I recently saw innovative ideas during our hackathon (a 30-hour 'AI Hackathon with Meta Llama' held in Bengaluru this month). AI tools like Meta AI, accessible through WhatsApp and Messenger, have gained massive traction, with India hosting the largest user community globally," LeCun said. "We have also run experiments in rural India, introducing Meta AI, which people adopted immediately. This shows AI's potential across sectors such as education, healthcare, agriculture, and business," said LeCun, donning the Ray-Ban Meta glasses that the company has not yet introduced in India.

LeCun's decision to visit India was also "reinforced by policy experts who urged me to explore the country's scientific, developer, and governmental landscape, emphasizing that platforms like Llama could have a major impact here," he said. Llama comprises large language models (LLMs) developed by Meta. But, he underscored, "what is missing in India are the world-class research labs outside universities", which he said could motivate students to pursue AI careers within India.

LeCun pointed to a similar transformation in France "when we opened the FAIR



Meta Platforms Inc.'s chief AI scientist Yann LeCun.

(Fundamental AI Research) Lab in Paris. It catalyzed the local AI ecosystem, inspiring students to pursue graduate studies and encouraging firms to set up research labs". FAIR Paris now produces around a dozen PhD graduates annually. He believes India could replicate this model.

Meta operates in India through Facebook, WhatsApp, and Instagram. It also

is also exploring metaverse opportunities.

LeCun, who is also a professor at New York University, is regarded for his contributions to deep learning—a machine learning technique. He is referred to as 'Godfather of AI', along with Geoffrey Hinton, who won this year's Nobel Prize for Physics, and Yoshua Bengio, professor of computer science at Montreal University. All three of them were recipients of the 2018 ACM Turing Award, referred to as the 'Nobel Prize in Computing'. LeCun is known for his optimistic view of AI, which contrasts with more cautionary voices like those of Hinton or Elon Musk.

Acknowledging that AI systems will evolve to possess common-sense reasoning, planning abilities, and persistent memory, making future deployments easier, LeCun asserted that "achieving human-level AI will take time—optimistically within a decade... We're going to get there. There's no question."

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AI IN INDIA

AI tools have gained massive traction, with India hosting the largest user community, Yann says

HE says experiments were run in rural India, introducing Meta AI, which people adopted

YANN says world-class research labs outside universities can push students to pursue AI careers

supports small and medium-sized enterprises with digital tools and partners with universities on AI research. Nilekani's Infosys Ltd, for instance, on Wednesday announced a partnership with Meta to advance innovation in generative AI through open-source projects. Other than collaborations and providing open-source AI models to the Indian ecosystem, Meta

Mastercard to tap India's credit boom

Bloomberg
feedback@livemint.com

Mastercard Inc. is looking to expand its base of partners and services to tap into the growing credit opportunity in India where the use of digital payments has surged.

Digital transactions in India have jumped 39% to 187.4 billion rupees (\$2.2 billion) in fiscal 2024, largely spurred by the public infrastructure platform Unified Payments Interface, or UPI, according to data from Reserve Bank of India. UPI accounted for 70% of all digital payments.

The global payments technology firm is working with its existing customer base of banks to see how it can help "widen their aperture" for products and services, according to Gautam Aggarwal, who heads South Asia for Mastercard.

The firm is also exploring partnering with non-traditional banks to provide credit to smaller towns and underserved segments like small businesses, farmers and women entrepreneurs, Aggarwal said.

The wide-scale adoption of UPI has turbocharged India's digital economy and is helping deepen financial inclusion as it brings in small businesses and unbanked individuals by creat-



Wide-scale adoption of UPI has turbocharged India's digital economy. **MINT**

ing a financial record and credit history. The database is helping them access previously unavailable credit. "There is a huge opportunity in credit," Aggarwal said. One of Mastercard's initiatives in India is Community Pass, a farmer-focused digital marketplace where they can sell their produce and make purchases. The portal allows all credit cards as well as UPI for payments.

"Our aim has been to expand the ecosystem by making people aware of how they can harness the power of digital payments," Aggarwal said. UPI has not eaten a significant chunk of Mastercard's business, he said, since the payments spectrum in India has expanded—from cash to UPI, debit, prepaid cards and credit cards.

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HUL spots urban stress after Nestle, optimistic on rural

FROM PAGE 1

The management attributed the demand slowdown in urban markets to elevated food inflation and the statistical impact of a high base in the comparable year-ago period. HUL's financial performance is viewed as a proxy for the broader Indian consumer sentiment.

Meanwhile, rural growth is steadily picking up for the fast-moving consumer goods (FMCG) market.

"Rural growth is gradually coming back, and has now surpassed urban growth for at least a few quarters, even in this quarter. Rural areas are growing steadily, though it is not a dramatic change. The trend is positive. Factors like favourable weather, a good monsoon, and positive outcomes from the kharif crop bode well for rural demand," Jawa said. "Rural growth is crucial, as it represents about a third of our business and is also significant for the broader economy since a large part of India's population lives there."

The overall growth has been "tepid" and will remain so in the near term, with rural overtaking urban in the longer term.

The company reported a 3.86% year-on-year (y-o-y) dip in the September-quarter profit. Net profit stood at ₹2,612 crore, compared to ₹2,717 crore a year ago. Sales rose 1.51% to ₹15,508 crore from ₹15,276 crore a year earlier. The quarterly revenue included a one-off credit from a favourable resolution of a past indirect tax litigation. HUL announced an interim dividend of ₹19 per share and a special dividend of ₹10.

HUL remained optimistic about rural markets, which are showing signs of gradual improvement



HUL reported underlying volume growth of 3% during the quarter.

HUL reported underlying volume growth of 3% during the quarter, lower sequentially but higher y-o-y. In the same quarter last year, it saw a volume growth of 2%.

Jawa said premium-priced products continue to grow ahead of mass and popular-priced products, indicating stress in middle-income households.

The HUL board has also decided to separate its ice-cream business.

"There are two modes of separation: we could either sell the business or de-merge and list it. Both options are being evaluated.

An independent committee has been appointed to assess the best path forward, with the main objectives being to maximize shareholder value and minimize business disruption." Ritesh Tiwari, chief financial officer at the company, said.

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Montecarlo looks to sell nine road assets in \$360 mn deal

These road assets fall under the hybrid annuity model, which is considered attractive

Utpal Bhaskar
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NEW DELHI

Ahmedabad-based Montecarlo Ltd, an engineering procurement and construction (EPC) company, is exploring the sale of nine road assets in a deal expected to have an enterprise value of around \$360 million (about ₹3,025 crore), said two people aware of the development.

These nine road assets, or projects, fall under the so-called hybrid annuity model (HAM), which is considered attractive due to its risk-mitigation qualities.

Even so, Montecarlo's decision to sell its entire stakes in the nine road assets comes amid multiple project delays and a significant inventory build-up in the road sector, with several deals in play.

A recent case in point is Cube Highways emerging as the front runner to acquire the road assets of Athaang Infrastructure at an equity value of about ₹4,000 crore, as reported by *Mint*.

Cube Highways is one of India's largest private operators of toll roads. Athaang Infrastructure is incubated by the government-backed quasi-sovereign National Investment and Infrastructure Fund.

Montecarlo has operations in the highway, irrigation and water, mining, energy infrastructure, and building sectors.

"The Montecarlo transaction to sell nine HAM assets is ongoing," said one of the two people cited above, requesting anonymity.

Queries emailed to a Montecarlo spokesperson on Monday evening remained unanswered.

Experts say HAM projects are attractive from a risk-mitigation perspective.



Investor interest in the highway space has sustained despite the pace of highway awards slowing down.

Under the HAM model, a concessionaire is compensated by fixed annuity payments during the construction, operation, and maintenance phases. Also, 40% of the construction annuity

fund houses and InvTs (infrastructure investment trusts) due to its risk-sharing structure, where the government funds 40% of the project during construction," said Jagannarayan Padman-

abhan, senior director and global head of transport, logistics and mobility, at Crisil Ltd.

"However, some InvTs are avoiding construction risks which involve

uncertainties like delays and cost overruns. These institutions prefer operational assets that offer more predictable, steady cash flows, reducing exposure to the risks tied to greenfield projects," Padmanabhan added.

"As a result, HAM remains attractive primarily for its risk mitigation, but mainly appeals to those seeking long-term income from operational assets rather than construction-phase investments."

Investor interest in the highway space has sustained despite the pace of highway awards slowing down. The number of highway awards in the current financial year is expected to be 8,000km, compared with 8,581km in 2023-24.

The government, on its part, has front-loaded its ₹2.72 trillion capital expenditure in 2024-25 for road and highway construction.

As for Montecarlo, the company had 10 HAM road projects at the end of March, according to a 15 April report by India Ratings and Research. Of these, four had been completed, while six were under construction, entailing a total equity commitment of ₹790 crore, of which ₹420 crore had been infused till 31 March, it said.

"The project progress of the stated EPC road project was sluggish during FY24, mainly attributed to the heavy monsoon during the year. The management has applied for extension of time," India Ratings said.

Of Montecarlo's six under-construction road projects, five were behind schedule at the end of March mainly because of delays in the authorities handing over the land, heavy monsoon rains, and delays in utility shifting or design finalisation, the rating agency said.

It added that Montecarlo had received an extension for three of those projects and was likely to receive an extension for the other two as well.

EASING BURDEN

MONTECARLO, an EPC firm based in Ahmedabad, is exploring the sale of nine road assets

THE proposed deal is expected to have an enterprise value of around \$360 million

THE road assets are built under hybrid annuity model, seen as attractive for its ability to reduce risks

MONTECARLO'S decision comes amid project delays and inventory build-up in road sector

Border chill may thaw, FDI bar to stay

FROM PAGE 1

other measures.

Prime Minister Narendra Modi's and Chinese President Xi Jinping's first bilateral talks since 2019 on Wednesday on the sidelines of the Brics Summit in Russia, which comes after a deal to disengage at the 'line of actual control', raises optimism within the government and among experts as the two economies are seen to be closely interlinked by trade.

Some key economists in the government have argued in favour of having an open mind about FDI from China. The 2023-24 Economic Survey prepared by chief economic advisor in the finance ministry V. Anantha Nageswaran and his team had proposed that FDI from China may be looked at in a more favourable light.

NITI Aayog member Arvind Virmani, too, had told *Mint* in an interview published on 5 August that India should explore setting up factories in joint ventures (JVs) with companies from countries that export heavily to India, in order to start manufacturing such products locally and cut down on their imports.

The commerce ministry official quoted earlier also said that India may consider rejoining the Regional Comprehensive Economic Partnership (RCEP), if relations improve between the two countries.

India had withdrawn from the RCEP in 2019, primarily due to concerns over China's growing influence in the agreement.

"The government is on a wait and watch mode," the first person quoted earlier said.

Ankush Wadhwa, partner and managing director for India at Boston Consulting



After the Galwan Valley clash in June 2020, India imposed several trade and economic curbs on China.

Group, said that the world and India are both focused on creating a China-plus-one strategy in electronics, but the same cannot happen without China's own support.

"Most product reference designs are made keeping China's components ecosystem in mind," said Wadhwa. "While India also wants to make components locally, product designing in India may not take off until the designs become compatible with China's component ecosystem to begin with, subsequently

leading to import substitution of those components."

Peeyush Vaish, partner and leader for tech, media and telecom at Deloitte India, said that while there would be no immediate impact on India's electronics industry, in the long run, "better relations can even open up China as an export destination for select sectors".

After the Galwan Valley clash in June 2020, India imposed several trade and economic curbs on China.

India's imports from China rose, while exports largely stagnated since the Galwan clash, said Ajay Srivastava, founder of the Global Trade Research Initiative (GTRI).

"Imports from China, particularly in labour-intensive sectors like textiles, furniture, and toys, often outcompete Indian small firms. With Chinese companies expanding in energy, electronics, and telecom, imports are expected to keep rising. It is China that needs to allow easier entry of Indian goods and not the other way round," said Srivastava.

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Centre shifts to short-term goals to speed up work on highways

FROM PAGE 1

even the balance projects under the programme could get separate clearance," one of the two people cited above said on the condition of anonymity.

The government wants to focus on quicker clearance and implementation of new road projects, many of them multi-lane access-controlled roads which are more complex, the people cited above said. As highway construction matures, the length of highway construction per year may decline, but lane kilometres may rise.

While the Vision 2047 Plan remains intact, it would be more of a vision document, while project approvals and implementation will be more short-term, the person quoted earlier added.

The Vision 2047 plan involved investment approvals over a longer duration, and projected highway construction till 2047, when India celebrates 100 years of independence. Pursuing this plan, the ministry had suspended the Bharatmala-1 programme midway and junked the proposed



The Centre is eyeing quicker clearance and implementation of new road projects.

Bharatmala-2, deciding to integrate unfinished projects under them into Vision 2047.

A query emailed to the road ministry remained unanswered till press time.

The annual project identification approach aims to adapt more dynamically to changing infrastructure requirements, and allows for better coordination and synergies with schemes in other sectors, according to Kushal Kumar Singh, a partner at Deloitte India.

"Long-term vision and short-term flexibility are both necessary for the highway sec-

tor, as they provide a balanced approach to infrastructure development," he said.

The ministry had earlier indicated that after the Lok Sabha elections, it would try to secure approval for a ₹20 trillion plan, involving building over 75,000km of highways over the next decade and a half, including 50,000km of access-controlled highways or expressways by 2037. The Vision plan itself would have set long-term goals for MoRTH, integrating unfinished projects under Bharatmala-1 for completion.

"With programme-based construction for the last 25 years having achieved maturity, the project approach facilitates more dynamic response to evolving needs like certain regions requiring urgent connectivity or if traffic patterns change. Annual planning can also accelerate approvals if there is a well-structured process for project evaluation and funding," said Davinder Sandhu, co-founder and chairman at Primus Partners.

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The facility will not only reduce the cost of capital for GEPL but also reduce its risk of refinancing, this person added.

The promoter company's current cost of borrowing could not be determined.

"Over recent years, we have successfully reduced a significant quantum of corporate debt," Kiran Grandhi, corporate chairman of GMR Group, said in the aforementioned press statement. "This investment from ADIA will facilitate the repayment of all external debt at GEPL, strengthening our ability to support the continued growth of GAL."

GEPL had a finance cost of ₹866 crore in FY24, which was higher than the ₹840 crore in FY23, as per its FY24 annual report. The company recorded a loss of ₹592 crore in fiscal 2023-24. For ADIA, the investment will give it indirect exposure to the lucrative airports business in India. If the borrower fails to repay at the end of the loan tenure, the investor will have the option of converting the debt into an equity stake in the company, the person cited above said without elaborating further.

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Wall Street pros get into position to profit from a Trump win

FROM PAGE 1

has pledged sweeping tariffs of 10% to 20% on imported goods, and 60%-plus levies on goods from China. Economists say cost increases are usually passed on to consumers.

Last week, Dowling flew from London to the U.S. to meet policymakers and lobbyists, and said he was "struck by the fact that Republicans are feeling more confident than I expected."

"At the start of the week, I picked up that narrative, and I started thinking 'This is much more skewed toward Trump than I realized,'" he said.

The willingness of some

investors to trade the election marks a switch from just weeks ago, when many said the race was too close to call and their focus was instead on interest rates and earnings. Once Trump's betting odds started improving, the election became more of a priority.

"It's absolutely fair to say that the election has become a lot bigger of a driver in markets," said Themis Fiatakis, global head of foreign-exchange and emerging-markets macro strategy at Barclays. He ties recent declines in the Chinese yuan and Mexican peso to Trump's momentum. Trump recently said he could impose

200% tariffs on vehicles from Mexico.

"The moves are big, and the implied moves" in the options market are big, Fiatakis said. Betting against the currencies, and on the dollar, "is no longer a cheap no-brainer like it was two or three weeks ago."

With Election Day nearing, investors say they are on high alert for changes in the competitive dynamic. Many are thinking about possible surprises on or after Nov. 5, particularly if the results are challenged or there are vote-counting delays.

"We don't have a crystal ball," said Vineer Bhansali,



With Election Day nearing, investors say they are on high alert for changes in the competitive dynamic.

founder of the California hedge-fund firm Long Tail Alpha. "The approach for us, what's not priced into the mar-

ket?" He said a similar stance paid off in 2016.

Bhansali recently bought bullish call options that would

pay out if stocks rise. His gains in a Harris victory would be larger because markets currently consider her the underdog.

"The market has an expectation that, generally, a Trump win is good for the market and that a Kamala win would be bad for the market," he said. "I think there is a possibility that if Kamala wins...markets could rally."

Through options, he could also benefit if stocks turn choppy after Election Day—a

wager Bhansali said he made in case the result is uncertain.

Still, some managers are playing it safe. Many hedge funds are likely hesitant to

make big wagers that could jeopardize this year's strong gains, said Jon Caplis, chief executive of PivotalPath. An index compiled by his research firm shows hedge funds are up 8.3% through September after fees.

"The incentive for any of them to make big bets on what still seems pretty uncertain, it

just doesn't behoove them or their investors," Caplis said.

Zachary Kurz, founder of Pinnbrook Capital, a New York-based hedge-fund firm that oversees \$500 million in assets, said he expects to reduce some positions ahead of the vote. He pointed to how unpredictable the result—and the market reaction—might be. "The Mexican election surprised people negatively, the Indian election surprised people negatively and the French election surprised people negatively," Kurz said.

Peter.Rudegear@contributed.to.this.article

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SC restores insolvency case against Byju's

Top court raps NCLAT; decision shifts control from founder to creditors

Krishna Yadav & Mansi Verma
NEW DELHI/MUMBAI

In a blow to the once-high-flying edtech giant Byju's, the Supreme Court (SC) on Wednesday overturned a decision that had halted insolvency proceedings against the company. The ruling mandates that Byju's follow established protocols under the Insolvency and Bankruptcy Code (IBC) to resolve its ₹158 crore debt to the Board of Control for Cricket in India (BCCI).

The order marks a pivotal moment in Byju's financial crisis, effectively shifting control of the company from founder Byju Raveendran to its creditors. The decision is welcome news for Glas Trust Co. LLC, a US-based financial creditor, which had challenged the National Company Law Appellate Tribunal's (NCLAT) earlier order halting the insolvency process.

For the BCCI, the decision pushes it further down the queue among operational creditors.

The Supreme Court mandated that Byju's deposit the ₹158 crore settlement amount, previously agreed upon with the BCCI, into an escrow account overseen by the Committee of Creditors (CoC). This directive aligns with the court's 26 September order, instructing the interim resolution professional (IRP) to maintain the status quo and refrain from convening CoC meetings until the judgment was delivered.

The court emphasized that while Byju's and the BCCI may continue to pursue their settlement, it must do so under the strict supervision of the IRP and CoC, adhering to the established procedures outlined in the IBC.

The case has been sent back to the NCLT for fresh adjudication, with clear instructions that any settlement application must be submitted through the IRP rather than the company's management.

"Since the Supreme Court has clarified that inherent powers under Rule 11 cannot



The apex court order marks a pivotal moment in Byju's financial crisis.

BLOOMBERG

be used to circumvent the proper process, the settlement will now need to be presented formally by the Resolution Professional before the NCLT," said Shiv Sapra, partner at Kochhar & Co.

A three-judge bench led by Chief Justice D.Y. Chandrachud criticized the NCLAT for misusing its inherent powers under Rule 11 of the NCLAT Rules, 2016, to permit the withdrawal of an insolvency application. The top court emphasized that where specific procedures exist for withdrawal, the NCLAT cannot bypass them by invoking its inherent powers.

The court clarified that once an insolvency application is admitted, only the IRP has the authority to file withdrawal requests on behalf of the debtor, not the parties involved.

It further underscored that managing the debtor's affairs becomes the IRP's responsibility upon admission of the case, meaning any settlement or withdrawal requests must align with Section 12A of the IBC and follow the process outlined in

Regulation 30-A of the IBBI (Insolvency and Bankruptcy Board of India) Rules.

The Supreme Court noted that the NCLAT's error lay in approving the settlement directly, bypassing the National Company Law Tribunal (NCLT), which holds primary jurisdiction over such withdrawals.

Previously, on 2 August, the NCLAT had dismissed insolvency proceedings against Byju's and approved the settlement with BCCI. This ruling followed Riju Raveendran raising ₹158 crore to repay the cricket board, temporarily restoring Byju Raveendran's control over the company's operations.

On 14 August, the Supreme Court had directed BCCI to deposit the ₹158 crore settlement amount into a separate escrow account pending the outcome of Glas Trust's appeal.

COURT'S MANDATE

BYJU'S must deposit ₹158 cr settlement into an escrow account, overseen by a creditors' panel

RULING mandates that Byju's follow protocols under IBC to resolve its debt to the BCCI



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Over half of Uber's India fleet comprises bike taxis, autos

Varun Sood
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BENGALURU

Bike taxis and autos outnumber cars on Uber Technologies' fleet of 1 million taxis in the country, accounting for about a third of the American ride-hailing company's total revenue.

The San Francisco-headquartered company also claims that 3% or 30,000 of its taxis, including cars, bikes and autos, are electric, making it the ride-hailing platform with the biggest electric fleet in India. "We have made significant progress for the last two to three years. We are seeing more trips on two-wheelers and three-wheelers today than four-wheelers. I'll say there are a little more than 500,000 two-wheelers and three-wheelers. Remember, we were always the car-based service for the longest part of our business," said Prabhjeet Singh, president of Uber India and South Asia, in an interview with *Mint*.

"These (bikes and autos) tend to be lower-priced products. (However) they are among the fastest-growing parts of our business. Our core car-hailing business is growing in the mid to high 20s year on year, and this segment (bike taxis and auto) is growing much faster. So if more than half the trips are happening on two-wheelers and three-wheelers, about a third of the revenue will be coming from these categories," said Singh.

Uber, which started operations in India in 2013, launched its two-wheeler service Uber Moto in 2016 and started getting three-wheeler autos two years later. However, the platform saw a significant



The company claims that 3% or 30,000 of its taxis, including cars, bikes and autos, are electric.

MINT

jump in the last two years.

The cheaper cost of ownership of bikes and autos compared to buying a car is one reason why more people are looking to join ride-hailing apps like Uber. However, this rapid growth in the two-wheeler and three-wheeler space could also be due to working-class people looking at end-to-end transportation as more cities see a rise in Metro line connectivity.

"Bike taxis and autos are preferred for shorter commutes. In a city like Mumbai or Bengaluru, getting an auto alone is difficult if you intend to travel a short distance. Here, an app like Uber is useful," said Neil Shah, vice president and partner at Counterpoint Technology Market Research. "As metro networks expand in bigger cities, people are looking at auto and bike taxis as a preferred option when commuting from work to metro station and then again from office to metro station."

Shah of Counterpoint Technology believes Uber could enter the food-delivery space again because it may want to optimise using bike taxis dur-

ing non-peak hours.

For now, Uber's focus remains steadfast on mobility, ensuring that it continues to provide efficient and reliable transportation services to its users.

"Today, two-wheeler drivers offer mobility services. Many times, they also deliver packages. We already have a work package product available, and drivers like that because there are certain hours of the day when they tend to find more demand for carrying packages, etc. Right now, we are very much focused on the mobility pie. The two-wheeler ride-hailing business itself is so under-penetrated. We are obsessed with building that out. (But) Never say never to other opportunities," said Singh.

Uber sold Uber Eats to Zomato for \$206 million in 2020 as part of the restructuring undertaken by the CEO Dara Khosrowshahi, who was brought in to turn around the company in September 2017. Uber also got a 9.99% stake in Zomato as part of this transaction. By the end of August 2022, Uber sold its entire stake in Zomato for \$376 million.

Zomato, at the end of Wednesday, had a market cap of \$27.7 billion.

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Insurance JVs in India: Jio in talks with Allianz

Bloomberg
feedback@livemint.com

Jio Financial Services Ltd, controlled by billionaire Mukesh Ambani, has held talks with Allianz SE to set up an insurance partnership in India as the German firm seeks to scrap two existing joint ventures in the country, people familiar with the matter said.

Allianz and Jio Financial are looking to establish a general insurance and a life insurance company in India, the people said. The discussions are in early stages and both parties may decide not to proceed with the plan, they said.

The Munich-based firm has indicated to its current partner Bajaj Finserv Ltd that it's "actively considering an exit" from the ventures, according to a statement from Bajaj on Tuesday. Allianz "has indicated that it remains committed to the Indian insurance market," according to the statement. The break-up centers around a dispute over the direction of the partnership, people familiar with the matter had said.

A spokesperson for Jio Financial said the firm is unable to comment on speculation. "If and when there are any material developments with respect to the company, we will continue to make necessary disclosures in accordance with our obligations, as we always have," the spokesperson added. Allianz doesn't comment on market rumors, a Munich-based spokesperson said.

Jio Financial runs a shadow bank and an insurance brokerage and has joined forces with BlackRock Inc. to start an asset management business. Setting up insurance operations will help further the Ambani unit's ambition of becoming a financial services behemoth.



(L-R) Mr. Mukesh Kumar Jain, Senior Director - Sales, Dun & Bradstreet India, Mr. Shubhranshu Singh, Chief Marketing Officer, Tata Motors Commercial Vehicles, Mr. Vipul Oberoi, Director - Marketing, Dun & Bradstreet India

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MARKETING MAVERICKS 2024

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4	Arvind Saxena, Head - Marketing Centre of Excellence (MCoE) - Global Smart Cities & CMO, NEC Corporation India
5	Charandeep Singh, CMO & Head - CX, TVS Credit Services Limited
6	Govind Sharma, CMO, KEI Industries Limited
7	Manish Sridhar, Group Head - Marketing, Quess Corp Limited
8	Megha Agarwal, CMO, Table Space
9	Naved Chaudhary, Head - Marketing & PR, Ingram Micro India, Ingram Micro India Private Limited
10	Nitu Sharma, Head of Marketing India, Iron Mountain India
11	Nupur Singh, Head - Marketing & PR, Moglix
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20	Shamini Martin, VP, Marketing (CMO), Trigent Software
21	Sudhakar Rao, Director, Branding & Communications, ICFAI Group
22	Tarun Devasia, CMO, Ramco Systems
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Corporate Office: Max Life Insurance Company Limited, 11th Floor, DLF Square, Jacaranda Marg, DLF City Phase II, Gurgaon - 122002 (NR in India)

Standalone Financial Results							
S. No.	Particulars	Three Months Ended / As at			Six Months ended / As at		Year Ended / As at
		September 30, 2024 (Audited)	June 30, 2024 (Audited)	September 30, 2023 (Audited)	September 30, 2024 (Audited)	September 30, 2023 (Audited)	
1	Premium Income (Gross) ¹	7,73,828	5,39,852	6,62,487	13,13,680	11,49,562	29,52,898
2	Net Profit / (Loss) for the period (before Tax, Exceptional and/or Extraordinary Items)	11,631	15,076	15,747	26,707	26,045	37,487
3	Net Profit / (Loss) for the period before Tax (after Exceptional and/or Extraordinary Items)	11,631	15,076	15,747	26,707	26,045	37,487
4	Net Profit / (Loss) for the period after Tax (after Exceptional and/or Extraordinary Items)	10,047	13,033	16,996	23,080	25,880	35,967
5	Total Comprehensive Income for the period (Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)) ²	NA	NA	NA	NA	NA	NA
6	Equity Share Capital (paid up)	2,06,139	2,06,139	1,91,881	2,06,139	1,91,881	1,91,881
7	Reserves (excluding Revaluation Reserve and Fair Value Change Account)	3,74,874	3,62,354	1,90,809	3,74,874	1,90,809	2,01,837
8	Earning Per Share (Face value of ₹10 each)						
	1. Basic (not annualised for three/six months) (in ₹)	0.49	0.64	0.89	1.13	1.35	1.87
	2. Diluted (not annualised for three/six months) (in ₹)	0.49	0.64	0.89	1.13	1.35	1.87

(NR in Lakhs)

Additional details based on Standalone Results of the Company as per Regulation 52(4) of SEBI LODR are as under:

S. No.	Particulars	Three Months ended / As at			Six Months ended / As at		Year Ended / As at
		September 30, 2024 (Audited)	June 30, 2024 (Audited)	September 30, 2023 (Audited)	September 30, 2024 (Audited)	September 30, 2023 (Audited)	
1	Total Borrowings	49,600	49,600	49,600	49,600	49,600	49,600
2	Debt Equity Ratio (no. of times) ³	0.08	0.09	0.13	0.08	0.13	0.13
3	Debt Service Coverage Ratio (no. of times) ⁴	13.42	17.30	17.78	15.35	14.98	11.07
4	Interest Service Coverage Ratio (no. of times) ⁵	13.42	17.30	17.78	15.35	14.98	11.07
5	Capital Redemption Reserve / Debenture Redemption Reserve	2,588 / 3,968	2,588 / 2,976	2,588 / 2,976	2,588 / 3,968	2,588 / 2,976	2,588 / 2,976
6	Net Worth ⁶	5,85,183	5,69,892	3,78,515	5,85,183	3,78,515	3,91,889
7	Current Ratio ⁷	1.07	1.13	1.20	1.07	1.20	1.42
8	Current Liability Ratio ⁸	0.02	0.02	0.02	0.02	0.02	0.02
9	Total Debt to Total Assets ⁹	0.00	0.00	0.00	0.00	0.00	0.00

Notes: 1) Premium Income is gross of reinsurance and net of Goods & Service tax.
2) Debt Equity Ratio is calculated as Total Borrowings divided by Networth. Net worth is shareholders funds including Credit / (Debit) Fair Value Change Account and excluding Realized Hedge Reserve - Policyholder.
3) DSCR is calculated as Profit before interest and tax divided by interest expense together with principal repayments of long-term debt during the period.
4) ISCR is calculated as Profit before interest and tax divided by interest expense.
5) Net worth is shareholders funds including Credit / (Debit) Fair Value Change Account and excluding Realized Hedge Reserve - Policyholder.
6) Current Ratio is current assets (cash and bank Balance and advances & other assets) divided by current Liabilities and provisions.
7) Current Liability Ratio is computed as current liability divided by total liability. Total liability includes borrowings, liabilityholder liabilities, Fund for Future Appropriation, current liability, provision and realized hedge fluctuation reserve.
8) Total Debts to Total Assets is total borrowings divided by total assets as per balance sheet.
9) The new Indian Accounting standard (Ind AS) are currently not applicable to insurance companies in India.
10) Credit Rating: "CRISIL AA+ Stable" and "ICRA AA+ Stable".

Note: The above is an extract of the detailed format of quarterly Financial Results filed with the Stock Exchange under Regulation 52 of the SEBI (Listed Obligation and Other Disclosure Requirements) Regulations, 2015. The full format of Quarterly Financial Results are available on the Stock Exchange website (www.sebindia.com) and the company's website (www.maxlifeinsurance.com)

Place: Gurugram
Date: October 22, 2024

For and on behalf of the Board of Directors
Prashant Tripathy
Managing Director & CEO
(DIN: 08260516)

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Slump at RINL could cause pain for construction sector

Khushi Malhotra & Nehal Chaliawala

MUMBAI

Prices of steel rebars, a key component for construction, have seen a rise in recent months and can increase further in the coming weeks as building activity gathers pace post-monsoon, experts said, raising margin concerns for real estate and infrastructure firms.

The price increases are partly due to a supply shortage amid a production slump at state-owned Rashtriya Ispat Nigam Ltd (RINL), a major manufacturer of long steel, which is used to make rebars.

Average rebar prices saw a cumulative uptick of ₹2,400 per tonne over two consecutive weeks in late September and early October, according to a report from BNP Paribas dated 7 October. That translates into a price hike of about 4-5%. JSW Steel Ltd and ESL Steel Ltd hiked rebar prices by about ₹1,000 per tonne while Jindal Steel and Power Ltd raised prices by ₹2,000 per tonne during this period.

The prices are expected to rise further in the coming weeks as demand rises. In India, construction activity peaks in the latter half of a financial year, post the monsoon season.

"We expect a sharp rise in rebar prices due to the RINL production cuts. RINL is a big player in terms of long products capacity and their production cuts are causing 4.5-5 million tonnes of annual shortage," said Priyanka Biswas, India analyst, industrials, logistics and metals, BNP Paribas.

"In April-May also, rebar prices went up when workers at the Gangavaram port (in Andhra Pradesh) went on a strike, curtailing RINL produc-



Average rebar prices saw a cumulative uptick of ₹2,400 per tonne over two weeks in late September and early October. BLOOMBERG

tion," he said.

Steel represents about 20% of the input cost of construction firms, according to Kushagr Ansal, director, Ansal Housing.

"Steel prices have seen a moderate increase in recent weeks, though the impact on our margins is currently manageable," he said. "At present, we're focused on optimizing resources to absorb the impact. If prices continue to rise, we may need to reassess our pricing strategy for future projects."

RINL, which operates the Visakhapatnam steel plant in Andhra Pradesh, has been facing cash woes and has missed debt repayments since July. The company has an annual production capacity of 7.3 million tonnes, one of the largest among makers of long steel products in India.

However, only one of its three blast furnaces is operational and that too at partial capacity, said people in the know. This is creating a shortage of rebars.

What is also exacerbating the situation is that the state-owned National Highways

Authority of India has barred several secondary steelmakers from supplying rebars due to quality lapses, according to analysts at BigMint, a market intelligence firm. This is further pushing up the prices of rebars sold by primary manufacturers like RINL, they said.

Primary steelmakers are those that smelt iron ore into steel in large blast furnaces. Secondary steelmakers melt steel scraps and iron in smaller electric arc furnaces to make steel. The quality of primary steel usually tends to be superior, and the products are also pricier.

Pradeep Aggarwal, chair of real estate firm Signature Global (India) Ltd, said the steel price hikes are a relatively minor concern, and the company is taking a proactive, long-term planning approach to ensure that contingencies are in place to safeguard margins. "We remain confident that these (price) adjustments are temporary, and our thorough planning ensures resilience in navigating industry fluctuations," he said.

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Rebar prices are expected to rise further in the coming weeks as building activity gathers pace post-monsoon

MPC surer of retail inflation aligning with RBI's 4% target

Unpredictable geopolitics, commodity prices and weather are the reasons for caution: MPC

Gopika Gopakumar
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MUMBAI

Members of the central bank's policy-setting panel are increasingly confident about inflation aligning with its target, even as they do not want to fritter away hard-won gains with an early rate cut. Minutes of the committee's latest meeting reveal the reasons for the caution: Unpredictable geopolitics, commodity prices, and weather.

The six-member monetary policy committee kept the policy rate unchanged at 6.5% on 9 October, while switching the policy stance to neutral from 'withdrawal of accommodation', the first such shift in two years. While five members voted to keep rates steady, all backed the change of stance.

"The balance between inflation and growth is well-poised. Despite the near-term uptick in inflation, the outlook for headline inflation towards the later part of the year and early next year points to further alignment with the 4% target," said Shaktikanta Das, governor, Reserve Bank of India.

"At this stage of the economic cycle, having come so far, we cannot risk another bout of inflation," he added, according to the minutes released on Wednesday.

Retail inflation in September accelerated to its highest in nine months at 5.49% primarily due to higher food prices. The central bank's medium-term inflation target is 4%, with a tolerance band of 2% on either side. At a fireside chat organized by Bloomberg later, Das cautioned that rate cuts at this stage would be "premature" and risky, puncturing market hopes of a cut in December.

MPC's external member Saugata Bhattacharya agreed that Dealing



The balance between inflation and growth is well-poised, said the Reserve Bank of India governor Shaktikanta Das in the MPC meeting minutes. MINT

household inflation has raised confidence about curbing inflation. "The arduous battle against inflation is far from won, but we are more confident of eventual success in bringing CPI inflation durably closer to the target. One important reason for this confidence is that household inflation expectations

is expected to average 4.5% in FY25, before aligning with the target on a durable basis in FY26.

This was also the first meeting of the MPC after half the members were newly appointed.

On growth, the committee members were divided. The RBI has projected

well as export markets is flagging, a rate cut could help to revive demand and help boost private investment. I believe that it is an opportune moment for RBI to start the process of normalizing the monetary policy," said Kumar.

Bhattacharya also expressed concerns around growth momentum showing a mixed picture, with uncertainty on aggregate demand. While economic indicators show growth slowing down, RBI surveys point to rising consumer confidence.

The third external member Ram Singh was more optimistic about growth, while expressing caution about food inflation remaining a source of uncertainty. "The moderation in headline inflation can be unsteady in the near term due to adverse base effects. Food inflation is expected to moderate later this financial year because of strong kharif and rabi sowing on top of adequate buffer stocks. Adverse weather events, however, remain un-insurable risks to food inflation," said Singh.

Patra brushed aside concerns around growth, but expressed caution about cutting rates too soon.

"It is possible to envisage that the persistence of inflationary pressures experienced so far could dissipate with a less restrictive stance of monetary policy," said Patra. "Reducing restraint too quickly may negate the progress made on disinflation," he added.

According to Madan Sabnavis, chief economist at Bank of Baroda, "While there is a sense that MPC members are confident of inflation getting aligned to the target, the broader question is when. Based on RBI forecasts and the recent number for September at 5.5% and possible 5% plus in October, it looks like a rate cut will not be feasible before February."

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

STAYING THE COURSE

RETAIL inflation in Sept accelerated to a nine-month high at 5.49% primarily due to higher food prices

DAS cautioned that any rate cuts at this stage would not only be "premature" but risky as well.

DECLINING household inflation has raised MPC's confidence about curbing inflation

MANY economists have revised their expectations of a rate cut to February next year.

remain well-anchored and trended lower in the latest survey round."

With inflation projected at 4.8% in the third quarter, many economists have revised their rate cut expectations to February next year. In a recent speech, RBI deputy governor and MPC member Michael Patra said that infla-

GDP growth outlook for FY25 at 7.2%. External member Nagesh Kumar

argued that industrial demand is flagging domestically and globally, which is hurting private investment.

"Given that inflationary expectations have been successfully anchored, and industrial demand in both domestic as

well as export markets is flagging, a rate cut could help to revive demand and help boost private investment. I believe that it is an opportune moment for RBI to start the process of normalizing the monetary policy," said Kumar.

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

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नि.वि. क्रमांक: 06/2024-25/
लेखा/खण्ड क्र. 01/न.पा.नि. मण्डलेश्वर
दिनांक: 21.10.2024

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01	2024_UAD_377846_1	OPERATION & MAINTENANCE OF Narmada Water Supply Of Capacity 363 MLD under Narmada Phase-III at Mandleshwar From Intake well to Break Pressure Tank, including qualified experienced trained staff for critical maintenance/ certification along with required consumables etc and reducing the power consumption.	1) 3 वर्ष 2) ₹21,38,09,160/-	1) ₹50,000/- 2) ₹10.69 लाख
02	2024_UAD_377847_1	Replacement of 1400 mm dia Gravity main Pipeline at from Intakewell to Water Treatment plant including all miscellaneous and All other allied civil works. (As per schedule).	1) 6 माह 2) ₹18,12,03,730/-	1) ₹30,000/- 2) ₹9,06,019/-

1. निविदा प्रपत्र ऑनलाइन जमा करने की अंतिम दिनांक : 23.11.2024 सायं 17:30 बजे तक

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

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मण्डलेश्वर

Jio eyes FWA exports as a managed service

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NEW DELHI

Reliance Jio aims to export its high-speed fixed wireless access (FWA) internet as a managed service rather than entering overseas markets directly as a telecom services provider, senior company officials said.

Having deployed nearly one million 5G sites in India since October 2022, the Mukesh Ambani-owned telecom operator views FWA as the biggest use case for 5G both in India and in other global markets.

"India market is extremely large and we're yet to tap into its full potential. FWA will be the biggest use case for 5G and we have set 100 million-home target for it. We're thinking of FWA as a managed service that we can supply to other markets," said one of the officials seeking anonymity. FWA is a technology which offers high-speed internet without copper



Jio views FWA as the biggest use case for 5G globally. MINT

or fibre connections, using point-to-point connections on 4G or 5G networks. JioAirFiber has 2.8 million of the 6 million connections in India.

Rival Bharti Airtel has also launched a similar service, AirFiber on its network, that now covers 1,300 cities. Vodafone Idea is also evaluating offering FWA, a top executive said.

According to Global Market Insights, global FWA market

was valued at \$32 billion in 2023 and is projected to grow at a CAGR of 13.4% between 2024 and 2032.

Ericsson's head of south east Asia and India market Andres Vicente told *Mint* recently that FWA has potential of reaching 100 million connections by 2030 in India. Jio set an even more aggressive target of adding 1 million FWA users every month.

"We have two options, operator model or give the technology to non-competing players in other markets. We don't want to be an equipment maker, we would prefer to be a digital services firm which has tech, connectivity and integrated apps," the official said.

Jio has entered Africa as an infrastructure provider via a partnership with Radisys, a subsidiary of Jio Platforms, and Ghanaian government's

Next-Gen Infra Co. (NGIC) to establish shared 4G and 5G fixed broadband infrastructure. NGIC is a public-private partnership between the government of Ghana, US-based telecom infra provider Radisys, digital infrastructure provider Ascend Digital, Finnish

tech and telecom company Nokia, Swedish telecom firm Ericsson and IT services major Tech Mahindra.

As infrastructure provider, Jio will offer expertise in large-scale, high-volume and low-cost core telecom infrastructure, a space it has perfected since 2016 in India with the launch of mobile and data service. "Our operating model is where we focus the most on to derive value from investment," the second official said. Jio seeks to address the Indian market before setting sights on overseas opportunities.

low-cost core telecom infrastructure, a space it has perfected since 2016 in India with the launch of mobile and data service. "Our operating model is where we focus the most on to derive value from investment," the second official said. Jio seeks to address the Indian market before setting sights on overseas opportunities.

The telecom services major will be offering expertise in large-scale and low-cost core telecom infrastructure

Coforge, Persistent stay on growth path

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BENGALURU

Information technology companies Persistent Systems Ltd and Coforge Ltd, the latest entrants to the \$1-billion annual revenue club, reported revenue growth for the three months ended September on the back of business from clients in the Americas, which accounted for most of their incremental income.

While both firms deploy different strategies as they chase the next \$1 billion, a commonality of their growth so far has been stability at the top. Persistent Systems, based in Pune, posted a 5.27% sequential and an 18.4% yearly jump in revenue to \$345.5 million, its second-straight quarter of quarter-on-quarter growth exceeding 5% and 18 straight quarters of overall revenue growth. Most of this came from North Ameri-



While Coforge's acquisition of Cigniti may boost its resources, Persistent remains focused on top accounts. ISTOCKPHOTO

can clients, which contributed \$16 million, or about 92%, of its incremental revenue of \$17.3 million. The company's net profit rose 5.4% sequentially to \$38.7 million. At Coforge, revenue and growth rate were higher than Persistent. Its revenue grew 26.8% sequentially and 32.8% on a yearly basis to \$369.4 million. The Americas

made up \$58.3 million, or about 75% of its \$78.4 million incremental revenue sequentially. Coforge's revenue, discounting acquisitions, stood at \$309.8 million, up 6.3% from the preceding quarter.

Coforge said in May it would acquire 54% in Cigniti Technologies, an AI & IP-led digital assurance and engineering ser-

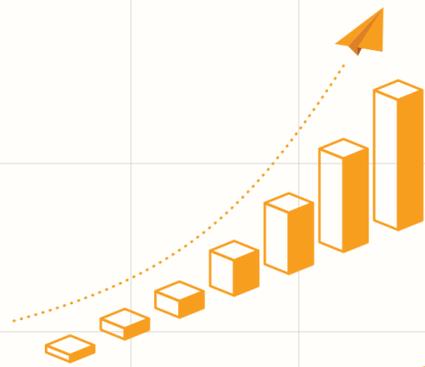
vices firm, for \$220 million by September. The acquisition would give a shot in the arm to Coforge's businesses by establishing three new verticals - retail, hi-tech, and healthcare.

The retail vertical will operate at almost \$100 million per annum. Hi-tech and healthcare will operate at about \$50 million per annum after the merger. Coforge told the stock exchanges on 2 May 2024. Its intent is to create scaled-up verticals in these three sectors to get a significant head-start with the acquisition.

While it didn't disclose revenue for retail, hi-tech, manufacturing, and healthcare verticals, it clubbed the revenue from these verticals as "others," which is now its second-largest cash cow. Coforge got \$96 million, or 25.9% of its revenue, from this segment in the quarter ended September.

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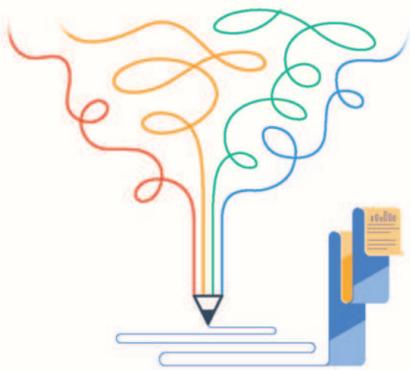
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Four people were killed in the attack in Kahramankazan, a small town some 40km north of Ankara.

Turkey says terror attack at defence company kills four

AFP
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ANKARA

Turkey said four people were killed in an attack on a state-owned defence company in capital Ankara on Wednesday, the deadliest "act of terrorism" in the country in nearly two years. "A terrorist attack was carried out against the Turkish Aerospace Industries... Unfortunately, we have martyrs and injured people," Turkey's interior minister Ali Yerlikaya wrote on X. Local media broadcast footage showing clouds of smoke and a large fire raging at the site in Kahramankazan, a small town some 40 kilometres north of Ankara.

Bloomberg reported that four people were killed in the attack. Haberturk TV said there was an ongoing "hostage situation" without giving further details, while the private NTV television spoke of gunshots after the blast, which took place around 4:00 pm. There was no immediate claim for the attack but the justice minister said an investigation had been opened.

NTV spoke of a suicide attack, saying "a group of terrorists" had burst into TAI's headquarters and one of them blew himself up. Images shown by Haberturk suggested one attacker was a woman, while Sabah newspaper published a CCTV image from cameras at the building's entrance of a black-clad young man with a moustache carrying a rucksack and what appeared to be an assault rifle.

The attack drew condemnation from transport minister Abdulkadir Uraloglu as well as opposition leader Ozgur Ozel, who heads the CHP.

"I condemn the terrorist attack against TAI facilities in Kahramankazan... I condemn terrorism, no matter who or where it comes from," Ozel

wrote on X. As per TAI's website, the state-run company, which is also a major arms producer, employs 15,500 people and has a vast production site covering an area of five million square metres.

The blast occurred as President Recep Tayyip Erdogan was in the Russian city of Kazan for the Brics summit of major emerging market nations, including Brazil, Russia, India, China and South Africa. Erdogan will hold talks with Russian President Vladimir Putin later on Wednesday. The Turkish city of Istanbul is hosting a major trade fair for the defence and aerospace industries at the moment, visited this week by Ukraine's top diplomat.

Turkey's defence sector, which is known for its Bayraktar drones, accounts for some 80% of the nation's export revenues. Contracts worth \$10.2 billion were signed last year, according to Haluk Gorgun, head of Turkey's state Defence Industry Agency (SSB). In the first eight months of this year, defence export revenues reached \$3.7 billion, up nearly

10% from same period a year earlier, Gorgun said.

The last attack in Turkey took place in January when a man was shot dead by two gunmen who opened fire inside a Catholic church in Istanbul.

That attack was claimed by Islamic State group jihadists. In October 2023, two policemen were injured in an attack in the government district in Ankara. Police shot dead one assailant while the other died in an apparent suicide blast outside the interior ministry. That attack was claimed by the PKK (Kurdistan Workers' Party) which has waged an insurgency against the Turkish state since 1984 in a conflict that has claimed tens of thousands.

Bloomberg contributed to this story.

The quarter-trillion-dollar rush to get money out of China

Chinese residents have been using everything from crypto to fine art to move their money overseas

Jason Douglas
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Chinese residents have been illicitly moving billions of dollars out of the country under authorities' noses as a cratering property market and economic uncertainties push people to find safer places to park their wealth overseas.

Moving fortunes out of China is hard: The country imposes strict capital controls that cap individual purchases of foreign exchange at \$50,000 a year. Violators can receive big fines, or even prison sentences, if they break the law.

Nevertheless, the stampede for the exit in the past few years appears to dwarf the outflows that occurred in 2015 and 2016, when an earlier property downturn propelled what at the time was the biggest episode of capital flight from China, in dollar terms, according to economists and a Wall Street Journal data analysis.

The Journal's tally suggests as much as \$254 billion might have left China illicitly in the four quarters through the end of June. That is a larger sum than fled the country almost a decade ago, when outflows raised fears of a possible financial crisis. However, estimates of such outflows are inherently imprecise and overall capital flight appears to be smaller today as a share of China's overall economy, which is now much larger.

Some of the missing money likely includes export earnings stashed overseas instead of being brought back to China in order to take advantage of higher deposit rates and investment opportunities abroad.

Even so, the trend is worrisome for Chinese policymakers. It adds to pressure on the currency at a time when officials are focused on tightly managing it, though recent attempts to jolt the economy with stimulus are buoying the yuan and Chinese stock markets, which might persuade people to keep more money in China for now.

It also underscores waning confidence in China's economic path among those with the resources and wherewithal to get their money out.

Unhappy investors
People use a variety of tried-and-tested, but risky, methods to get around the government's restrictions, such as shipping valuables overseas or overpaying for imports. Others are using newer methods such as ferrying computer hard drives loaded with cryptocurrencies to other jurisdictions to convert into hard cash.

Behind the exodus lies the Covid-19 pandemic, government crack-downs on the private sector and widespread fears that China's go-go days are behind it.

Economic growth is expected to



China imposes strict capital controls that cap individual purchases of foreign exchange at \$50,000 a year.

BLOOMBERG

slow to around 3% by the end of the decade, according to the International Monetary Fund, from 5% now and closer to 7% before 2020. China's epic property meltdown has incinerated an estimated \$18 trillion in household wealth since 2021, according to Barclays.

Although Beijing's latest stimulus measures, which include pledges of new fiscal spending, are likely to boost growth somewhat this year, it is too early to say if they will spark a durable economic turnaround.

Longer-term, the nation faces a fearsome challenge from an aging and shrinking workforce and is enmeshed in conflict with the U.S.-led West over issues ranging from trade to security and technology.

Government officials are trying to make examples of the people they catch violating the rules. In a case reported by state television broadcaster CCTV in September, Beijing police busted a group that helped move 800 million yuan, equivalent to \$112 million, overseas by trading in cryptocurrencies.

An earlier case in May involved a person who ostensibly worked at a travel agency but operated an illegal foreign-currency exchange business from Beijing, Xinhua state media reported.

China's State Administration of Foreign Exchange publishes records of people it has punished for violating capital controls. A man surnamed Liu, from Zhejiang, made 48 illegal foreign-exchange transactions totaling more than \$3 million between January 2022 and March last year, according to SAFE's website, one of 10 similar examples they published in April.

Punishments include fines totaling more than half of the money

involved, and could lead to criminal charges.

That capital flight is nonetheless occurring shows how far people will go to get better returns given scant investment opportunities in China, said Martin Lynge Rasmussen, a senior strategist at research firm Exante Data who has studied the phenomenon.

"Five or 10 years ago if you were a Chinese person you could put your money in real estate and have a way of growing your wealth," he said. "That is not by any means attractive anymore," though recent stimulus efforts might make domestic stocks more attractive as an alternative and help reduce capital flight, he added.

Paintings and crypto

China began tightening its grip on capital flowing across its borders in 2016. At the time, a real-estate slump, a weakening economy and

downward pressure on China's currency spurred many Chinese to send money overseas. That heaped pressure on the yuan and raised fears about the potential for a wider financial crisis if investor sentiment turned decisively against emerging markets and banks holding Chinese assets suffered heavy losses.

Getting money out of China has become a lot harder, even for rich people with overseas connections in wealthy cities such as Beijing, Guangzhou and Shanghai, according to private bankers and family office employees in Hong Kong and Singapore.

Nowadays, banks in Hong Kong have strict limits for new cash deposits designed to weed out potential capital-control violations. Any customers who deposit more than \$10,000 in a week must provide documentation showing the source of

funds, said private bankers in the city.

To get around the rules, some business owners set up shell companies overseas in their family members' names, which are then used to acquire a stake in the China-based enterprise, according to people at family offices that manage Chinese money.

That way, the China-based firm can be redesignated as a Sino-foreign joint venture, which isn't subject to the government's caps for individuals, allowing its China-based owners to transfer money to the offshore entity in the form of dividends and other payments. But moving money that way is slow, the people said.

Art offers another route. One person at a major auction house said most transactions nowadays are done by people who want to move money out of China.

The method is simple: A painting or other valuable piece of art is shipped to Hong Kong and sold at auction. But rather than repatriate the proceeds to mainland China, the funds are kept offshore in Hong Kong, in U.S. dollars or another foreign currency. From Hong Kong, which doesn't have capital controls, the seller can transfer the money elsewhere.

Cryptocurrencies offer new possibilities for capital flight. Though Beijing banned crypto trading in 2021, setting up a crypto wallet isn't illegal. People in China can use Chinese currency to buy crypto assets with the help of a facilitator. Once they have cryptocurrencies in their digital wallet, they can convert those assets into dollars overseas.

Data debate

Estimating capital flight from China used to be straightforward.

Like other places, China reports balance-of-payments data that record how much money enters and exits the

country. Ordinarily, international receipts and payments in the data should add up to zero over a given time, with only small discrepancies that disappear quickly.

In China's case, not only did the sums not add up, but the gaps also persisted—a sign that some money was leaking out illicitly, without being declared.

These sums rose dramatically in 2015 and 2016 and peaked in the 12 months through June 2017 at around \$228 billion. The government responded by tightening capital controls and the size of the gaps collapsed.

When the pandemic began in 2020, they started creeping up again and shot up in 2021 and 2022 as people sought ways to get their money—and themselves—out of China and away from its severe Covid-19 policies.

More recently, the gaps have shrunk so dramatically that they pointed to a small inflow into China in the second quarter. But economists say that doesn't square with generally negative views about China's economy. It also doesn't square with large legitimate outflows recorded elsewhere in China's accounts, which suggest businesses and investors are seeking better returns abroad.

In the second quarter alone, net outflows of direct investment totaled \$86 billion, an increase over previous years as Chinese firms accelerated a push to spend more overseas.

Economists including Rasmussen at Exante Data and Brad Setser, a senior fellow at the Council on Foreign Relations, said the incongruity is explained by a change China made in 2022 to the way it calculates its balance of payments data. The change replaced customs data with surveys, which some economists say has the effect of reducing China's enormous trade surplus and obscures outflows.

In a statement, SAFE said the change was made to "more comprehensively and accurately" measure the country's balance of payments as trading patterns evolve and that experts outside of the country have said its methodology is "in line with the principles of international balance of payments data."

Adjusting the data so that it is closer to the way it was calculated before, economists say the evidence of illicit capital flight reappears. Using that measure, the gap in payments data for the 12 months through September 2022 was more than \$370 billion, coinciding with Covid-19 lockdowns in major Chinese cities.

Capital flight measured this way has diminished since then, but was running at well above \$200 billion in the four quarters through June.

China's SAFE said statistical gaps in the balance of payments aren't unusual for large, trading economies and aren't evidence of capital flight.

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Israel's once-fringe movement to reoccupy Gaza gains momentum

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Military success in the Gaza Strip is lending momentum to a once-fringe idea in Israel: reoccupying the Palestinian enclave and repopulating it with Jewish settlers.

A year after the Oct. 7, 2023 attacks, more mainstream Israeli politicians say that only a constant Israeli presence can prevent such attacks in the future.

They say THE WALL STREET JOURNAL. decision to withdraw soldiers and evict settlers from Gaza in 2005, after nearly four decades of occupation, allowed the strip to become a launchpad for attacks against Israel.

"When we retreated from areas, we learned that we get more terror," said Osher Shekalin, a junior Israeli lawmaker who is among a small faction in Prime Minister Benjamin Netanyahu's Likud party embracing resettlement of Gaza.

It is an idea that faces vehement opposition from Pales-

tinians, and that the U.S. and the international community say would violate international law. Most Israelis still oppose reoccupying Gaza, polls show, including Netanyahu, who has said he has no interest in the idea.

Israel evicted Jewish settlers from Gaza, which it had occupied since 1967, as part of its unilateral disengagement from the strip in 2005 spearheaded by former Prime Minister Ariel Sharon. It was seen by proponents as a route to a future

peace settlement by reducing

daily friction between Israelis and Palestinians. A security fence was built along the Gaza border and control of the enclave was handed to the Palestinian Authority, but Hamas seized power in 2007 after a civil war. Gaza is home to about two million Palestinians.

Reoccupying and resettling Gaza would require Israel's overstretched military to protect Israelis who move there, putting them at risk from a possible insurgency and risking the creation of cycles of violence. It would also be a

death knell to the idea of a two-state solution to the conflict between Israel and the Palestinians, which still has support among many Israelis.

But there is evidence the concept is catching on. Shekalin and other Netanyahu-linked politicians attended a conference Monday near the Gaza border titled "Preparing for Settlement in Gaza," where activists invited delegates to place playdough models of Jewish settlements on maps of the Palestinian territory some 2 miles to the west. The event took place in an open field here close to Kibbutz Be'eri where more than 100 people were killed on Oct. 7 last year.

The Oct. 7 assault last year shattered Israel's sense of security when Hamas sprang from the enclave, leaving 1,200 people dead and taking some 250 hostages. The attack led Israel to declare a war, sparking a conflict that has killed more than 42,000 people and devastated swaths of the Palestinian territory.

Oct. 7 convinced Tally Gotliv, another junior Likud lawmaker at the conference, that Israel should allow settlers back into the strip.



Gaza is home to about two million Palestinians.

AFP

"War changes conclusions, war changes goals," she said amid the sounds of Israel shelling the nearby strip with artillery.

The concept of resettling Gaza, driven by Israel's extreme religious right, was once regarded as out of the question among more moderate and secular Israelis who before Oct. 7 had no appetite to reconquer the strip or to face any attendant insurgency.

At the start of the war, Netanyahu said Israel wouldn't resettle Gaza when the fighting ends, and his defense minister recently reiterated that

view to American officials, said an Israeli official. Still, activists and lawmakers say the nascent resettlement project is becoming less of a taboo in Netanyahu's party, which holds the most seats in the country's Parliament, known as the Knesset.

Several Likud activists at the event Monday said they supported settlement, but didn't think it would be imminent. "It's not possible today, but it will be in the future," said Rachel Ben Ari Skat, the Likud party's branch head in the central Israeli city of Ra'anana.

Dozens of Likud activists were bused in from central Israel to take part in the conference hosted by far-right settler groups. Many attendees, some wearing "Gaza is ours forever" stickers, said they supported Jewish settlement of Gaza as a security measure to prevent militant control of the strip; others said the occupation would be retribution for last year's attacks.

Gideon Rahat, a political scientist at Hebrew University, said that Israel's settler lobby is still upset about the 2005 withdrawal from Gaza, which some regarded as a reward for

violence and others saw as the abandonment of the rightful land of the Jewish people.

"They kept this memory and these people see an opportunity now" that Israel is at war in Gaza, he said.

The resettlement conference came as Secretary of State Antony Blinken was in Israel on Tuesday to discuss how to conclude the war and who should govern Gaza afterward.

Israeli Defense Minister Yoav Gallant has said that identifying an alternative to Hamas to govern the strip is critical to prevent an Israeli reoccupation.

Netanyahu has outlined only broad plans for Gaza after Hamas, with a proposal in February that said the enclave should be administered by local Palestinian officials free of links to militant groups and Israel should conduct security operations in the strip indefinitely. The proposal was criticized by Palestinians as tantamount to reoccupation.

The Prime Minister's Office didn't respond to a request for comment.

Netanyahu relies on far-right lawmakers to keep his fragile coalition government together. The most prominent of those politicians are Finance Minister Bezalel Smotrich and National Security Minister Itamar Ben-Gvir, who both support resettlement and have helped popularize it. Since the June exit of moderate politicians from their wartime government, Smotrich and Ben-Gvir's calls for resettlement have gone largely unchecked by leaders in Israel.

Even as rhetoric for resettlement is building, support for the initiative is falling from its wartime high among Jewish Israelis, said Nimrod Nir, a political scientist at the Hebrew University of Jerusalem who has tracked Israeli attitudes toward Gaza resettlement. Nir's research shows Jewish support for annexation and resettlement of Gaza fell to 36% this month from 43% in November. Support is still higher than just before the war, when 31% backed annexing Gaza.

Among Likud voters, just under half are in favor of resettlement.

The findings of such polls can vary based on the options offered. A survey by the Israel Democracy Institute in April,

for instance, found that when pollsters offered an option for Israel to have just security control over the enclave, only 19% of Jewish Israelis opted for settlement of Gaza.

The Israeli public is in the dark about Gaza's future, according to Nir. "No one talks about the day after on the Israeli side," he said. Some are filling the void with extremist ideas about settlement, Nir added.

Among the secular right, much support for Gaza settlement is security-driven. Israel's religious right are more interested in being at the vanguard of establishing Jewish sovereignty over biblical lands.

Some 700 families have signed up to populate six potential settlements in Gaza, said Daniella Weiss, the head of the Nachala settlement movement, which for months has been devising plans for Gaza resettlement and organized Monday's conference.

Her dream is to start building in Gaza within a year, even if the conflict is still raging. "We will fill the areas that were liberated with Jewish communities," she said.

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NEWS NUMBERS

11%

THE INCREASE in silver prices in October so far on the Comex, marking its largest monthly gain since May 2024, driven by the Middle East conflict and other factors.

100%

THE INCREASE announced by the New Delhi Municipal Council in the parking fees for its indoor and off-road facilities to combat worsening air pollution.

₹2,087 cr

THE CONSOLIDATED net profit posted by Bajaj Finserv, the holding company of financial services businesses under the Bajaj group, in Q2 of FY25, up 8% on-year.

₹158 cr

THE AMOUNT Byju's has to deposit into an escrow account to settle its dues to the BCCI, according to a Supreme Court order on Wednesday.

₹3

THE AMOUNT by which Zomato, a food delivery major, has increased its platform fee as it prepares for the festival season. The fee now stands at ₹10.

HOWINDIALIVES.COM

Tata AIG eyes 30% growth in key biz

After expanding at around 44% for the last five years, Tata AIG General Insurance's retail health business may grow at least 30% for the next 2-3 years, according to Pratik Gupta, senior executive vice president—head agency at Tata AIG General Insurance. Gupta added that the overall health portfolio currently accounts for about 21% of their premium.

This growth, driven by expansion in the distribution network and introduction of new plans and riders, will help take the share of the company's retail health business to 60% of the overall portfolio from around 50% currently, executive vice-president Rajagopal Rudraraju said at the sidelines of an event.

It will also help the insurer gain market share from its current level of about 8%, he said.

Rudraraju added that while the insurer is the market leader in most segments it operates in, health insurance was the only segment where the company was lagging peers in terms of growth which it is now trying to rectify.

ANSHIKA KAYASTHA



Boeing CEO Kelly Ortberg laid out a four-pronged plan that includes rebuilding company culture. AP

'Boeing's problems will take time to fix'

Boeing Co. chief executive officer Kelly Ortberg provided an unvarnished view of his company at a crossroads, absorbed by challenges ranging from huge debt to serious performance lapses that it needs to address before it can consider developing a new aircraft.

In his first public presentation, Ortberg laid out a blunt assessment of what must change, saying Boeing has "some really big rocks that we need to get behind us to move the company forward." Among the most immediate tasks, he said, is ending a strike that has crippled Boeing for weeks. Workers vote later today on whether to ratify a new contract offer. "It will take time to return Boeing to its former legacy, but with the right focus and culture, we can be an iconic company and aerospace leader once again," Ortberg told employees on Wednesday.

Ortberg laid out a four-pronged plan that includes rebuilding a culture where management is close to the action to prevent "the festering of issues." He's also brought back detailed business reviews intended to unearth operations breakdowns before they morph into full-blown crises.

BLOOMBERG



Coca-Cola reported 1% decline in its net revenue to \$11.9 billion in the September quarter. MINT

Monsoon impacts Coca-Cola's sales

Soft drinks major the Coca-Cola Company on Wednesday said its sales volume in India during the July-September quarter was impacted due to heavy monsoons in several states.

However, in states which received normal rains, it has a mid-single-digit volume growth, said the Coca-Cola company chairman and CEO James Quincey in an earnings call.

"In India, volume declined in states impacted by higher than normal monsoons. In geographic areas that were unaffected, volume grew mid-single digits," he said.

However, Quincey, also expressed optimism terming it as a "temporary factor" and expected India to return to growth next year.

Several other FMCG companies, which operate in the food and beverages segment have reported a decline in volume in the September quarter on account of reason as higher than expected normal monsoons, disturbing the market.

The Atlanta-headquartered beverage major reported 1% decline in its net revenue to \$11.9 billion in the September quarter. Its Global Unit case volume declined 1% in the quarter.

PTI

Modi, Xi welcome agreement for disengagement of troops

Modi said India-China relationship is important for global peace, stability and progress

Rezaul H. Laskar
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NEW DELHI

India and China on Wednesday welcomed an agreement for disengagement of troops and resolution of issues on their disputed border, with Prime Minister Narendra Modi and President Xi Jinping deciding to reactivate several mechanisms to resolve the boundary issue and normalize the bilateral relationship.

The two leaders held their first structured and formal meeting in five years on the margins of the Brics Summit in the Russian city of Kazan, two days after India and China reached an agreement on patrolling arrangements on the Line of Actual Control (LAC).

Among the mechanisms to be revived by the two sides is the Special Representatives' dialogue for resolving the boundary issue.

"We welcome the consensus reached on issues that have arisen on the border in the past four years. Maintaining peace and stability on the border should remain our priority," Modi said in televised opening remarks at the meeting with Xi.

"Mutual trust, mutual respect and mutual sensitivity should remain the basis of our relations," Modi said, speaking in Hindi. The India-China relationship is important for the people of the two countries and global peace, stability and progress, he said.

Xi, who spoke in Mandarin, added: "It's important for both sides to have more communication and cooperation, properly handle our differences and disagreements, and facilitate each other's pursuit of development aspirations."

Noting that India and China are important players in the Global South, Xi said the fundamental interests of both sides are best served by keeping to the "right direction of our bilateral relations".

Monday's agreement is being seen as a key step towards ending the military standoff in Ladakh sector of the LAC, which began in April-May 2020 and took bilateral ties to their lowest point since the border war of 1962. The relationship went into deep freeze after 20 Indian soldiers and at least four Chinese troops were killed in a brutal clash at Galwan Valley in June 2020—the first fatalities on the LAC in 45 years.

Modi welcomed the agreement for "complete



Prime Minister Narendra Modi with Russian President Vladimir Putin and Chinese President Xi Jinping during the 16th BRICS Summit in Kazan, Russia, on Wednesday. PTI

disengagement and resolution of issues" that arose in the border areas in 2020 and "underscored the importance of properly handling differences and disputes and not allowing them to disturb peace and tranquillity", the external affairs ministry said in a readout.

The leaders agreed that the Special Representatives—India's National Security Adviser Ajit Doval and China's foreign minister Wang Yi—will "meet at an early date to oversee the management of peace and tranquillity in border areas and to explore a fair, reasonable and mutually acceptable solution to the boundary question", the readout said.

Dialogue mechanisms at the level of foreign ministers and other officials will be "utilized to stabilize and rebuild bilateral relations".

The two leaders underlined the "need to

progress bilateral relations from a strategic and long-term perspective, enhance strategic communication and explore cooperation to address developmental challenges", the readout added.

Modi and Xi affirmed that "stable, predictable and amicable" relations between India and China, as neighbours and the largest nations on earth,

will have a "positive impact on regional and global peace" and contribute to a multipolar Asia.

Doval and Wang have met recently on the margins of international events, including at a Brics-related meeting in St Petersburg in September, but haven't held talks in the Special Representatives format since December 2019.

Foreign secretary Vikram Misri told reporters both sides hoped to schedule the next round of their talks at an "appropriate date".

Xi said the fundamental interests of both sides are best served by keeping to the 'right direction of our bilateral relations'

Chawda new CEO of JPMorgan India

JPMorgan Chase Bank India on Wednesday said it will elevate Pranav Chawda as its chief executive officer.

The unit of American banking major JP Morgan said it has received the Reserve Bank's approval for Chawda's appointment as the CEO of the banking entity in India.

Chawda joined JP Morgan in 2019, and has been heading the commercial banking vertical. His responsibilities will now get expanded, under which he will also head the corporate banking entity, as per an official statement. In order to improve client experience, the entity is integrating its commercial and corporate banking in India, which is also in line with the firm-wide announcement early this year.

Chawda joined JP Morgan as head of client banking and specialized industries that serve mid-sized India-headquartered companies, the statement said.

PTI



The India hub will focus on deep tech including AI, big data and analytics, sensors and devices. REUTERS

JLR expands global innovation network

Jaguar Land Rover (JLR) on Wednesday said it has launched an initiative in India to work closely with startups for developing the next generation of products and services that will help define the company's future client experiences.

The Tata Motors-owned brand has launched the Open Innovation Hub in Bengaluru, building on the success of the firm's existing initiatives in the UK, US, Israel, and Brazil.

The India hub will focus on deep tech including artificial intelligence, big data and analytics, internet of things, ADAS (advanced driver assistance system) and sensors and devices, Jaguar Land Rover said in a statement.

Through global collaborations, the initiative is connecting the automaker to the next generation of talent and technologies, JLR's innovation director Igor Murakami said.

PTI



Performance Highlights Q2 FY25

Consolidated Results

(₹ In Crore)

Particulars	Q2 FY25	Q2 FY24	H1 FY25	H1 FY24	FY24
Total income	293	240	441	359	1,713
Share of profits of associates	1,321	1,464	2,861	2,824	5,955
Profit before tax	1,559	1,662	3,177	3,096	7,493
Profit after tax	1,436	1,491	3,047	2,907	7,267

Standalone Results

(₹ In Crore)

Particulars	Q2 FY25	Q2 FY24	H1 FY25	H1 FY24	FY24
Total income	1,143	1,679	1,282	1,792	3,176
Profit before tax	1,090	1,643	1,180	1,716	3,021
Profit after tax	1,051	1,571	1,117	1,627	2,896
Investments (at cost)	12,720	11,017	12,720	11,017	12,559
Investments (at market value)	2,66,380	1,63,707	2,66,380	1,63,707	2,10,707

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Registered Office: C/o Bajaj Auto Limited Complex, Mumbai - Pune Road, Akurdi, Pune - 411 035
Corporate Office: 6th Floor, Bajaj Finserv Corporate Office, Off Pune - Ahmednagar Road, Viman Nagar, Pune - 411 014

This is an abridged representation of the unaudited financial results of Q2 FY25 and is not for the purpose of legal compliance. As required by regulations, the results have been prepared as per Indian Accounting Standards (Ind AS).



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IS THE WORST OVER FOR HDFC BANK STOCK?

The lender has been the biggest disappointment of the post-covid bull run. Now, there are green shoots

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NEW DELHI

19 March 2006. Wankhede Stadium, Mumbai.

Sachin Tendulkar walks out to bat against England in a crucial test match. The whole stadium erupts in almost religious frenzy. "Saaaachinnnn, Sachin...". The English players look around nervously as over 40,000 spectators chant their idol's name in rhythmic unison.

Sachin starts gingerly, taking 14 balls to score his first run. As the 19th over began, James Anderson bowled a straight delivery outside the off stump. Sachin played his trademark drive but only managed to clip the ball with the toe end of the bat, offering a simple catch to the wicketkeeper.

A hush descended on the stadium as he started to walk back to the pavilion. And then, the unthinkable happened. A section of the crowd started booing. The 'Little Master' was being jeered at in his home stadium! In a cruel irony, even people seated in the Sachin Tendulkar Stand were booing him.

To say that he was having a bad day at the office would be putting it mildly. He was, in fact, in the middle of a horrendous dry spell stretching years. A string of flops, chronic health issues and a deluge of negative press had almost made him hang up his boots.

And yet, his greatest glories lay ahead of him—goes to show how even legends are not immune to incredibly long stretches of doubt and underperformance.

Perhaps no group can appreciate this message more at the current juncture than the investors of HDFC Bank.

DELAYED GRATIFICATION

India's largest private sector bank had taken the market by surprise two years back when it announced a mega merger with its parent Housing Development Finance Corporation (HDFC) in India's biggest-ever M&A deal.

The focus was on synergies and cross-selling opportunities. It also touted the potential benefits for the housing sector and the economy as a whole in the form of improved credit flow.

HDFC Bank stock rallied 10% on the day of the announcement (4 April 2022) to close at ₹1,657. The stock is currently trading near ₹1,736, translating into a groan-inducing return of 4.7% in two-and-a-half years.

Why has a marquee blue-chip name like HDFC Bank not budged much in over two years?

Finding a linear 'cause-and-effect' relationship in equity markets is often a fool's errand, but one thing is clear. Mr Market has once again displayed in remorseless fashion its cold and rational side—what may be good for the company or the economy, may not necessarily be good for the stock.

The major concerns of the Street were sustainability of growth momentum on such a large balance sheet, and the merger's impact on key metrics like net interest margins (NIMs) and loan-to-deposit ratio (LDR). From pre-merger levels of 85-89%, HDFC Bank's LDR shot up to 110%, before gradually moderating.

The LDR, which compares a bank's total loans to its total deposits for a given period, is a key tool for assessing the liquidity of a lender. A high LDR means a bank may not have enough liquidity in case of any unforeseen fund requirements.

While the Reserve Bank of India (RBI) does not have any regulatory threshold for LDR, it is understood that the regulator is comfortable with a range of 70-80%.

On the margins front, HDFC Bank's NIMs, which measure the difference between the interest income generated and the interest paid out, have dropped since the merger as it absorbed HDFC's huge portfolio of home loans, which offer lower yields compared to other products like auto, personal and SME loans. The bank also had to absorb erstwhile HDFC's high-cost borrowings, putting further strain on its balance sheet.

For HDFC Bank, the solution to most of its problems lies in deposit mobilization. A healthy growth in deposits would not only bring the LDR under control but also prop up its margins by substituting high-cost borrowings. But as luck would have it, the entire banking sector is facing a severe deposit crunch currently, with a raging bull run in equities inducing investors to junk fixed deposits (FDs) in favour of stocks and mutual funds.

Which is why HDFC Bank's latest quarterly results have come as a relief for investors.

Q2 SHOW

In the September quarter, HDFC Bank clocked a 5.3% year-on-year rise in net profit at ₹16,821 crore, surpassing the aver-



A file photo of a HDFC Bank office in Mumbai. The lender's latest quarterly results have come as a relief for investors worried over the stock's tepid growth. BLOOMBERG

mint
SHORT
STORY

WHAT

HDFC Bank's stock has not budged much in over 2 years. But the lender's performance is improving. In the Sep quarter, deposit growth outpaced credit growth by a wide margin.

NOW

The bank reported a slight dip in asset quality metrics but analysts remain positive. They feel the worst is over. As of 22 October, there were 39 'buy', 9 'hold' and 0 'sell' calls.

BUT

Investors should moderate their expectations. Even after the bank sorts out its merger-related issues, the stock is unlikely to see explosive growth, analysts said. That's a function of its size.

gross non-performing asset (NPA) ratio worsened to 1.36% from 1.34% a year ago, while net NPA ratio stood at 0.41% as against 0.35% earlier.

WORST OVER?

Despite the slight uptick in NPAs, analysts remain positive about the lender's asset quality.

"HDFC Bank has been able to maintain pristine asset quality across cycles and this can be credited to its strong underwriting practices and risk-calibrated lending. Currently, amid stress in the unsecured portfolios at a systemic level, HDFC Bank's unsecured portfolio continues to perform well, with retail GNPA at 0.8%," Axis Securities said in a note to clients.

"This is primarily owing to the bank being ahead of the curve in identifying stress based on early warning indicators and pruning growth in the unsecured segment. Asset quality in the other segments (commercial and rural banking, agri and corporate) continues to remain healthy, given the bank's ability to judiciously balance between growth and risk," the note added.

It has a 'buy' rating on the stock with a target price of ₹2,025, implying a potential upside of around 17% from the current levels.

Does this mean the worst is over for the bank?

"I think we should wait for another quarter and look at the metrics, but yes, it does seem to have bottomed out. HDFC Bank has been the only private bank stock which has not seen any price action for the past two years, so this also presents the perfect opportunity for investors to accumulate the stock," Rajesh Palviya, senior vice president of research (head, technical and derivatives), Axis Securities, told *Mint*.

"We should also remember that this name is a favourite of FIIs (foreign institutional investors). So, once they start increasing allocation to the Indian banking sector, HDFC Bank is likely to benefit in a significant way," he added.

SUM OF PARTS

HDFC Bank was the top gainer in the Sensex pack on 21 October—the first trading day after the results were announced—even as the benchmark closed in the red.

But more than its encouraging Q2 numbers, market experts attributed it to an even more powerful driver—unlocking the value of its subsidiaries.

The HDFC Bank board on 19 October approved selling ₹10,000 crore worth of shares in its subsidiary HDB Financial Services through an offer-for-sale (OFS). Another ₹2,500 crore of fresh shares will be issued as part of the IPO.

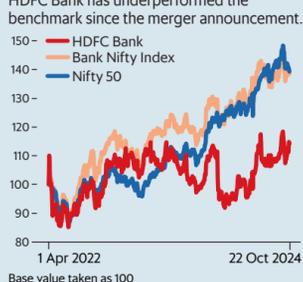
HDFC Bank currently owns 94.6% stake in HDB Financial Services, which is a non-banking financial company (NBFC) that provides lending and business process outsourcing (BPO) services to individuals and businesses. HDB Financial Services posted net revenue of ₹24,100 crore during the quarter, with a profit after tax (PAT) of ₹590 crore.

SIZE DOES MATTER

The bank's performance metrics are improving, deposit growth is among the highest in the industry, subsidiaries are performing well, analysts' view is unani-

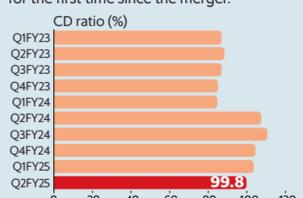
SNAIL'S PACE

HDFC Bank has underperformed the benchmark since the merger announcement.



Credit-to-deposit ratio

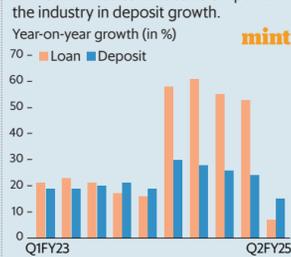
The CD ratio dropped below 100% in Q2 for the first time since the merger.



Note: CD ratio measures a bank's lending versus the deposits it has mobilized

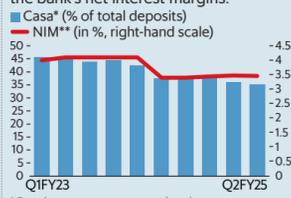
Loan vs deposit growth

HDFC Bank has continued to outperform the industry in deposit growth.



Margin metrics

Shoring up its Casa mix will help boost the bank's net interest margins.



*Casa is current accounts and savings accounts; **NIMs measure the difference between the interest income generated and the interest paid out

Source: Bloomberg, Company, Motilal Oswal Financial Services

age estimate of ₹16,284 crore in a Bloomberg survey of analysts.

More importantly, deposit growth outpaced credit growth by a wide margin. Total deposits grew by more than 15% to cross the ₹25 trillion mark, while gross advances increased by 7% to ₹25.19 trillion. Consequently, the credit-to-deposit ratio (CD ratio), which measures a bank's lending versus the deposits it has mobilized, dropped sharply by 375 basis quarter-on-quarter (q-o-q) to stand below 100% for the first time since the merger.

At its post-earnings conference call, HDFC Bank's chief financial officer Srinivasan Vaidyanathan exuded confidence about reaching the pre-merger levels in two-three years.

"Our CD ratio is presently at 99.8%, previous to the merger we were at 86-87%. The merger's effect was to take it to 110%. It is in the interest of better economics that we fund the balance sheet with more deposits and less of borrowings," he said. "Post-merger, our borrowings were at 21% of the total book. Pre-merger, we were at 8% and currently, we are at 16%," he further added that the bank has some distance to go to bring it down—possibly in two-three years.

A key component of the bank's endeavour to bring down the CD ratio is pruning its loan book by selling chunks of it to various institutional investors. Over the last two quarters, it has securitized loans worth around ₹25,000 crore.

That said, the bank's number one priority remains deposit mobilization, leveraging its wide branch network. Around 84% of its deposits come from retail branches. HDFC Bank set up 241 branches during

the quarter, taking the total to 9,092 branches across 4,088 cities and towns, serving around 96 million customers. Also, 51% of its branches are in semi-urban and rural areas. The strength of this relationship was evi-

dent in Q2 which saw time deposits growing by a robust 19.3% on-year to ₹16.16 trillion. However, current accounts and savings accounts (or Casa, which are a low-cost source of funds for banks) growth stood at 8.1%.

"The Casa ratio saw a q-o-q dip to ~35% as time deposits growth accelerated, but the trend (is expected) to normalize with rural Casa set to improve over the mid- to long-term. The ageing of branches will lead to healthy deposit growth led by sticky and granular rural/urban FD and Casa flows," InCred Equities said in a note dated 20 October.

On the advances front, HDFC Bank has increased its focus on unsecured retail lending (other than mortgages), which has grown by 3.8% sequentially, whereas mortgages grew by around 1.9%. Commercial and rural banking also remain important focus areas, growing 4.7% quarter-on-quarter. All these segments are expected to support overall yields in the mid- to long-term. The NIM was flat sequentially at 3.65% (based on interest earning assets), which is a further testimony to the bank's stance on chasing profitable growth and not getting into a rate-war.

"HDFC Bank is our high-conviction ADD-rated stock with a stable target price of ₹2,150, as we continue to believe that the bank's transition phase is on track. We expect it to be ~2% RoA (return on assets) and ~16% RoE (return on equity) story," InCred equities added.

The bank reported a slight dip in asset quality metrics in the second quarter. The



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Next big ideas in small-caps, mid-caps: Taksh AIF's Gopani

Valuations stretched, AIF to follow balanced approach, says former Axis MF fund manager

Anil Poste & Neil Borate
MUMBAI

Nearly a year after leaving Axis Mutual Fund, Jinesh Gopani is back with a new alternative investment fund, Taksh AIF (a category III AIF). Its inaugural scheme is the Taksh India Enterprising Fund.

Gopani has received financial backing from prominent investor Shivanand Mankekar and family, according to a person familiar with the matter said on the condition of anonymity. Gopani was formerly head of equity at Axis Mutual Fund, but left in 2023.

Taksh means to 'create' or 'carve out', according to Gopani. "I admire the work that Nalanda Capital does, and I wanted to come up with a name on similar lines," he said.

At Axis Mutual Fund, Gopani's strategy earned acclaim in 2019 when his growth-focused picks outperformed the market; however, as market shifted to value, many of his selections fell out of favour.

Did Gopani time the launch to coincide with the shift? "It is sheer luck," he said. Wealth creation will mainly happen in mid- and small-cap companies rather than mature large-cap companies, he said.

"I'm looking for two types of plays. First, young founders who are hungry for growth or second/third generation inheritors of established companies ready to embrace new technologies and new style of working. These kind of businesses will have long growth runways," he said.

There's a third category of companies that Gopani calls B2G or business-to-government, like defence and railways. His AIF has a minimum ticket size of Rs 3 crore.

Edited excerpts from an interview:

How has the timing of your launch been, given the recent market rotation towards quality?

The timing is quite fantastic, with the market rotating back toward quality. However, it's impossible to time everything perfectly. I learned that the key is to focus on executing well, as market cycles will always come and go. Our philosophy is to identify companies with durable governance, excellent execution, and the potential to outpace incumbents in growth.

Why did you choose category 3 over category 2 for your public market strategy?

After consulting with our tax advisors, lawyers, and distributors, we concluded that Category III was a better fit for a long-only public market strategy. There were concerns regarding taxation and recognition in Category II, while Category III offered a cleaner, more straightforward structure.

Historically, you've not been a mid and small-cap focused fund manager. How do you view the opportunities and challenges in that space now?

In my previous roles, we identified companies across the market cap spectrum, from ₹700 crore to ₹50,000 crore. I believe mid and small-caps are where you often find the next big ideas, as the entrepreneurs are more nimble and can innovate faster.

However, the valuations in that space have become quite stretched. Our approach is to maintain a balanced portfolio across large, mid, and

All about Jinesh Gopani's new AIF - Taksh

Gopani's new venture is backed by Shivanand Mankekar and family

1 WHAT WAS THE TRIGGER FOR STARTING THIS NEW VENTURE?

I have been considering it since 2019; working in an AMC has its constraints.

2 INVESTMENT PHILOSOPHY?

Strong management, a competitive moat, effective execution and attractive prices.

3 WHAT ABOUT PAST MISTAKES?

I learned valuable lessons; missed out on B2B names during post-pandemic rallies.

4 WHAT IS YOUR PORTFOLIO STYLE?

25-30 high-conviction ideas comprising up to 90% of the portfolio, 10% to pre-IPOs, IPOs.

5 MINIMUM TICKET SIZE?

₹3 crore

6 HOW ARE YOU STRUCTURING YOUR RESEARCH TEAM?

5 analysts and 2 interns, focussing on fundamental research.

7 WHAT ARE THE KEY SECTORS?

B2C sectors (healthcare and disruptive tech); B2B sectors (manufacturing, power and infrastructure, IT and specialty chemicals).

small-caps, focusing on execution and valuation.

Can you share some historical examples of traditional business houses that were not able to scale up effectively?

I don't want to name specific companies, but I've seen cases where traditional business houses in the South, with good integrity and honesty, were not able to scale up as effectively as newer players came in and disrupted the market.

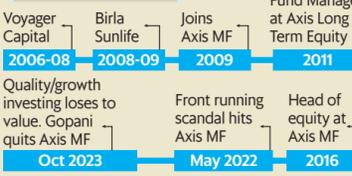
How are you thinking about the research and team structure for this new venture?

We are building an institutional setup with a focus on fundamental research. The team will start with 5 analysts plus 2 interns, and we plan to



Jinesh Gopani, founder, Taksh Asset Management

Jinesh Gopani's career



Jinesh Gopani's flagship scheme at Axis MF

Run by him between 2011 & 13

Axis Long Term Equity	15.17%
Category average	12.24%
BSE 500	12.56%

Beat the category in? 7 out of 11 yrs

Bad phases 2016-17 and 2021-23

STRENGTH: Does best in concentrated, quality driven phases

WEAKNESS: Buys at expensive valuations, doesn't do value investing

B2C = Business-to-consumer, B2B = Business-to-business, B2G = Business-to-government



PRANAY BHARDWAJ/MINT

8 HOW WILL YOU BALANCE ACROSS MARKET CAPS?

Will have large-, mid- and small-caps, focussing on growth.

10 WHAT ROLE DO MID AND SMALL CAPS PLAY?

Balanced approach, strong opportunities in mid- and small-caps.

9 AIF STRUCTURE, AND EXPENSES?

Varies: either be a 2% fixed fee, or 1.5% fee plus 15% performance fee, above 10% hurdle.

Sources said Mankekar may offer insights on listed peers, but will not have a formal role in investments.

expand it further.

The key is to have good minds who can add value through their analysis, rather than just increasing the team size for the sake of it. We also plan to leverage our partners' network in the unlisted space to get additional insights on the listed companies we're researching.

What are the key sectors you are focusing on in your portfolio?

We have bifurcated our portfolio into three broad categories - B2B, B2C, and B2G. The larger focus is on B2B and B2C, with around a 60:40 or 55:45 split, depending on the valuation comfort. We are staying away from the B2G space for now, as we have seen execution challenges in some of those sectors.

Can you provide some historical examples of sectors or companies where you feel you should have invested more aggressively?

One example would be the manufacturing sector. In the past, we were a bit more biased towards the B2C space,

as we felt it was India's long-term growth story. However, in hindsight, we should have invested more aggressively in some of the B2B manufacturing companies, as they started executing well, especially post-covid.

Another example would be Reliance - we missed out on the initial run-up in the stock, as it was not part of our initial portfolio. By the time we realized its potential, our existing portfolio was already committed, and it became difficult to make changes.

Are you considering any exposure to specific sectors?

We believe the composition of the Nifty 50 is likely to change significantly over the next 10-15 years, and we want to be positioned to capture that shift. Sectors like technology, healthcare, and others that are currently underrepresented in the index could become larger constituents going forward.



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

Compare NRE FD rates

Non-resident Indians (NRIs) can open NRE fixed deposits with different Indian banks. The benefit of an NRE deposit is that it can be opened simply by making inward remittance to India in any freely convertible currency. Another benefit is that the interest earned on NRE deposits are tax-free and the deposit is fully repatriable, allowing NRIs to transfer funds back to their country of residence without restrictions. NRE FDs can be opened, and managed online too with Indian banks. NRIs can also obtain loan against NRE FDs which can be used for a variety of purposes. These loans can be granted to the NRI in India or outside India (by overseas branch of Indian banks) or even to third parties.



NRE Term Deposits Interest Rates (%) upto ₹1 crore				
	1 to < 2 years	2 to < 3 years	3 to < 5 years	5 years and above
DCB Bank	7.10-8.05	7.50-7.55	7.40-7.75	7.25-7.65
Axis Bank	6.70-7.25	7.10	7.10	7.00
HDFC Bank	6.60-7.25	7.00-7.35	7.00-7.40	7.00
IndusInd Bank	7.75	7.25-7.75	7.25	7.00-7.25
RBL Bank	7.50-8.10	7.50-8.00	7.10-7.50	7.00-7.10
YES Bank	7.25-8.00	7.25	7.25	7.00-7.25
ICICI Bank	6.70-7.25	7.00-7.25	7.00	6.90-7.00
Canara Bank	6.85-7.25	6.85	6.80	6.70
Dhanlaxmi Bank	6.75-7.25	6.50-6.75	6.50-7.25	6.60-7.25
Federal Bank	6.80-7.35	7.05-7.40	7.00-7.40	6.60
Bank of Baroda	6.85-7.30	7.00-7.15	6.80-7.15	6.50-6.80
Bank of Maharashtra	6.50-7.15	6.50-7.25	6.50	6.50
Central Bank of India	6.85-7.45	6.50-7.00	6.75	6.50
Indian Overseas Bank	7.10-7.30	6.80	6.50	6.50
State Bank of India	6.80-7.25	7.00	6.75	6.50
Union Bank of India	6.60-7.25	6.40-6.60	6.50-6.70	6.50
IDFC First Bank	6.50-7.75	6.80-7.25	6.75-6.80	6.50-6.75
Jammu & Kashmir Bank	7.00	7.00	6.75	6.50

Data taken from respective bank's website as on 21 October 2024. Only main entity of the merged banks are taken. Banks which merged with its main entity are removed from the table. The list of 18 banks is based on highest fixed deposit rates available for 5 years and above

Source: BankBazaar

Patience vs payoff: Is the worst over for HDFC Bank stock?

FROM PAGE 12

mously positive (39 'buy', 9 'hold' and 0 'sell' calls as of 22 October), but for the lakhs of HDFC Bank shareholders, there's only one question on their minds—why is the stock not rallying?

The answer, as it turns out, encompasses an important lesson.

Legendary investor Peter Lynch, in his bestselling book *One Up on Wall Street*, highlights a fundamental rule of equities, one that is often ignored by participants—big companies do not generally have big stock moves. Citing the example of American conglomerate General Electric (GE), he said it is mathematically impossible for the company to double or triple in size in the foreseeable future.

At the time of writing in 1989, GE represented nearly 1% of the entire US gross national product. Every time an American consumer spent a dollar, nearly a penny went to goods or services provided by GE, like light bulbs, appliances, insurance etc.

"Here is a company that has done everything right—made sensible acquisitions; cut costs; developed successful new



HDFC Bank's CEO Sashidhar Jagdishan. @HDFCBANKNEWS/X

products; rid itself of bumbling subsidiaries; avoided getting suckered into the computer business (after selling its mistake to Honeywell)—and still the stock inches along. That's not GE's fault. The stock can't help but inch along since it's attached to such a huge enterprise," Lynch pointed out.

Indian investors would do well to keep an eye on HDFC Bank's size while fantasizing about the stock's future returns. With a market capitalization of ₹12.97 trillion, it is not only the biggest domestic bank but also the third largest Indian company overall after Reliance Industries (₹18.35 trillion) and TCS (₹14.85 trillion).

Growing its humongous

₹36.8 trillion balance sheet would take a Herculean effort, not to mention multiple market cycles, during which time at least half a dozen mid-cap lenders or small finance banks would undoubtedly have graduated to the big league.

"The problem with this stock is investor expectations. They see other stocks soaring in this bull run and expect a large cap like HDFC Bank to do the same. It is not going to happen. Even after the bank sorts out its merger-related issues, the stock is not likely to see explosive growth, which is how most mature companies behave. In fact, investors should treat HDFC Bank stock like a tax-efficient form of a high-yield fixed deposit. It is a steady compounding and not a short-term multi-bagger," a Mumbai-based fund manager, who didn't want to be identified, said.

Stocks, like people, are not immune to life cycles. The early high-growth phase is not likely to recur once a company reaches a certain size. As cricket fans know too well, even a champion like Sachin Tendulkar, who started out as a swashbuckling youngster, evolved to be a stable run-getter in the second half of his career before he could assume his position in the pantheon of legends.

PROFITABLE AND TEMPTING: IS DIRECT STOCK INVESTING SUITABLE FOR EVERYONE?



Respond to this column at feedback@livemint.com

The Indian stock market gods have been kind in recent years—and sometimes very kind, delivering impressive returns for those who made the right investment choices and got a bit lucky.

Unsurprisingly, many individuals have taken notice and moved into direct stock investing. One look at the number of demat accounts being opened shows a clear trend.

A friend recently shared that since he can now comfortably generate better returns with his direct stocks (than mutual funds), he has moved all his portfolio to direct stocks. He started investing in MFs almost a decade ago, but his direct stocks adventure started just two or three years back.

So, it's obvious that his recency bias has made him do what he did like many others who are taking up direct stocks in a big and serious manner nowadays.

That said, is it a sensible idea to just invest directly in stocks and not in mutual funds?

People have strong views about this based on their individual experiences. And to be fair, there is no one-size-fits-all answer. Investing directly in stocks gives more control to build a focused portfolio that can attempt to generate higher returns and/or beat markets (and MFs). However, with some experience, one understands it is easier said than done.

The potential for higher returns exists in direct stocks, but so are the risks. And the reason is that if just a few of your stock picks in a concentrated portfolio start doing badly, your overall portfolio could take a serious hit. Experienced investors who have seen a few market cycles know this already. But those who have joined our markets in the last few years and have only seen it rise, might not understand this and how to deal with a falling or bear market.

For a majority of the investor population, mutual funds should form the core of their equity allocation. A well-managed portfolio with a good mix of active and passive mutual funds provides sufficiently good return outcomes with high probability. This wouldn't sound right when our rising markets have made it look easy to make money from direct stocks.

Most people don't have the time or the skill to properly analyse businesses behind the stocks. Also, picking a good stock or two is one thing. But building a well-diversified portfolio of several stocks with proper allocation and then consistently generating returns over the years (like what mutual funds do) is a different



ISTOCKPHOTO

ball game altogether.

If you are a seasoned direct stock investor who has a solid experience of years, you can ignore the rest of this article. But if you aren't, and are increasingly being tempted to go into direct stocks heavily at the cost of (ignoring) mutual funds, then please read this.

Equity allocation

Continue to keep your core equity allocation via equity mutual funds or ETFs only. How much? At least 80%. If you are new to markets, picking good mutual funds isn't rocket science and you

can go for a few schemes from different fund categories that will help you diversify sufficiently across different market cap segments like largecap, midcaps and smallcaps.

Once the core equity MF portfolio is established, and you still want to invest in direct stocks, you can start with a small allocation. How you pick your stocks is important. Please don't invest blindly based on tips you get from friends or social media. That will eventually stop working.

Most people don't have the time or skill to analyse the business behind the stocks

How much you invest in direct stocks would depend on your real investing experience, your interest (and ability to give time) in researching individual businesses and sectors, etc. After a few years, it will automatically be clear whether your direct stocks are doing well or your MFs. This period of assessment ideally should include a stint in poor or falling markets as well. That is because that is where every real investor gets tested.

For those curious, the author is a small investor who invests in mutual funds as well as stocks. Fascinated with equities, over time, the author has invested in direct stocks and benefited from it but likes to diversify within equity asset and hence invested directly as well as via well-managed proven mutual funds.

Dev Ashish is an RIA and founder of StableInvestor.



OUR VIEW



D-Street's China shock can easily be absorbed

India's month-long stock market slide since China's stimulus should temper expectations and remind investors of 'value' and its drivers. This is a 'correction' in an educative sense too

For countless new investors who got used to a one-way climb in Indian stocks, the past month has been a rude awakening. Since the Chinese central bank's 'bazooka' stimulus for its economy, India's stock market has been on a slide, as many foreign investors swung to Chinese stocks instead. India's S&P BSE Sensex index is down some 6.7% from its September peak, while other indices have fallen as well. Declines of such magnitude are not too sharp and do not suggest panic. This is an asset class given to volatility. But since the market has long been on a steep incline—that index has risen 24% over the past year and more than doubled in half a decade—to reach levels that made shares look overpriced, it's a fair question to ask if a prolonged bull run has finally exhausted itself. What caused the month-long slide? Sell-offs by foreign portfolio investors (FPIs). So far in October, on a net basis, they have sold close to ₹85,000 crore worth of Indian shares. In fact, this month looks set to be the heaviest month of FPI liquidation, with the covid-shock record of March 2020 likely to be smashed. It is natural for investors to be somewhat nervous amid this scenario of a 'China shock.'

Proportionally, though, the scale of this FPI selling has not hit stocks as hard as the pandemic sell-off did. The Sensex had dropped 20% back then. What our market has developed since is an enlarged cushion of domestic buying support, thanks to retail participants rushing in, even as mutual fund schemes pool in large sums to invest in equities. While FPIs pulled out of India, attracted partly by China's new prop for its stock market that had slumped under its slowdown, net local purchases worth ₹77,000 crore have been made in Indian stocks so far

this month. To be sure, investment experts tracking valuations had been warning for months that our market has gone into over-bought territory. Shares that compose major indices have been trading at over 20 times their one-year forward earnings, with Chinese scrips available for less than half as much as a ratio of what they earn. This valuation gap left Indian shares vulnerable. Foreign portfolio re-allocation patterns suggest a search for attractively priced picks, rather than stocks driven chiefly by market momentum. Although the jury is still out on the efficacy of China's booster dose (and the policy idea of a central bank taking explicit action to reverse an equity slump), its CSI 300 index has gone up by about 17% over the month. South Korea, Indonesia and Japan also gained.

Where does all this leave us? Apart from absorbing the lesson that markets move both ways, retail investors must pay more attention to value: i.e., whether a stock's earnings justify its price. Long-horizon equity holders need to track value drivers, like the strategic approach of companies within the larger context of how the economy, its policy settings and other key variables enable them to expand their earnings. India's economic growth has held up well and profits have swollen faster than wages in recent years, as value-addition data shows. Yet, what listed businesses rake in for their bottom-lines must accelerate to catch up with their high share prices. This means the market could stay choppy. Further drops should not be a surprise, although new investors still seem to be coming in and the local cushion effect may stem losses. Eventually, basic value drivers will count. So long as these are intact, there is no cause for anxiety. This slide is best taken as a 'correction' that's educative no less than numerical.

MY VIEW | MYTHS AND MANTRAS

Themes are good in music but not in the world of investment

Steer clear of thematic funds. Most are launched for the benefit of fund houses more than investors



DEVINA MEHRA

is chairperson, managing director and founder of First Global, an Indian and global asset management company, and author of the forthcoming 'Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra

What do you think when you see a slew of new fund offers (NFOs) from various mutual funds or portfolio management services (PMS) providers centred around a particular theme? Over the past year, these have been mostly in areas like small caps, public sector undertakings, industrials, defence, green energy, etc.

Most investors think it means these fund managers believe that the theme will give superior returns. Their enthusiasm shows up in data from the Securities and Exchange Board of India (Sebi): In 2024-25, 47.3% of net inflows into equity mutual funds have gone to sectoral/thematic funds. Small-cap funds have seen inflows of another 7.6%. All else, including large cap, multi cap, flexi cap, mid cap, etc, make up only 45%.

How skewed this is can be seen from the fact that thematic funds made up only 12.5% of the assets under management for equity mutual funds at the beginning of the year. The theme this year has clearly been thematic funds.

In the past too, we have seen a clustering of schemes around a particular theme. In 2021, for example, there were many Nasdaq or China/Greater China funds launched. All of them crashed the following year, with the Nasdaq being among the world's worst performing indices in 2022.

This is a theme (pun intended) you would see play out every time NFOs cluster around a particular category, be it defined by geography, sector or size (small cap versus large cap). Usually, investors lose money or underperform on such investments.

The data is simple and clear. Most thematic schemes come around the end of the bull run for that theme.

But then, why do fund houses launch funds for themes that have already largely run their course? Don't they understand that risks are high and super-normal returns are unlikely?

Of course they do. But they also understand that you, as a retail investor, have come to understand that theme only by this point in time. Maybe you even have some 'FOMO' (fear of missing out). Hence, when the scheme is launched, you're likely to participate enthusiastically, even if it eventually won't end well. In short, these schemes are launched because they can gather assets for the fund house rather than optimize portfolio returns for you.

I remember an asset management company (AMC) CEO being asked on a panel how he felt when its fund, investing in a narrow list of global tech stocks and launched in 2021, was down 37% in a year. The CEO replied that he felt nothing, as he was only offering a product and it was up to the investor to decide whether to invest in it.

AMCs also launch these schemes because Sebi regulations do not allow multiple schemes from a particular AMC on the same theme. Thus, an AMC cannot have multiple small-cap schemes or multiple mid-cap schemes. But nobody stops AMCs from launching funds on 'new' themes.

For one, the NFO gets investor interest and investments. For another, Sebi regulations cap the total expense ratio of a mutual fund scheme by the size of its corpus. As the older schemes of an AMC become larger, the percentage chargeable as expenses reduce. The way around it is to have some smaller-

sized funds, and NFOs achieve this.

Plus, one should check if the name of a scheme is a good descriptor at all of what it actually holds. We find that value funds apply for overpriced initial public offerings (IPOs) and small-cap funds hold 10% in Reliance, which is the largest market-cap company in India.

Many fund houses apply under very different schemes for the same IPO. One applied under its large, mid and small cap schemes as well as a tax saver scheme. Another fund applied for a loss-making company's IPO both from its retirement and value schemes.

It was the same during the 2021 IPO boom, when even value funds were applying for so-called 'New Age' tech firms, which might have fit the criteria for a different sort of fund but definitely can't be classified as value buys.

I've even seen green energy/ESG funds holding coal and oil stocks. This is a further indication that most fund houses bring out NFOs or thematic funds just to gather assets. The poor timing of most thematic NFOs is one issue. The other part that I have spoken often about is that asset allocation determines 85-90% of your returns. Investing in a thematic fund gets you locked into its asset/sector allocation.

In addition, you are the one deciding when to invest in a particular industry or theme. Now that's something that determines most of your returns, and, therefore, if you are getting professional help from a fund manager or financial advisor, the key input they must provide is how to do tactical and dynamic asset/sector allocations. If they leave that decision to you, then what are you paying them for?

Therefore, find a fund manager or an investment advisor who dynamically manages this allocation for you across asset classes, within equities or across geographies and sectors—because that will determine most of your returns.

A tip from me: steer clear of thematic funds, at least the new ones. They are almost always injurious for the health of your portfolio.

10 YEARS AGO



JUST A THOUGHT

Stock market bubbles don't grow out of thin air. They have a solid base in reality, but reality as distorted by a misconception.

GEORGE SOROS

MY VIEW | WORLD APART

America's election season gets more bizarre by the day

RAHUL JACOB



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

The US election campaign may already be the most alarming since 1968—and is certainly the most bizarre in memory. Republican candidate Donald Trump's pronouncements in recent months would make for a book. "Right to try, where we can try space-age materials instead of going to Asia or going to Europe and trying to get when you're terminally ill," he said in June. "Now you can go and get something. You sign a document." This stream of consciousness, quoted word-for-word by *The Economist*, emerged from his June debate with President Joe Biden, who subsequently withdrew because his performance was incoherent. In the past few weeks, Trump's campaign utterances have become even more strange. On 19 October, he started a rally in Pennsylvania with a 12-minute anecdote about the legendary golfer Arnold Palmer that included a reference to the late golfer's private parts. Earlier this month, at another campaign rally in the state, loud-speakers belted out his Spotify playlist for 39

minutes while he danced on stage. More worryingly, he has described his political opponents as "the enemy within" and even suggested the US Army deal with them. He has repeatedly said the election may be rigged, just as he claims the last one was, without evidence.

On the side of the Democrats too, there have been strange moments. This month, former president Barack Obama appeared at a rally in Pittsburgh and suggested that African-American men weren't supporting Vice-President Kamala Harris's candidacy adequately. His scolding tone, implying that they were being male chauvinists, made things worse. Many commentators pointed out that opinion polls showed she was doing as well or better than Biden before he quit the race. Harris, though, seems to be getting less support from both young Latinos and young African-American men than Biden did in 2020, which is another odd twist in this weird election.

This electoral battle of harsh words is playing out against several worrying long-term social phenomena in the US. One is what the American sociologist Robert Putnam has termed "the great divergence": i.e., a continuing increase in income and educational inequality that has been getting worse. It trans-

lates to very different worldviews in the US between those who did not go to college (and whose children cannot afford to enrol for higher education) and college graduates, who mostly support Democrats. The less well-off are migrating to the Republican Party because its nostalgic message of 'Make America Great Again' and curtailing immigration speaks to them. As Putnam observes in his 2020 book *The Upswing*, intergenerational mobility in the US has been declining for half a century. In 1990, he rang alarm bells over America's weakening civic engagement through civic communities such as bowling clubs and churches. This has been worsened by people turning instead to social media, an amplifier of hate speech and conspiracy theories. Elon Musk, owner of X, has described 2024 as likely "the last election" if Harris wins; his 'logic' is that her party will turn so many illegal immigrants into Democrats that the US will become a one-party state. Musk's control of such a popular platform now looms so

large over this election that he might as well be a third candidate.

Since social media spreads conspiracy theories, it is not a given that the election count will be accepted as free and fair. The attack on Capitol Hill on 6 January 2021 to prevent then vice-president Mike Pence from certifying Biden's election is seen by many Republicans as justified. Trump's claim that this election may be rigged comes in spite of his being tied with Harris in pan-US polls and his apparent lead in key battleground states. The likelihood of another post-election riot is high.

Optimistic readers with a historical bent will point to violence during the 1968 US election and say that was worse. Both Martin Luther King Jr. and Robert Kennedy, who was running for the Democratic nomination after President Lyndon Johnson said he would not stand for election, were assassinated that year. Divisions over the Vietnam War were more acute than current divisions over Washington's support for Israel.

That is true, but in election after election, from the UK's 2016 Brexit vote to the far-right's victories in Austria and the Netherlands last year, social media has let lies about immigrants (and much else) be peddled as fact. This has undermined faith in government and its institutions. This week, Trump claimed that the Federal Emergency Management Agency (FEMA) had not responded to people rendered homeless after a hurricane struck North Carolina because FEMA's budget is spent on helping illegal immigrants. This led to concerns about possible attacks on FEMA workers and hampered their work in the storm-afflicted area.

As with falsehoods about FEMA, Trump continues to repeat that Democrat senators Nancy Pelosi and Adam Schiff are "enemies from within." Schiff rebutted this calmly enough, but pointed out the dangers inherent in allowing an unpoliced social media to take on such an outsized role in this election. As fake news on X showed by fanning mob violence in the UK this summer that resulted in attacks on British South Asians and immigrants, not to speak of hoax alarms about bombs on Indian planes, social media brings out the worst in many of us. In country after country, we are engaged in an endless uncivil war with ourselves.

The strange statements being made are worsened by all the falsehoods that pervade social media



THEIR VIEW

MINT CURATOR

How best to cool the derivatives market takes regulatory finesse

Sebi's measures to cool the derivatives market should be subject to an independent review and studied by the regulator itself



G.N. BAJPAI
is former chairman, Life Insurance Corporation of India and Securities and Exchange Board of India.

The explosion of volumes in the Indian derivatives' market—daily swaps, in particular—and the widespread participation of retail investors has generated deep concern among regulators and policymakers. As Warren Buffett famously said, "Derivatives are financial weapons of mass destruction."

A consultation paper published by the Securities and Exchange Board of India (Sebi) noted that in 2023-24, an average 85 out of 100 individuals trading in index futures lost money. The market regulator's solicitude seems to be the interest taken by common investors in derivatives, apart from the market's efficacy and rhythm. Accordingly, Sebi has promulgated numerous measures to cool this market down.

Derivatives are a risk-management financial instrument. On one side of a trade is a risk-hedger, and on the other, a risk-taker. The latter is a kind of speculator who consciously bets on possibilities. Incidentally, derivatives also help in sharpening how the stock market prices stocks.

Broadly, there are three kinds of threats to the tranquillity of a securities market: structural risks, systemic risks and operational risks. Aberrations in trading, sudden and disproportionate surges in volume, misdemeanours and major market misconduct must be examined from all three angles. Often, only operational risks are in focus, with the low-lying systemic risk of 'a banker not honouring a banker's cheque' overlooked. This contributed substantially to the global meltdown of 2007-08.

In India, an upsurge in derivative volumes, high interest in primary share issues (even by small and medium enterprises or SMEs) and widespread retail participation all warrant scrutiny from all three angles.

Shallow secondary research has indicated that the country's savings-and-investment market structure is undergoing a transformation. Savers are taking direct charge of their investments and entrepreneurs are directly approaching the market for funding. Enthused by disintermediation gains of the internet era, investors and entrepreneurs alike have turned reluctant to pay for costly financial intermediation. The clock is running down on the role of institutions as intermediaries that use savings to finance businesses.

Many rants were aired in response to a recent two-wheeler dealer's ₹12 crore offer of shares attracting bids of ₹4,800 crore. This was taken as a sign of IPO market mania. Dig deeper, though, and it's best seen as symptom of today's undercurrents of change.

First, venture capital funds have been vanishing from the Indian capital market, while private equity (PE) has turned risk-averse. From the origi-



REUTERS

nal concept of expecting one of every 10 investments to succeed, PE players have largely begun looking for all 10 to assure them a return-on-investment of 25% and above.

Second, individual investors are ready to risk their surplus savings on equities, given how the Nifty-50 and BSE Sensex are perceived to deliver returns that are very high in the short-term, high in the medium-term and moderate in the long-term. Entrepreneurs, meanwhile, have been encouraged to raise money directly. Through a regulatory framework created in coordination with stock exchanges, Sebi has fashioned platforms for SMEs and startups to raise risk capital.

The capital market's efficiency is gauged by the ease and cost of participation. Once investors are linked with entrepreneurs, all regulators—Sebi as the primary one and exchanges as secondary ones—must watch from the sidelines to ensure that the game is played fairly and the market's efficacy and rhythm do not suffer.

The Indian economy is poised to stay on a high-growth trajectory for years to come and narratives of the national political executive have created positive vibes. Entrepreneurs are being asked to make the most of opportunities while investors are betting on this script. Fortunately, they have been rewarded handsomely in the last couple of years.

Anecdotal evidence suggests that many common investors are learning the ropes of managing the risks of investing in equity through daily swaps and other derivative products. Now they have more to grapple with. As regulatory actions have a propensity to raise operational and compliance costs and orchestrate market distortions, Sebi's recent measures to cool down the derivatives market are also likely to have a fallout along these lines.

All regulators are accountable to the public and their accountability should be assessed on four criteria. Do they cite reasons for decisions? Are they exposed to public scrutiny? Do their decisions undergo an independent review? And do regulatory initiatives undergo an economic cost-benefit analysis? While Sebi meets the first two, independent reviews of its decisions have been missing. Also, crucially, their benefits do not seem to be weighed against their economic costs, and if they are, the process is not available for public scrutiny.

It is premature to comment on the trade-off between market protection and the adverse fallout of regulatory steps taken to cool off derivatives. As regulators often need to act pre-emptively in a hurry, *ex-post* analysis is essential. Sebi has access to academic resources at the National Institute of Securities Markets. Hopefully, it will put its latest measures—as well as others—under examination.

Who is Satoshi? The creator of Bitcoin is yet to be unmasked

How come no effort has been made to cash in on Bitcoin's success?



TYLER COWEN
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An HBO documentary claimed to have identified Satoshi Nakamoto. ISTOCKPHOTO

Who is or was Satoshi Nakamoto, the creator of Bitcoin? A recent HBO documentary names Peter Todd [who denied it], with the possible assistance of Adam Back. Suffice to say the truth here remains an open question, but it is worth asking: Why does anyone care?

There is in fact a great deal at stake, certainly at the intellectual level and probably financially and politically as well. It's only natural, and even healthy, to be curious about who could have created more than \$1 trillion in market capitalization.

[Nakamoto's concept paper, 'Bitcoin: A Peer-to-Peer Electronic Cash System,' has been pored over by crypto enthusiasts all over the world, many of them in vigorous agreement with such lines as: "What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party."]

Presume that Satoshi has passed away, which would explain why we no longer hear from Satoshi.

Hal Finney is one oft-cited Satoshi candidate, and he died in 2014. Under this scenario, Satoshi's reputation is likely to remain intact: He or she stays mysterious and cannot do anything to disgrace Bitcoin. Satoshi's large and valuable 'origin block' of Bitcoin is less likely to be sold. It might be frozen forever, with its current value in the tens of billions of dollars.

A deceased Satoshi also means that Satoshi cannot step forward and advocate changes in the rules of Bitcoin, such as enabling the creation of more Bitcoin. That too is likely bullish for the value of Bitcoin. A living Satoshi, in contrast, might exercise considerable sway over Bitcoin users and institutions, if he or she stepped forward and suggested some rule changes.

A parallel with religion is instructive. Most of the world's major religions are based on the teachings of dead people. That makes them easier to run compared to religions with living charismatic leaders who receive regular press coverage and are vulnerable to mistakes and gaffes. It is probably best for Bitcoin if Satoshi is no longer alive.

It also matters if Satoshi was a single person or a small team. If a single person, that might mean future innovations are more likely than generally thought: If Satoshi is a lone individual, then maybe there are more unknown geniuses out there.

On the other hand, the Satoshi-as-a-team theory would mean that secrets are easier to keep than people think.

If that's the case, then maybe conspiracy theories are more true than most of us would care to admit.

According to many speculations, Satoshi came out of a movement obsessed with e-cash and e-gold mechanisms, dating to the 1980s. People from those movements who have been identified as potential Satoshi candidates include Nick Szabo, Hal Finney, Wei Dai, David Chaum and Douglas Jackson, among others.

At the time, those movements were considered failures because their products did not prove sustainable. The lesson here would be that movements do not truly and permanently fail. It is worth experimenting in unusual directions because something useful might come out of those efforts.

If Peter Todd is Satoshi, then it's appropriate to upgrade any estimates of the ability of very young people to get things done. Todd would have been working on Bitcoin and the associated white paper as a student in his early twenties. At the same time, if the more mainstream Adam Back is involved, then maybe the takeaway is that rebellious young people should seek out older mentors on matters of process and marketing.

Whoever Satoshi may be, the fact that the origin block has not been moved raises deep questions about human motivation.

Do some people just not want to be multi-billionaires? What reasons might there be for not cashing in? Perhaps Satoshi died very suddenly—but even a dying Satoshi might have been expected to allocate the funds in some matter, if only to a relative or to charity. Or did Satoshi destroy his or her password in a fit of pique or possible self-restraint?

One of the more extreme (and to me less plausible) theories is that the US Central Intelligence Agency (CIA) is Satoshi, or at least behind Satoshi. If that's true, then the CIA is far more innovative than I thought. It is widely known for its cryptographic talent, but it is less well-known for being innovative.

Whatever the story, it is an interesting one. Perhaps Satoshi is still alive, and correctly identifies extreme fame and wealth as something to be avoided. Someday, I am confident, we will learn who Satoshi is or was. And we will have to change our views of the world accordingly. ©BLOOMBERG

MY VIEW | OTHER SPHERE

Basic literacy and numeracy remain our big challenge

ANURAG BEHAR



is CEO of Azim Premji Foundation.

This column is an admission of our struggles. We run nine schools, with a total of about 2,700 students. About 20% of our students do not achieve foundational literacy and numeracy (FLN) by grade 3, and 6% not even by grade 5. Earlier, 40% students were not achieving FLN by grade 3; we had to work hard to bring it down to 20%, and we seem to be stuck at this level. Our goal, as for the entire country's education system, committed under the National Education Policy 2020 (NEP), is that all children must achieve these very basic language and math capacities by grade 3.

Foundational literacy is the capacity to read a couple of very simple paragraphs with comprehension and being able to write a few original simple sentences. Foundational numeracy is recognizing numbers, knowing place value, and being able to do simple operations of two digits, such as addition and subtraction. For navigating life in today's world, these basic capacities are inadequate but critical because most further education

and learning is built upon these. And since we have a system-wide crisis on this issue, we need to focus on solving it as a country.

A description of our schools and their context is necessary to understand what is going on. We run these schools to enable our main work in helping improve the public education system. We ourselves learn from these schools and use them as 'demonstration' models with government school teachers and officials. Eight of our schools are on the rural periphery of district towns across four states; one is on the periphery of Bangalore. The schools are completely free—no tuition fees, no charges for books, uniforms, the midday meal or anything else.

Over 80% of our students are from socio-economically disadvantaged and vulnerable families, about 15% from lower middle-class families and about 5% from the middle-class. Since the schools have a good reputation, there is a scramble for admissions. Our process is designed to admit a demographic profile which roughly mirrors the demography of the local population. All the schools have good campuses, lots of teaching and learning resources, and excellent teams—with competent, hard-working and empathetic teachers, who are systematically supported in their work and professional devel-

opment. Simply put, our schools are better resourced and supported than most schools in India, other than the elite ones that make up 1-2% of the total. As a useful comparison, they are resourced much like the Centre's Kendriya Vidyalayas.

So, why are we struggling to achieve these very basic capacities with such a large proportion of our students? Let's be clear: we are not achieving the goal, and it's not that the children are failing.

Almost all these children are from among the 80% who live with disadvantages and face deprivation. In other words, they live in poverty; even within this, a larger proportion are from families in extreme poverty and/or from particularly disadvantaged groups such as Dalits. Since we have strong relationships with our students' families, we understand their circumstances well.

The educational achievement of children is a function of both what happens at school and what the children get, have and experi-

ence at home and in their community.

Children living in poverty have less, get less and experience a tougher life. For example, they don't get adequate food or appropriate nutritional content, which affects both their biological development and day-to-day behaviour, including attention. They get significantly less adult care and supervision. This is not because their families love them any less, but because the adults are away all the time, battling to earn a living. These children also miss school a lot more because they fall ill more, and when they fall ill, they do not get treatment; and even otherwise, when they are healthy, they are often helping the adults with their livelihood. Poverty and social exclusion cause

significant stress and other mental health issues. In short, the deficits and deprivations that children live with affects their educational achievement profoundly.

In the field of school education, there is a reasonable understanding of these underlying sociological and psychological factors,

but an inadequate understanding of their curricular and pedagogical implications.

We are able to achieve the grade-3 FLN goal with many of those in poverty, so why can't we do it with the rest?

We are not certain and still looking for answers, but it seems a matter of human variability, for one. For almost all these students, much more time and personal attention is required, which when used skillfully can compensate for some kinds of deficits and deprivations and thus achieve some educational goals. But the responses of individual children vary, and it appears that whatever time and attention we can devote to them up to grade 3 is still inadequate for the 20%. That 14% from these 20% achieve FLN by grade 5 is because we get two more years to work with them. The 6% who don't achieve FLN even by grade 5 usually have some disability or are facing some deep disturbances at home.

Despite our resources and expertise, we struggle to achieve FLN goals. Most Indian schools serve similar populations, but are not as well-resourced. Is it surprising that we are struggling with education across the country? What must be done in the curriculum, in schools and in communities? We will take that up in the next column.

Even India's well-resourced schools are unable to meet our policy goals. We need fresh approaches



Performance Highlights Q2 FY25

Consolidated total income: ₹ **33,704 Crore** ↑ **30%**

Consolidated profit after tax: ₹ **2,087 Crore** ↑ **8%**

BAJAJ FINSERV LIMITED

Consolidated Results							(₹ In Crore)
Particulars	Q2 FY25	Q2 FY24	% Change	H1 FY25	H1 FY24	FY24	
Total income	33,704	26,023	30%	65,184	49,303	1,10,383	
Profit before tax	5,966	5,292	13%	11,934	10,418	21,375	
Profit after tax (attributable to owners of the Company)	2,087	1,929	8%	4,225	3,872	8,148	

BAJAJ FINANCE LIMITED

Consolidated Results							(₹ In Crore)
Particulars	Q2 FY25	Q2 FY24	% Change	H1 FY25	H1 FY24	FY24	
Total income	17,095	13,384	28%	33,198	25,884	54,983	
Profit after tax (attributable to owners of the Company)	4,000	3,551	13%	7,912	6,988	14,451	
Net NPA	0.46%	0.31%		0.46%	0.31%	0.37%	
Return on average equity (annualised)	19.1%	24.1%		19.4%	24.5%	22.0%	
Assets under management	3,73,924	2,90,264	29%	3,73,924	2,90,264	3,30,615	

BAJAJ HOUSING FINANCE LIMITED

Standalone Results							(₹ In Crore)
Particulars	Q2 FY25	Q2 FY24	% Change	H1 FY25	H1 FY24	FY24	
Total income	2,410	1,912	26%	4,619	3,675	7,618	
Profit after tax	546	451	21%	1,028	913	1,731	
Assets under management	1,02,569	81,215	26%	1,02,569	81,215	91,370	

BAJAJ ALLIANZ GENERAL INSURANCE CO. LTD.

Standalone Results							(₹ In Crore)
Particulars	Q2 FY25	Q2 FY24	% Change	H1 FY25	H1 FY24	FY24	
Gross written premium	5,871	7,298	-20%	10,632	11,132	20,630	
Profit after tax	494	468	6%	1,070	883	1,550	
Combined ratio	101.4%	95.3%		102.2%	97.6%	99.9%	
Return on average equity (annualised)	18.0%	18.8%		19.4%	17.9%	15.2%	
Assets under management	31,949	29,511	8%	31,949	29,511	31,196	

BAJAJ ALLIANZ LIFE INSURANCE CO. LTD.

Standalone Results							(₹ In Crore)
Particulars	Q2 FY25	Q2 FY24	% Change	H1 FY25	H1 FY24	FY24	
Gross written premium	6,544	5,338	23%	11,562	9,396	23,043	
New business premium	3,202	2,821	14%	5,743	4,980	11,494	
Net new business value	245	237	3%	348	331	1,061	
Shareholders' profit after tax	148	193		245	349	563	
Assets under management	1,23,178	98,700	25%	1,23,178	98,700	1,09,829	

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As required by regulations, the results for Bajaj Finserv, Bajaj Finance and Bajaj Housing Finance Limited have been prepared as per Indian Accounting Standards (Ind AS).

The results of Bajaj Allianz General and Life Insurance Company Limited are as per Indian GAAP.

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