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SENSEX 72,304.88 ↓ 790.34 NIFTY 21,951.15 ↓ 247.20 DOLLAR ₹82.93 ↓ ₹0.03 EURO ₹89.56 ↑ ₹0.42 OIL $81.89 ↑ $0.46 POUND ₹104.71 ↑ ₹0.49

RIL, Disney tie up in ₹70K cr India JV

Nita Ambani to be chairperson, Uday Shankar vice-chairperson

Lata Jha & Gaurav Laghate
NEW DELHI/ MUMBAI

Reliance Industries Ltd and The Walt Disney Co. have joined forces to create a media behemoth with enough muscle to take on streaming giants Netflix and Amazon in one of the world's fastest-expanding media and entertainment markets.

A new joint venture will combine the businesses of Reliance's associate company Viacom18 Media Pvt. Ltd and Disney's Star India. RIL will also invest ₹11,500 crore into the JV, valuing the combined entity at ₹70,352 crore on a post-money basis, excluding synergies.

Mukesh Ambani's Reliance will control the JV with a majority stake. While Viacom 18, majority-owned by RIL, will hold 46.82% in the JV, RIL on its own will hold 16.42%, while Disney will own 36.84%. Viacom 18 is owned by RIL with 74%, and Paramount Pictures and Bodhi Tree Systems with 13% each. Bodhi Tree is a joint venture between former top Disney executive Uday Shankar and James Murdoch's Lupa Systems.

Nita M. Ambani will head the Reliance-Disney JV as its chairperson, while Shankar will be vice-chairperson.

The JV will bring together media assets across entertainment (TV channels such as Colors, Star Plus, Star Gold) and sports (Star Sports and Sports18), besides content streaming on over-the-top video platforms JioCinema and Hotstar, reaching more than 750 million viewers across India. It will also get exclusive rights to distribute Disney films and productions in India, with a licence to use more than 30,000 Disney content assets.

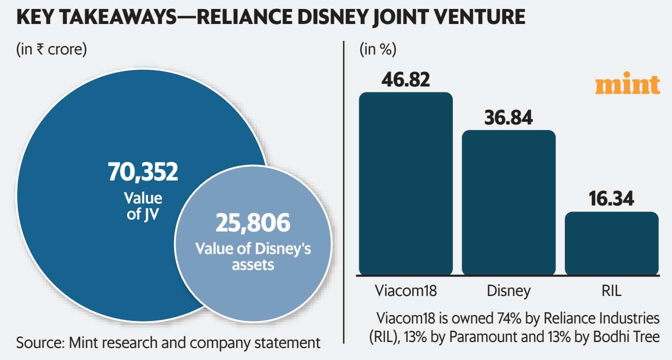
The combined Reliance-Disney streaming entity will also be three-four times bigger in terms of total hours of programming than the likes of Netflix, and may even look at acquiring smaller, niche language-specific entities that are struggling to survive, according to industry

TURN TO PAGE 6

BEAMING

Reliance to control the JV which will be India's largest media and entertainment business, invest ₹11,500 crore in the venture

KEY TAKEAWAYS—RELIANCE DISNEY JOINT VENTURE



Source: Mint research and company statement

Viacom18 is owned 74% by Reliance Industries (RIL), 13% by Paramount and 13% by Bodhi Tree

SIGNAL STREET

THE deal will create a joint venture of Star India and Viacom18

RIL will control the JV with an effective stake of 55-60%

JV will also be granted exclusive rights to distribute Disney films

SARVESH KUMAR SHARMA/MINT

Byju's can't access rights issue funds for now, says NCLT

Ranjani Raghavan & Sneha Shah
MUMBAI

The National Company Law Tribunal (NCLT) on Wednesday asked edtech company Byju's to consider extending the closing date of its contentious rights issue beyond 28 February, and directed it to keep the funds untouched.

A person familiar with the company's thinking, however, said on condition of anonymity that it will not extend the deadline since the court only asked it to "consider" an extension, but did not direct it do so.

The funds collected through the rights issue will be kept in a separate escrow account and will not be used for any purposes and it "should not be withdrawn till the disposal of the matter", the tribunal's Bengaluru bench said.

Byju's now needs to call an extraordinary general meeting (EGM) within 30 days and secure 51% of the votes to expand its authorized share capital.The court noted that Byju's had already given an undertaking not to allot new shares without increasing the authorized share capital of the company, as per the provisions of the law. The tribunal will hear the matter next on 4 April.

Byju's now needs to call an extraordinary general meeting within 30 days. REUTERS

The NCLT also expanded the scope of the investigation by seeking written submissions within two weeks from markets regulator Sebi, banking regulator Reserve Bank of India, the corporate affairs ministry and the registrar of companies.

Separately on Wednesday, the court also issued a notice to Byju's on its lenders' petition to invoke insolvency to repay around $1.2 billion worth of loans that the company had raised first in November 2021. Its lenders have accelerated

TURN TO PAGE 6

Small-cap valuation fears rock markets

Ram Sahgal
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MUMBAI

Fears of an asset bubble in small-cap stocks lashed the markets on Wednesday, dragging down benchmark indices, a day before the expiry of the February series of derivatives. Small- and mid-cap counters faced the brunt of the selloff, on reports that the market regulator had called for stress tests of mutual funds' small-cap schemes, and stoppage of incremental flows into small-cap schemes by a leading fund house.

The Nifty and Sensex fell a little over a percent each, sliding below the psychological levels of 22,000 and 73,000 to 21,951.15 and 72,304.88, as foreign portfolio investors (FPIs) and retail investors sold a provisional ₹1,879.23 crore and ₹200 crore, respectively.

However, the Nifty Midcap 150 and the Nifty Smallcap 250 fell more sharply by 1.8% and 1.89% each to 17,749 and 14,895.25, as panicky investors pulled out cash amid reports of

TURN TO PAGE 6

Safeguard mid, small cap investors: Amfi to MFs >P4

DON'T MISS

After atta and rice, Centre now plans Bharat masur dal

After Bharat atta and rice, the Centre plans to launch Bharat masur (lentil) dal, but at about ₹89 per kg, without a discount. The lentil pricing comes despite inflation being in control and with huge quantities of masur lying in government stocks. >P2

Restore defunct appellate body, India says at WTO conference

India has sought the revival of the World Trade Organization's (WTO's) appellate body—which has remained defunct for over four years after the US refused to approve its members—at the trade body's 13th Ministerial Conference in Abu Dhabi. >P2

RBI pushes for climate risk disclosures for banks, NBFCs

The Reserve Bank of India (RBI) has called for financial institutions, including banks and large non-bank financiers to disclose climate change risks. RBI believes the move will help customers, depositors, investors, and regulators understand the risks better. >P9

Mumbai airport sees fall in flight delays after govt restrictions

The Mumbai airport saw fewer delays in flight arrivals after recent steps to resolve congestion and delays. Just 4% of arrivals were delayed over 30 minutes in the 16–24 February period compared with over 26% during 11 November–10 December. >P7

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Name of the scheme
Motilal Oswal Midcap Fund (Formerly known as Motilal Oswal Midcap 30 Fund)
(An open ended equity scheme predominantly investing in mid cap stocks)
This product is suitable for investors who are seeking*
• Long-term capital growth • Investment in equity and equity related instruments in quality mid-cap companies having long-term competitive advantages and potential for growth.
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Scheme Riskometer
LOW, LOW TO MODERATE, MODERATE, MODERATELY HIGH, HIGH, VERY HIGH
Investors understand that their principal will be at Very High risk

Benchmark Riskometer Nifty Midcap 150 TRI
LOW, LOW TO MODERATE, MODERATE, MODERATELY HIGH, HIGH, VERY HIGH
Benchmark riskometer is at Very High risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

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Thursday, February 29, 2024

mint

Think Ahead. Think Growth.

mint primer

Mayday: The take-off woes of ailing airlines

BY ANU SHARMA

SpiceJet boss Ajay Singh and Busy Bee Aviation have submitted a rescue plan for bankrupt airline Go First. Previously, efforts to revive Jet Airways have met with limited success. *Mint* explains the flight path of recovery and the challenges associated with it.

REUTERS

1 How difficult is it to revive airlines in India?

Running an airline is a risky business. Virgin Atlantic founder Richard Branson famously said: "If you want to be a millionaire, start with a billion dollars and launch a new airline." Revival of airlines is challenging because a profitable carrier is an output of several things, such as the right fuel price band, perfect aircraft type, solid maintenance contracts, great network, good slots at airports, skilled workforce, etc. In fact, the only revival story over the past three decades is that of SpiceJet, which got a second lease of life in December 2014 in the form of support from the government and a new management.

2 What will it take to achieve it?

Primarily, the course correction for a failing airline in a market like India requires a hawk-eye over costs, fund infusion and a proactive management. In addition, support from vendors, aircraft and engine lessors, as well as maintenance companies for restructuring of dues' repayment plans will be necessary. To regain customer trust, an airline may also need to be rebranded; on-time performance at competitive fares will also help. While Indian aviation is a deregulated market run on the forces of demand and supply, a soft push from the government for revival can go a long way in changing fortunes.

SpiceJet chairman Ajay Singh.

3 What has the government done, and what can it do?

Jet fuel costs make up nearly 40% of Indian airlines' expenses, compared to a global average of 20-25%. The civil aviation ministry has been working to reduce value added tax on jet fuel and, so far, 19 states and Union territories have rationalized it. Airlines are also seeking inclusion of aviation turbine fuel under the goods and services tax to reduce the cost burden.

4 How have revivals played out elsewhere?

They're rare. Mexico relaunched former state airline Mexicana de Aviacion in December and has plans to add 10 planes in 2024. Founded in 1921, this was Mexico's biggest airline and flagship carrier before ceasing operations in August 2010. ExpressJet Airlines of the US is also gearing up for a relaunch in the second half of 2024 under new ownership. The former regional capacity provider for United Airlines suspended operations in 2020, resumed flights but filed for bankruptcy protection in 2022 after covid.

5 What happens to Go First now?

We do not know yet. Last week, it finally received two financial bids, six months after the launch of bid invitations. The two bids are: a joint bid by Ajay Singh and Busy Bee Aviation, and another by Sharjah-based Sky One Aviation. A lot depends on the committee of creditors now—it is expected to come to a decision on the bids within a fortnight. Go First owes ₹6,521 crore to lenders. Formerly backed by the Wadia Group, the airline filed for insolvency on 2 May 2023 and suspended flights with effect from 3 May.

QUICK EDIT

Power tilt ahead

Results declared on Tuesday for 15 seats in the Rajya Sabha representing Uttar Pradesh, Himachal Pradesh and Karnataka saw the Bharatiya Janata Party (BJP) win 10. More stunning was the cross-voting in its favour, particularly in Himachal. Six Congress legislators and three independents that this party was counting on voted in favour of the BJP's Harsh Mahajan. That gave him 34 votes to level the score with Abhishek Manu Singhvi, the Congress candidate whose presumptive tally had been 40. The tie led to a draw of lots in which the BJP candidate won. That was plain luck. But denuded support for the Congress raised the question of whether its state government in Shimla had lost its majority backing. We may not know unless it comes to a floor test, but there's little doubt that the Congress is proving unable to retain the power it won in elections not long ago. More significantly for India, with these new wins, the National Democratic Alliance's strength in the Rajya Sabha will rise to 117, which would bring it within sniffing distance of the 121 needed for a House majority. If attained, it could consolidate the BJP's legislative hold and ease the pursuit of its policy agenda.

MINT METRIC

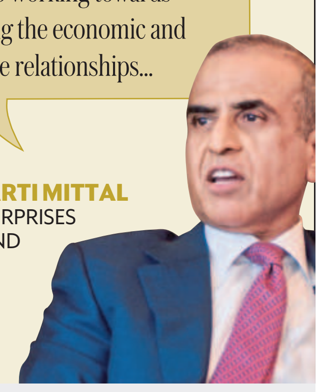
by Bibek Debroy

Did a floating bridge float away,
Or was fake news on display?
A segment seen all at sea,
Vizag officials don't agree.
Mere maintenance - so they say.

QUOTE OF THE DAY

The UK and India have historical relations, which are now entering a new era of increased cooperation and collaboration. I remain committed to working towards strengthening the economic and bilateral trade relationships...

SUNIL BHARTI MITTAL
BHARTI ENTERPRISES FOUNDER AND CHAIRMAN



MINT PODCASTS

FINANCIAL GUIDANCE

As Women's Day approaches, *Mint's* Jash Kriplani chats with Kavitha Menon, Probitus Wealth founder. Explore vital financial planning insights, promoting disciplined investment and money management. Despite its importance, women constitute just one-fifth of mutual fund investors in India.

MORNING ROUTINE

Top of the Morning is dedicated to delivering the latest updates and insights from the dynamic landscape of global markets and the business realm. Join us as we dive into the day's events, providing you with essential information to empower your morning routine with knowledge and awareness.

GEN AI ADOPTION

Explore Sam Altman's $7 trillion goal, strategies for Generative AI adoption, and Fractal's journey of exponential growth in the AI industry with Srikanth Velamakanni, Fractal co-founder, Group chief executive office and vice chairman on this latest episode of AI Rising podcast.

mint

PLAIN FACTS

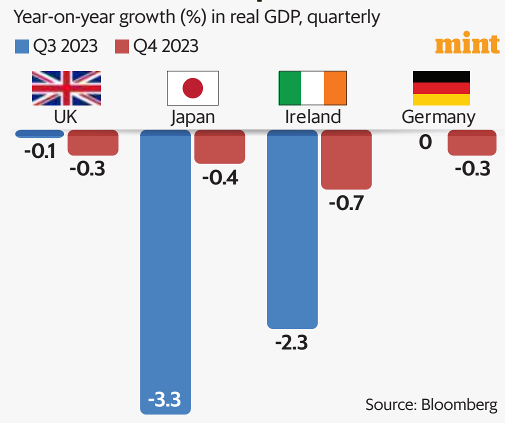
Feb in charts: Nvidia's rally, recession bells

BY PAYAL BHATTACHARYA & PRAGYA SRIVASTAVA

Every month, *Mint's* Plain Facts section brings out an update on the key global economic data to thread together the biggest developments in the world that are worth paying attention to. The accompanying analysis and charts attempt to explain how each story is creating ripples on the global stage, where it is headed in the coming weeks, and whether it can impact India. This month, we explain how economies are falling prey to recession, Türkiye's never-ending troubles with inflation, and rising global temperatures.

Economies face slowdown in growth for two successive quarters

Year-on-year growth (%) in real GDP, quarterly



1 Slowdown Blues

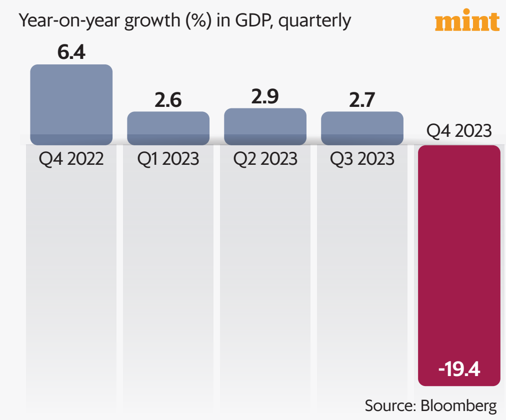
TWO GROUP of Seven (G7) economies slipped into a technical recession (two successive quarters of decline in GDP growth) in the December-ended quarter. With a 3.3% decline on top of a 0.4% contraction in the September quarter, Japan has now lost its title of the world's third-biggest economy to Germany. The decline has reportedly been due to a fall in the value of the yen, which slumped over 18% against the dollar in 2022 and 2023. The UK also reported negative economic growth in both quarters of the second half of 2023—first 0.1%, and then 0.3%. However, the relatively modest magnitude of these contractions suggests that the UK might be experiencing stagflation rather than a full-fledged recession at this point. The downturn is not limited to these two economies alone. Israel, Finland, Germany and Ireland also shrank in the December quarter. For Ireland, it was the fifth straight quarter of negative growth.

2 War-Hit Economy

ISRAEL'S ALL-OUT war in Gaza since 7 October last year has taken a heavy toll on its economy. The country's GDP plunged a whopping 19.4% in the December quarter. This is the first estimate since the war began. In the same quarter last fiscal, the country's economy had expanded 6.4%. Private spending has shrunk and so have investments in fixed assets. Sequentially, private consumption saw an annualized decline of 26.9%, while fixed investments dropped by almost 68%. Reports suggest that the war has also led to shortage of labour as Israel has mobilized 300,000 people as military reservists. Besides, many Palestinian workers from the occupied West Bank, who earlier used to cross the borders to work in Israel, have been barred from doing so since the war began. Hence, many sectors, especially construction and agriculture, have been affected. However, government spending has surged due to war-related expenses, compensations for victims' families, and evacuation measures.

Israel's economy faces sharp downturn as war continues

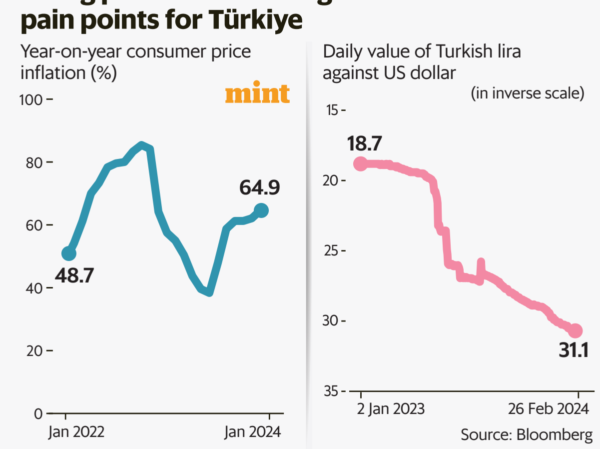
Year-on-year growth (%) in GDP, quarterly



3 Turkish Gloom

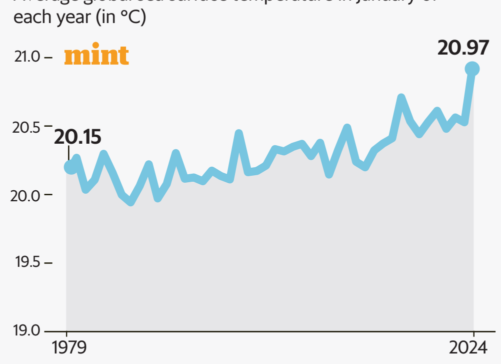
THE TURKISH economy has been reeling under the pressure of rapidly rising prices for quite some time now. In January, inflation reached almost 65% year-on-year, the highest since November 2022. The month-on-month jump of 6.7% in prices was the highest since August 2023. Reports suggest that the 49% increase in minimum wages by the government in December as an aid for people to deal with the rising cost of living has inflamed inflation further. The move was made ahead of the March 2024 elections. The 'hotels, cafes and restaurants' sector experienced the biggest annual rise in prices (92.3%), followed by education (79.8%) and health (78.6%). The central bank has also announced eight back-to-back interest rate hikes since May 2023. Plus, the lira has been under stress as it plunged to an all-time low against the US dollar on 21 February.

Rising prices and a falling lira remain pain points for Türkiye



The year started with a sharp spike in average global temperature

Average global sea surface temperature in January of each year (in °C)



4 Global 'Warning'

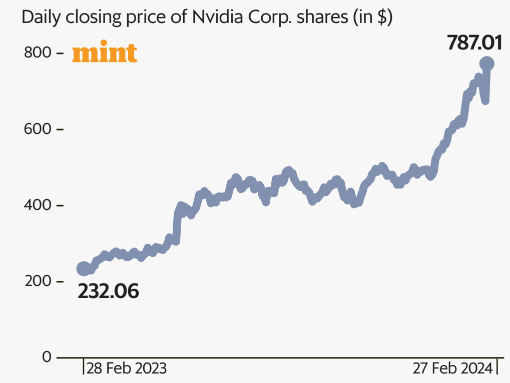
LAST MONTH, the world recorded the warmest January at least since 1940, and the 12-month global average temperature (February 2023 to January 2024) rose past the critical 1.5°C mark relative to the pre-industrial period, the European Union's Copernicus Climate Change Service (C3S) said. The rise in temperature along with climate change is already causing problems for several countries, with the agriculture economy taking a hit. Over a decade ago, climate scientists had chosen 1.5°C as the threshold beyond which certain effects of climate change would become irreversible. It refers to the difference between the average global surface temperature as compared to the pre-industrial climate of the late 1800s. In 2015, leaders from 195 countries had signed the landmark Paris climate agreement, pledging to limit temperature rise within this threshold. However, in November 2023, a United Nations report had said that there was a vast gap between actions planned and what needed to be done.

5 Roaring Rally

THE BREATHLESS rally in the share prices of Nvidia Corp., a chip-maker based in the US, has made it a contender to join the club of the world's biggest companies. In February, it surpassed the $2-trillion mark in market capitalization, albeit briefly, after a strong revenue forecast. Nvidia's stock has gained nearly 60% in 2024 so far. The company, which is a leading supplier of chips in the artificial intelligence (AI) revolution, has already surpassed market capitalization of Amazon.com Inc. and Alphabet Inc. With the rise in adoption of AI by several companies, the company has seen a massive interest and is set to benefit from the technological shift. The roaring rally by Nvidia wasn't only good news for the US, but the spillover effect also lifted Asian tech stocks. As a result, last week, Japan's Nikkei 225 surpassed its previous record set in 1989. The surge in Nvidia's shares has brought in optimism amid recession bells ringing in Europe.

Surge in Nvidia's stock has made it a contender for the club of top US firms

Daily closing price of Nvidia Corp. shares (in $)



PARAS JAIN/MINT

PEANUTS by Charles M. Schulz

MINT SHORTS

Six parties declare income totalling ₹3,000 cr in 2022-23; BJP tops list

New Delhi: The six national parties have declared a total income of nearly ₹3,077 crore in the 2022-23 fiscal, with the BJP getting the highest share, totalling around ₹2,361 crore, the Association for Democratic Reforms (ADR) said on Wednesday. The ruling BJP's income forms 76.73% of the total income of the six outfits during FY 2022-23, the ADR also said. **PTI**

'Law committee may bat for simultaneous polls in 2029'

MINT

New Delhi: The Law Commission may recommend adding a new chapter to the Constitution on 'one nation, one election' and simultaneous polls for Lok Sabha, state assemblies and local bodies by mid-2029, sources said on Wednesday. It may also recommend synchronizing terms of legislative assemblies in three phases in the next five years so that the first simultaneous polls can be held in 2029, when elections for the 19th Lok Sabha are due. **PTI**

'Domestic manufacturing of semiconductors next big sector'

Mumbai: Domestic manufacturing of semiconductors is the next big space and many companies are expected to venture into this segment, a senior MeitY official said on Wednesday, adding that a $2 billion digital economy is what India seriously needs. MeitY secretary S. Krishnan said the digital economy is expected to grow at a faster pace in the next few years. **PTI**

All states, UTs saw extreme weather events in 2023: report

AFP

New Delhi: India recorded extreme weather events on 318 days in 2023, with all states and UTs experiencing such events on at least one day, a report stated on Wednesday. These events resulted in 3,287 human deaths, 124,000 animal deaths, the report added. Himachal Pradesh recorded the highest number of days with extreme weather at 149, followed by Madhya Pradesh with 141, and Kerala and Uttar Pradesh with 119 each. Eight states recorded more than 100 days of extreme weather. **PTI**

'Notifying place under UAPA not to seize properties of the innocent'

New Delhi: The Delhi High Court has observed that the intent of notifying a place under the provision of the anti-terror law is to ensure that it is not used for unlawful activities, and is not to seize the properties of innocent owners who are not the members of an unlawful association. **PTI**

Revised US GDP slightly lower despite stronger spending

The US economy expanded at a slightly slower rate at the end of last year as a downward revision to inventories masked stronger household spending and investment. Gross domestic product rose at a revised 3.2% annualized pace in the fourth quarter, compared with a prior estimate of 3.3%. Consumer spending advanced at a 3% rate, faster than initially estimated, Bureau of Economic Analysis figures showed Wednesday. Inflation was revised higher. Last year the economy expanded 2.5%, marking an acceleration from 2022 and far outperforming the broader eurozone and Japan. **BLOOMBERG**

After atta and rice, Centre now plans Bharat masur dal

Govt to offer no discount despite inflation in control and with huge quantities lying in stocks

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NEW DELHI

After Bharat atta and rice, the Union government is planning to launch Bharat masur (lentil) dal—but, at around ₹89 per kg, without a discount – a senior official told *Mint*.

Normally the Bharat brand comes with hefty discounts. The lentil pricing comes despite inflation being in control and with huge quantities of masoor lying in government stocks. The all-India average retail price of masur dal was ₹93.5 a kg on Wednesday.

"In the first phase, Nafed (National Agricultural Cooperative Marketing Federation of India Ltd) and NCCF (National Cooperative Consumers' Federation of India Limited) will process and pack 25,000 tonnes of the pulse and it will be distributed through Kendriya Bhandar across the country," the official quoted above said.

"The sales are expected to start from the first week of March once the modalities are ready."

"Although masur dal prices are not high, we have decided to sell it under the 'Bharat' brand to make the basket bigger. Hence, we will not offer masur dal at a discounted rate. We have decided to keep the price almost the same as the market price at around ₹89 a kg," the official said. "We have around 720,000

In the first phase, 25,000 tonnes will be distributed through Kendriya Bhandars. MINT

tonnes of masur in our stock, mostly in the PSF (price stabilisation fund)."

In the last calendar year, India imported about 3.1 million tonnes of pulses, half of it masur, mostly from Canada and Australia.

₹89 cost fixed by govt for 1 kg Bharat masur

Bharat masur dal will be available in 1-kg packs.

As part of its retail intervention to tame inflation, the government is selling Bharat rice at ₹29 a kg, Bharat atta at ₹27.50 per kg and Bharat dal (chana) at ₹60 per kg through Nafed, NCCF and Kendriya Bhandar.

The number of retail points, including mobile vans and e-commerce sites, have been increased to nearly 18,000 from the existing 8,000-9,000, Union consumer affairs, food and public distribution minister Piyush Goyal said earlier.

Queries sent to the spokesperson and the secretaries of consumer affairs, food and public distribution ministry remained unanswered.

₹93.5 all-India average retail price per kg as on Wednesday

Prime Minister Narendra Modi, in his Independence Day speech last year, pledged to curb inflation in remarks made months ahead of general elections due in April-May this year. As a result, the government has taken a series of preventative measures, including retail intervention.

In January, food inflation, comprising nearly half the overall consumer price basket, was 8.30%, down from 9.53% in December 2023.

On Wednesday, masur dal prices at the all-India retail level remained at par with the last month but were 0.8% lower than a year ago, according to the consumer affairs ministry data.

"In a way, all these measures would be covered under so-called food subsidy to bring down consumer prices and tame inflation. Despite this, the existing CPI inflation data shows a 13% increase in rice. The government is overestimating food inflation because it is not picking up the weight of free food. Secondly, it shows a clear bias in favour of consumers but often it costs farmers because when prices went up, growers of wheat, rice and onion could not take full advantage of it. So, in a way you are transferring resources from farmers to consumers, which is not a great policy," said Ashok Gulati, distinguished professor at the Indian Council for Research on International Economic Relations.

"The real policy should be protecting the most vulnerable and the remaining ones should be aligned to the market. If the government has to enter, then it should be only marginal intervention. If you are saying poverty has come down to 5%, why are you giving free foodgrains to 60% of the population? That's where the conflict is."

PM Modi to launch 29 petroleum projects

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NEW DELHI

Prime Minister Narendra Modi is set to inaugurate 29 projects and lay the foundations for 10 more in the petroleum sector worth ₹1.49 trillion ahead of elections.

He will flag off an oil tanker from the ONGC Krishna Godavari deep water project on Saturday, which will carry 'first oil' from the Krishna Godavari Basin to Mangalore Refinery and Petrochemicals Ltd. First oil was produced from the block on 7 January. The peak production of the field is expected to be 45,000 barrels per day of oil and around 10 million metric standard cubic metres per day (MMSCMD) of gas.

Officials with knowledge of the developments said PM Modi will also inaugurate the Visakh Refinery Modernization Project (VRMP) on the same day. The project is being executed by Hindustan Petroleum Corporation Ltd (HPCL) to modernize and enhance capacity at Visakh Refinery at Visakhapatnam, Andhra Pradesh at an investment of ₹26,264 crore. The Mumbai High North Redevelopment Phase IV of ONGC with an investment of ₹3,977 crore is another project to be inaugurated by the prime minister on Saturday. The project involves the drilling of 43 wells.

No immediate plan on farmer talks again

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NEW DELHI

The government does not have an immediate plan to resume talks with protesting farmers, but it will find a solution soon, Union agriculture and farmers' welfare minister Arjun Munda said on Wednesday.

He is in a group of ministers engaging with farmers on their current protests.

The fourth round of talks held over a week ago in Chandigarh was inconclusive, driving farmers to resume '*Delhi chalo*' protest.

The 4th round of talks held in Chandigarh was inconclusive, driving farmers to resume '*Delhi chalo*' protest

"There is no immediate plan to resume the talks, but the government will soon find a solution to address farmers' concerns," said Munda on the sidelines of the annual general meeting of the Indian Council of Agricultural Research.

Farmers said they would pause their '*Delhi chalo*' march till 29 February but will stay put along the Punjab-Haryana border until then. Samyukta Kisan Morcha (Non-Political) and Kisan Mazdoor Morcha (KMM), the two farmers' outfits spearheading the protest at the Shambu and Khanuari borders announced a series of protests until a decision on the next move is made on 29 February.

The two umbrella bodies represent 200 farm unions. Farmers from Punjab began marching to the national capital on 13 February.

Union home minister Amit Shah on Wednesday said the government is committed to the welfare of farmers and till now more than ₹3 trillion has been given directly to the peasants under 'PM Kisan Samman Nidhi' scheme.

Farmers want the government to fulfill demands, including a legal guarantee for minimum support prices, pension for farmers and farm labourers, and farm debt waiver.

'Restore WTO dispute settlement body'

Rhik Kundu & Dhirendra Kumar
NEW DELHI

India on Wednesday pressed for the revival of the World Trade Organization's (WTO's) appellate body, which has remained defunct for over four years after the US refused to approve its members. At the WTO's ongoing 13th Ministerial Conference (MC13) in Abu Dhabi, India said this should be the top priority for any reform process of the multilateral trade body.

India also pitched for effective formalization of the ongoing informal dispute settlement reform discussions among WTO members, the commerce ministry said in a statement on Wednesday.

With the US blocking the appointment and reappointment of its members since December 2019, the appellate body's membership shrank from seven to four, posing a challenge to WTO's dispute resolution mechanism.

"India reiterated its long-standing position that a credible and reliable WTO DS system is the bedrock of an equitable, effective, secure and predictable multilateral trad-

India pressed for the revival of the WTO's appellate body, which has remained defunct for over four years. REUTERS

ing system. India emphasized that the outcome of any reform process should provide for the restoration of the appellate body, which remains a top-most priority for the country," the ministry added.

Typically disputes at the WTO are settled in two ways—one is parties finding a mutually agreed solution, particularly during the phase of bilateral consultations, and two, through adjudication, including the subsequent implementation of the panel and appellate body reports.

With US blocking appointment, reappointment of its members, the appellate body's membership shrank from 7 to 4

The three main stages of the WTO dispute settlement process are: consultations between the parties; adjudication by panels, and, if applicable, by the appellate body; and the implementation of the ruling, which includes countermeasures if the losing party fails to implement the ruling.

The entire multilateral trading system hinges on the dispute settlement body, as without it, the rules-based multilateral system is ineffective, said Biswajit Dhar, professor at Centre for Economic Studies and Planning, JNU, New Delhi.

"There is no point in having a WTO if you don't have an appellate body in place. It's extremely important that India has always made this important point," Dhar added.

A paralyzed appellate body at WTO serves US interests better, as US-backed programmes like the Inflation Reduction Act will not be challenged, said Ajay Srivastava, the founder of Global Trade Research Initiative (GTRI).

"Local manufacturing now is the top priority for the US and not trade. However, the US is not the only country taking advantage of this situation; many other nations are spending billions on WTO-incompatible domestic subsidies to promote manufacturing," Srivastava said. "It's unlikely that there will be any progress in restoring the WTO's appellate body at the MC13."

"India has engaged in good faith in the facilitator-driven informal dispute resolution reform discussions between certain members, despite deficiencies with the process," the commerce ministry said.

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Regulatory reform soon for ease of doing business, better governance

Gireesh Chandra Prasad
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NEW DELHI

The ministry of corporate affairs will look into making changes to rules and regulations issued under the Companies Act and other laws, said a person informed about discussions in the government, in a post-election push on ease of business.

The changes will be based on suggestions from the public and self-regulators of accountants and company secretaries, which are expected by the middle of March.

Regulators like the Insolvency and Bankruptcy Board of India (IBBI) and the National Financial Reporting Authority (NFRA) will make the changes in regulations that are needed, the person said.

The ministry has already set up groups of officials to look into specific aspects of the regulatory change and has requested the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India for suggestions, the person said. The review is based on an announcement that finance and corporate affairs minister Nirmala Sitharaman made in her FY24 budget a year ago.

Changes based on inputs from public & self-regulators of accountants, company secretaries are likely in mid-March. MINT

The move is broadly aimed at improving ease of doing business and corporate governance. All rules are being reviewed – whether they are related to accounting, incorporation of companies and LLPs, liquidation, or striking off of defunct companies, the person said.

"Public consultation is on. The ministry has formed groups to look into some of the rules. Conferences are being held by Regional Directors and the Director General of Company Affairs who will receive comments from stakeholders. By 15 March, if suggestions come to the ministry, there will be time to discuss at official level and after the elections, it will be taken forward," said the person who spoke on condition of anonymity.

While the review is mainly of rules and regulations, any changes that may be needed in the Companies Act can be taken up soon, as the ministry has already prepared a set of proposals for Companies Act amendments that are currently under inter-ministerial consultation.

If any important proposal comes up, and it is urgent, then they can be included in the proposed amendment Bill, said the person.

"The consultation is essentially about rules and regulations. Most of the suggestions will come on rules, which we can address without having to go to Parliament. Regulations can be amended by the respective regulator. The Finance Minister had announced that it will be a comprehensive review," said the person.

Experts expect the changes to make it easier to launching and wind up businesses and to lead to greater self-regulation backed by more openness in the affairs of companies.

"The Companies Act and LLP Act have been put up for comprehensive review and public comments. Aligning to the ministry's motto of ease of doing business in India, changes can be expected in provisions and requirements for incorporation and winding up of such entities," said Amit Maheshwari, Tax Partner at AKM Global, a tax and consulting firm.

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MINT SHORTS

Accenture to acquire Mindcurv for expanding its commercial services

Bengaluru: In a bid to expand its commercial services for clients, American IT giant Accenture Plc has agreed to acquire German IT services provider and data analytics company, Mindcurv, according to a press release. Accenture Song, the parent company's digital agency, agreed to acquire the Essen-headquartered IT Services company for an undisclosed amount. Mindcurv is a provider of digital services to clients in the manufacturing, retail, consumer goods, life sciences and chemicals sectors, most of whom are based in Europe. *Mint* could not independently ascertain the terms of the acquisition. Emails sent to Mindcurv and Accenture remained unanswered until press time. **JAS BARDIA**

Thrasio files for bankruptcy in an attempt to restructure debt

Thrasio Holdings Inc. has filed for Chapter 11 bankruptcy as part of a deal with lenders to provide it with fresh capital and get rid of about $495 million of debt. The company, an Amazon.com Inc. seller, initiated the process in New Jersey, according to a filing dated 28 February. It is seeking to pay employees' wages, as well as suppliers dues, while the case is ongoing. The restructuring support agreement reached with lenders of both its revolving-credit facility and its term loan will see Thrasio's interest payments delayed for a year. Some creditors have committed as much as $90 million in new financing for the Walpole, Massachusetts-based firm. **BLOOMBERG**

Climate-tech startup StepChange gets funds from Flourish Ventures

Climate-focused software-as-a-service (SaaS) startup StepChange has raised an undisclosed amount in a funding round from venture capital firm Flourish Ventures. The infusion comes nearly a year after the Bengaluru-based startup raised $4 million (₹32.92 crore) in a seed funding round co-led by Beenext and Global Founders Capital. The round also saw participation from other venture capital firms such as Genesia Ventures, Whiteboard Capital, Saison Capital, and Seedstars. Founded in 2022 by Ankit Jain and Sidhant Pai, StepChange offers solutions to large corporate enterprises and financial institutions to improve their environmental, social, and governance (ESG) metrics, manage climate risk, and reduce emissions across their supply chains, in-house operations, and financial portfolios. **K. AMOGHAVARSHA**

ABC Impact lifts India investment with fund 2

The fund, targeting $650-750 mn, marked its first close at $550 mn in Jan

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MUMBAI

Temasek-backed impact investment firm ABC Impact is ramping up investments in India with its second fund. The fund, with a target corpus of $650–750 million, marked the first close at $550 million in January. Around one-third of this amount will be earmarked for social and impact investments in India, Sugandhi Matta, chief impact officer, ABC Impact, said in an interview.

ABC Impact, a growth-stage investor, had backed homegrown firms such as agritech startup Cropin, edtech startup Vedantu and healthcare startup Healthcare at Home from its $300-million first pan-Asia fund. "We are very bullish on India as a market. Roughly one-third of our first fund was invested in India and we are expecting to maintain that ratio from the second fund as well," said Matta.

According to David Heng, chief executive officer, ABC Impact, India is a very stable market. "The potential in India is immense. The quality of founders is phenomenal. India has been an early adopter of technology, and has a fair bit of challenges where impact investors can play a part by supporting businesses that bring about a change," he said. "Mission-aligned founders are seeking mission-aligned investors like us."

The fund will support companies seeking Series B funding and beyond, said Matta. "Our style of investing is very evidence-based and we are looking to deploy capital in equal measures across social and climate opportunities. However, valuation continues to be a challenge in the Indian market. Our investment in the country will be a matter of timing and correct pricing."

"We are looking to write cheques anywhere between $10 million and $45 million," said Matta, an engineer and MBA graduate, with nearly two decades of investment experience with firms including Leapfrog, Actis, and Temasek.

It backed 12 startups from its first fund raised in 2019. With the first fund fully deployed, ABC Impact will now begin investing from its second fund.

The final close of the second fund is likely to be announced by the end of the year. Though Matta refused to divulge the target corpus, people in the know said it is looking to raise $650–750 million. The firm is backed by Temasek Trust, Pavilion Capital, MapleTree, Seatown Holdings, SP Group, and Sembcorp.

"We are looking to expand our LP base in the second fund. A lot of global sovereign wealth funds, and family offices, among others, have evinced interest, even as our existing investors are re-upping their commitments," Matta said.

The firm is betting big on financial and digital inclusion, agritech, healthcare, and climatetech, and has built a pipeline of investments in India, she added.

Sugandhi Matta, chief impact officer, ABC Impact.

GROWTH FINANCING

THE second fund of ABC Impact will support companies seeking Series B funding and beyond

THE company is looking to write cheques anywhere between $10 million and $45 million

ABC IMPACT backed 12 startups from its first fund, a third of which was deployed in India

Rupyy eyes market share push with used CV financing

Samiksha Goel
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BENGALURU

Namit Jain, founder & CEO, Rupyy.

Rupyy, the digital lending and used-car financing platform of CarDekho Group, is planning to expand its services to include financing of used commercial vehicles to boost its market share in FY25, Namit Jain, founder and chief executive, said.

"We will launch a new product line for commercial vehicle financing, in the first quarter of next financial year," Jain said.

At present, Rupyy provides loans for buying used passenger vehicle, new cars, and electric vehicles. Jain said the used commercial vehicles market, comprising light commercial vehicles such as pick-up trucks, is twice the size of the about ₹60,000 crore used passenger car market in India.

Commercial vehicle financing will address a substantial market demand, Jain said.

Despite widespread financing options for used commercial vehicles, addressing about 90% of the transactions, the lack of technological integration and digitization compared with passenger vehicle financing offers opportunities, he added.

Rupyy intends to introduce digital solutions for the sector to simplify the loan process, aligning it with their existing technological initiatives in the used-car market.

While the processing time for used-car loans has considerably decreased compared with a decade ago, transactions for used commercial vehicles still lag, often requiring 5–6 days to finalize, Jain said.

"What we've seen in commercial, and used commercial vehicles is that the degree of technology adoption and digitization is very poor...[W]e would want to introduce a lot of technology intervention that we had brought for used cars and digitize this sector."

Parent CarDekho, an autotech unicorn, posted revenues of ₹2,331 crore in FY23, marking a 46% increase over FY22.

Rupyy intends to introduce digital solutions for the used commercial vehicles sector to simplify the loan process

During the same period, its losses widened from ₹535 crore to ₹562 crore. But it does not include accounting gains of ₹290 crore, representing an exceptional one-time mark-to-market gain on investments in associates. Adjusted for these gains, the reported losses stood at ₹246 crore, CarDekho said.

The company said it had maintained a strong growth trajectory due to its growth engines, including insuretech platform InsuranceDekho, and Rupyy, along with its Southeast Asia business. The firm, which holds 14–15% share of the used-car financing space, is aiming for a 20% share in FY25.

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KISS HUMANITARIAN AWARD 2023

Date: 28th February 2024

PAST RECIPIENTS

Her Excellency Mama Rachel Ruto, EGH
First Lady of the Republic of **Kenya (2022)**

Dr. Dansa KOUROUMA
President, National Transition Council of Guinea, **Guinea (2019)**

Professor Muhammad Yunus
(Nobel Laureate)
Founder, Grameen Bank, **Bangladesh (2018)**

His Holiness The 14th Dalai Lama (2017)
Nobel Laureate, 2005 and Spiritual Leader

Ms. Ashley Judd,
Hollywood Actor, Activist & Global Goodwill Ambassador, **UNFPA (2016)**

His Excellency Dr Alejandro Toledo,
Former President of **Peru (2015)**

Ms. Anne F. Stenhammer
Former Regional Programme Director, UN Women, **South Asia Regional Office (2014)**

Mr. Bill Gates, Co-chair of the Bill & Melinda Gates Foundation, and Co-Founder & former CEO of Microsoft receiving the prestigious **KISS Humanitarian Award 2023** from **Prof. Achyuta Samanta**, Founder, KIIT, KISS & KIMS, Bhubaneswar, Odisha, India.

AWARDEES ARE FROM
5 Continents | 13 Countries
2 Nobel Laureates *among the awardees*

Madam Albina Du Boisrouvray
Founder, Association François-Xavier Bagnoud (FXB International), **Switzerland (2013)**

His Excellency Lyonchhen Jigmi Y. Thinley
Hon'ble Prime Minister, The Royal Government of **Bhutan (2012)**

Rt Hon. Lord Nicholas Addison Phillips
President (Chief Justice) of the Supreme Court of the **United Kingdom (2011)**

Rt. Hon. Sir Anerood Jugnauth
Eminent Social Worker & His Excellency the President of **Mauritius (2010)**

Dr. Ham Kee-Sun
Eminent Educationist & Physician and Hon'ble President & Founder, Hanseo University, **South Korea (2009)**

Ms. Edna Bomo Molewa
Noted Social Worker & Hon'ble Cabinet Minister, Social Development, South Africa National Assembly, **South Africa (2008)**

The KISS Humanitarian Award is a prestigious annual international award conferred by the Kalinga Institute of Social Sciences (KISS) in Bhubaneswar, India, conceptualized and the brainchild of visionary humanitarian and educationist Prof. Achyuta Samanta, Founder of KIIT and KISS. The award was initiated in 2008 to recognize and felicitate individuals for their exemplary and distinguished service to humanity across the globe.

The award ceremony for the years 2020 and 2021 has not taken place due to COVID-19. The awards will be received by legendary Indian personalities soon.

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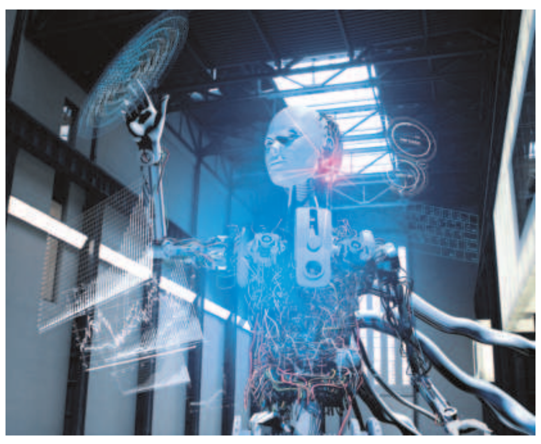
	S&P BSE Sensex	Nifty 50	Nifty 500	Nifty Next 50	Nifty 100	S&P BSE Mid-cap	S&P BSE Small Cap
Close	72,304.88	21,951.15	20,020.40	58,387.30	22,457.65	39,019.19	44,998.14
Percent change	-1.08	-1.11	-1.34	-1.29	-1.16	-1.82	-1.94
Previous close	73,095.22	22,198.35	20,292.85	59,150.65	22,722.30	39,743.66	45,888.55
Open	73,162.82	22,214.10	20,323.50	59,296.00	22,746.40	39,896.95	46,036.63
High	73,223.11	22,229.15	20,335.65	59,370.00	22,764.55	39,896.95	46,066.48
Low	72,222.29	21,915.85	19,987.35	58,218.10	22,421.45	38,950.41	44,877.67

MINT SHORTS

South Korea's retail investors join craze for India bonds

The craze for India's bond market has reached as far as South Korea, where a bond fund that's been mostly dormant for a decade is suddenly getting lots of interest. Mirae Asset Management Co.'s fund dedicated to Indian debt has grown to about 32 billion won ($22.5 million) from 24 billion won at the end of last year, thanks to the first net inflow in about three years, according to Kim Jin Ha, head of the global fixed income division at South Korean money manager. "The public is growing more interested in India, unlike the past when only a few institutional investors showed interest," he said in an interview. Kim said he's met eight securities firms and banks dealing with local retail investors this year with inquiries about India's bond market, compared with virtually none in 2023. India and US stocks have been in the spotlight, with the rally to records playing out in the backdrop of a still-nascent recovery in Chinese equities. **BLOOMBERG**


The snappy moniker Magnificent Seven is being applied globally to other high-growth stocks. ISTOCKPHOTO

'Magnificent Seven' style monikers pop up everywhere

The stellar rally in the Magnificent Seven tech megacaps is prompting analysts across the globe to apply the snappy moniker to other high-growth stocks. At least three recent research reports adopted similar appellations. Analysts from Goldman Sachs Group Inc. released a report in Tokyo last week highlighting a group of stocks that could serve as Japan's equivalent of the Magnificent Seven that have powered US stocks to a record high. On Tuesday, an independent equities analyst who publishes on Smartkarma used 'Europe's Magnificent Eleven' as title for a report on the so-called GRANOLAS, which comprise the region's biggest names including GSK Plc, Roche Holding AG and ASML Holding NV. Over in Pakistan, Chase Securities released a note dubbed 'Pakistan's Magnificent Seven' on the same day for the so-called SHIMPLE, a grouping which includes the nation's biggest tech company Systems Ltd and Hub Power Co., a major utility. **BLOOMBERG**

Vi needs more funds to succeed

Vineetha Sampath
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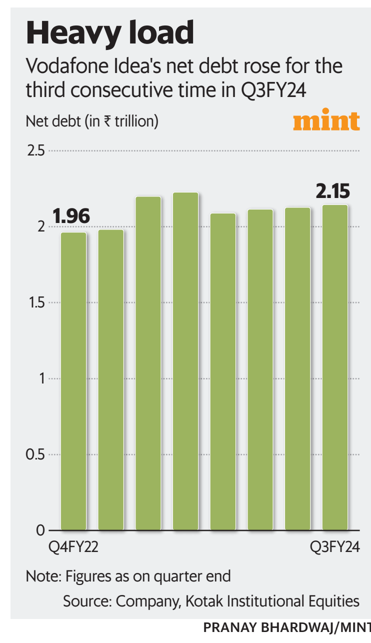
Amid heightened competition in the telecom sector, raising funds is crucial for Vodafone Idea Ltd's (Vi) survival. However, investors were visibly disappointed after the company announced that the board of directors had approved a fundraise of up to ₹20,000 crore through equity or equity-linked instruments, causing Vi's shares to plunge almost 14% on Wednesday. What gives?

One of the company's promoters will participate in the proposed fundraise and is likely to invest about ₹2,000 crore. This means that 90% of the funding will have to come from external investors, on which there is insufficient clarity at the moment. Sure, the fundraise was on the cards, and investors seemed to have factored that in, going by the 82% rally in the stock over the past six months (as of Tuesday). However, uncertainty prevails after the recent announcement, which perhaps explains the huge fall in Vi's stock price on Wednesday.

"VIL's earlier attempts to raise funds have not been successful despite the company being in a better financial position than it is now," said Vivekanand Subbaraman, an analyst at Ambit Capital.

The proposed fundraise is too small to turn around Vi's balance sheet.

"Also, the funding announcement lacks details and thus investors are perhaps sceptical of VIL's ability to raise funds," he added.



Vi is also looking to raise funds via debt, and hopes to bring in ₹45,000 crore through a combination of equity and debt.

If the company does manage to raise funds, it plans to expand its 4G coverage and roll out a 5G network.

If and when the fundraise goes through, the company will take another six to seven months to roll out 5G.

Its peers Bharti Airtel Ltd and Reliance Jio have already rolled out their 5G networks.

This network expansion could curtail the drop in Vi's subscribers.

In the December quarter (Q3FY24), the company lost 4.6 million subscribers, compared to 1.6 million in the July-September quarter.

However, average revenue per user (Arpu) grew 2% sequentially to ₹145, aided by a change in the entry-level plan and subscriber upgrades.

Hemang Khanna, an analyst at Nomura Financial Advisory and Securities (India), wrote in a report on 27 February, "If VIL is able to tie up the entire fundraise, it will be a material positive. However, VIL will not be fully out of the woods, in our view. Repair, recovery and rollout of 5G will take time to fructify and will be crucial to an improvement in its outlook."

INVESTOR MOOD

THE fundraise was on the cards, and investors seemed to have factored that in

HOWEVER, lack of funding details has created an environment of uncertainty

To be sure, the proposed fundraise is too small to turnaround VIL's balance sheet, given its heavy debt burden.

As of the end of December, its net debt stood at a whopping ₹2.1 trillion. For perspective, the company's annualized Ebitda in Q3 was around ₹8,600 crore. It will have to pay off about ₹40,000 crore debt annually from FY26.

Besides the potential fundraise, growing the Arpu is also crucial to Vi's profitability.

Remember, the company is currently running in losses. Migration from 2G to 4G would support Arpu growth, but to compete with giants such as Airtel and Jio, expanding its network is essential.

According to news reports, Vi is likely to opt for a follow-on public offer for the equity fundraise.

The company plans to have a shareholders' meeting on 2 April to approve the funding, and it expects to complete the equity fundraise within the next quarter.

If these efforts bear fruit, investor sentiment will improve.

JK Cement's expansion plan will up volumes, keep debt elevated

Harsha Jethmalani
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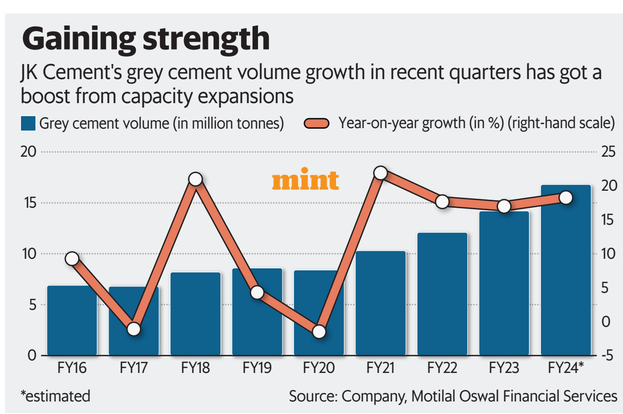
Investors in JK Cement Ltd are sitting on handsome gains, with its shares having rallied 61% over the past year due to a combination of factors that could boost its earnings performance. Amid heightened competition, timely capacity additions and strategic regional diversification have boosted JK Cement's prospects, and grey cement volume growth has been good. The company has guided for double-digit volume growth in grey cement in FY24, faster than the industry's anticipated single-digit growth.

JK Cement surprised analysts by commissioning its greenfield integrated cement plant at Panna, Madhya Pradesh, within 18 months and ramping up capacity utilisation to around 90% within a year, said a Motilal Oswal Financial Services report.

The company has expanded its dealership network and, through robust marketing campaigns, tapped new markets in central india. Motilal Oswal estimates JK Cement will clock around 14% compound annual growth rate in grey cement volume from FY23 to FY26, higher than the industry. Last week the company completed the acquisition of Odisha's Toshali Cement to expand its footprint in the eastern market.



JK Cement also remains focused on optimisation measures such as implementation of waste heat recovery systems. These should help reduce its operating costs and carbon footprint. So far so good, but higher capital expenditure (capex), largely for new capacity addition, could keep debt elevated in the medium term. The company recently announced ₹2,850 crore capex for an addit-ional six million tonnes per annum of capacity, funded via debt and internal accruals. The company has planned capex of ₹1,200 crore in FY24, ₹2,200 crore in FY25, and ₹1,800 crore in FY26. At the end of December 2023, its gross debt stood at ₹4,585 crore, and this is expected to peak at ₹5,600 crore by FY26.

"New capex will help JK Cement maintain its consistent volume growth in its existing market and entering Bihar would enhance its revenue diversification and provide an impetus for growth. So, we have revised our Ebitda estimate for FY25 and FY26 higher by 16% and 15%, but an EV/Ebitda valuation of 16.5 times is expensive," said Mangesh Bhadang, senior VP, Centrum Broking Ltd.

Meanwhile, the paints segment continues to clock operating losses. The management expects it to achieve Ebitda-breakeven by FY26. But whether it is able to achieve this remains to be seen, given that competition in the paints business has shot up with the entry of new companies.

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

Promoters offload record ₹1.15 trillion shares in 2023

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MUMBAI

Family business promoters such as the Adanis and Anil Agarwal (Vedanta) as well as professional ones such as private-equity firms raked in the moolah big time by selling stakes in their companies in the bull run of 2023. That year, the benchmark BSE Sensex rose 18.7% and the NSE Nifty, 20%.

The promoters sold shares worth ₹1.15 trillion ($14 billion) in all, a staggering 161% rise from the ₹44,013 crore in 2022, and way higher than any other year in the past 10. Top of the list are the Adani group, which diluted stake in five group companies; Barings PE, which sold stake in Coforge, and Shobha Gangwal, whosold her entire stake in InterGlobe Aviation. (*See chart for the top 10 list.*)

Cashing in

Largest stake sales by listed companies in 2023

Company (Promoters/Seller)	in ₹ crore	stake sold (in %)
Adani Green Energy (Infinite Trade & Investment Ltd And S.B. Adani Family Trust)	11,169	9.2
Coforge (Hulst BV)	11,000	40.0
Adani Enterprises (S.B. Adani Family Trust)	9,600	5.0
Adani Power (Afro Asia Trade & Investments And Worldwide Emerging Market)	8,710	8.0
Interglobe Aviation (Shobha Gangwal)	5,746	7.0
Adani Ports & Special Economic Zone (S.B. Adani Family Trust)	5,282	4.1
Sona Blw Precision Forgings (Singapore VII Topco III Pte)	4,917	20.5
Adani Energy Solutions (S.B. Adani Family Trust And Fortitude Trade)	4,565	6.0
Hdfc Asset Management Co. (Abrdn Investment Management)	4,079	10.2
Vedanta (Twin Star Holdings)	3,983	4.1

Source: Prime Database, NSE & BSE
SATISH KUMAR/MINT

The sales have helped reduce promoter debt levels, helped invest in new businesses, and gave PE firms exits at good levels. The latter, in particular, took the rise in promoter sales to a new high last year, experts said.

"In the last seven years alone, there has been $350 billion investment from PE, VCF, angel funds, etc, into equity, credit and real estate," said Nilesh Shah, MD, Kotak Mahindra AMC. "Given the normal tenure of 7-10 years for a fund, these sales, where PE is promoter, will increase."

Lakshmi Iyer, CEO-investment & strategy, Kotak Alternate Asset Managers, said while Sebi's restriction of 75% promoter holding in listed firms did contribute to some of the stake paring, the rich valuations of listed companies, which indicate that stock prices are high relative to their earnings or asset values, also played their part.

Experts also see the momentum carrying through in 2024, especially for companies where PE firms are promoters. Atul Parakh, CEO, Bigul, said the trend may continue this year in consumer, infrastructure and realty sectors. "To my mind, the sales will be greater in cases where PEs are promoters. The markets are giving an attractive exit to these entities," said Jyotivardhan Jaipuria, founder, Valentis Advisors.

Safeguard mid, small cap investors: Amfi to MFs

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Industry body Association of Mutual Funds in India (Amfi) has asked mutual funds to put in place safeguards to protect the interests of all investors in mid- and small-cap funds. Amfi sent this letter after markets regulator Securities and Exchange Board of India (Sebi) raised concerns of "froth building up in small and mid-cap segments" amid continuing flows in such funds.

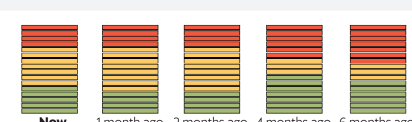
Amfi cited Sebi's directive to fund houses, in a letter dated 27 February. "In the context of the froth building up in the small and mid-cap segments of the market and the continuing flows in the small and mid-cap schemes of mutual funds, Trustees, in consultation with Unitholder Protection Committees of the AMCs, shall ensure that a policy is put in place to protect the interest of all investors," the letter read.

Sebi has asked trustees of mutual funds to look into "appropriate and proactive" measures, including but not limited to moderating inflows, portfolio rebalancing, etc.

The regulator has also directed mutual fund trustees (through the Amfi letter) to consider steps to ensure that investors are protected from first-mover advantage of redeeming investors.

MINT MACRO TRACKER

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



For each indicator, an average band (shown in grey) is constructed around the five-year average value. The size of the grey band rises with volatility. Values falling above this band are in green, those falling below are red, and those within this band are coded amber (the red/green coding is reversed for inflation). While calculating the five-year average, data for some indicators for April-May 2020 and 2021 have been removed to eliminate lockdown-induced skews in the trend. All data as of 28 February 2024.

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

Data: Payal Bhattacharya; Graphics: Paras Jain

'We will raise more capital if an interesting buy comes up'

Physics Wallah co-founder says the company is still in search of newer growth areas

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The drubbing that the sector has received, coupled with the funding winter has thrown open a fire sale of assets among edtech firms. Westbridge-backed edtech unicorn Physics Wallah is evaluating inorganic deals, co-founder Prateek Maheshwari said in an interview.

The firm that turned profitable in FY21 has set aside a war chest of around $100 million for its inorganic plans, he said on the sidelines of India Digital Summit in Mumbai. The company acquired six assets in the recent past and is on the lookout for more good assets, Maheshwari said.

According to him, a lot of startups that took the cash-burning route are finding it difficult to raise more capital now with the macros and valuations changing along with cash flow and capital being less available. "So, we are being opportunists and evaluating a couple of good deals," Maheshwari said.

Asked about the capital set aside for these growth plans, Maheshwari said that the company has $60 million from the fund raise. "Fundamentally, we are a cash generating company and can put that incremental capital to use. I am also open to raising more capital if an interesting acquisition opportunity comes up."

Though the company has grown 150% in terms of overall revenue and is likely to close FY24 with ₹2,000 crore revenue, it is still in search of newer growth areas.

"Online will continue to drive our business as currently around 55% of the business still comes from selling online courses. We are also betting big on the physical centres and phygital is the way forward," Maheshwari said. According to him, the company has opened 150 centres across 105 cities in the last 18 months. "We are opening one centre every five days. We are aggressively prioritising growth and cornering more market share," he added.


Prateek Maheshwari, co-founder, Physics Wallah.

150%
Physics Wallah's overall revenue growth in FY24

In June 2022, Physics Wallah raised $100 million from Westbridge Capital and GSV Ventures. While the funds hold 9% stake in the company, the founders together hold around 91% stake in the company that was last valued at $1.1 billion.

Till now, the company has acquired six firms as part of its efforts to bulk up the top line. The company is bullish about opening residential schools. "There is a huge gap that we have seen in our school education system and our model of residential schools aims to address it," Maheshwari said, and added that the firm is also looking to tap into upskilling and the college education space to make India's youth job ready.

"We have successfully started some of the new business lines for us, which will give us growth in FY28 or FY29," he said.

₹2K cr
The revenue that the firm expects to close FY24 at

Maheshwari co-founded the company with Alakh Pandey in 2016. The company that was bootstrapped for the first eight years is preparing internally for a public listing over the next 24–36 months. The company that has more than 15,000 employees undertook a cost rationalization exercise last year. Calling it a performance linked decision, Maheshwari said the company continues to be a net hirer. "We are on a hiring spree, not the other way around," he said.

Asked about the learnings as a founder from the Byju's episode, Maheshwari said that notwithstanding the problems and slugfest with the investors, Byju Raveendran should be credited with creating the edtech category in India. "People make mistakes. But we have to give credit where it is due and this man has single-handedly created edtech as a category in the country and has been at it for so many years," he said.

Luxury investments rising in India's booming economy

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India's booming economy has fuelled a surge in investments in expensive watches, art and other luxury collectibles among the country's super-rich.

Opulent symbols of wealth such as Rolex watches and MF Husain artworks offer the ultra-rich not only status but also potentially lucrative returns.

For India's 1%, who account for 40% of the country's wealth, rare timepieces and exquisite artworks offer ways to diversify their portfolios.

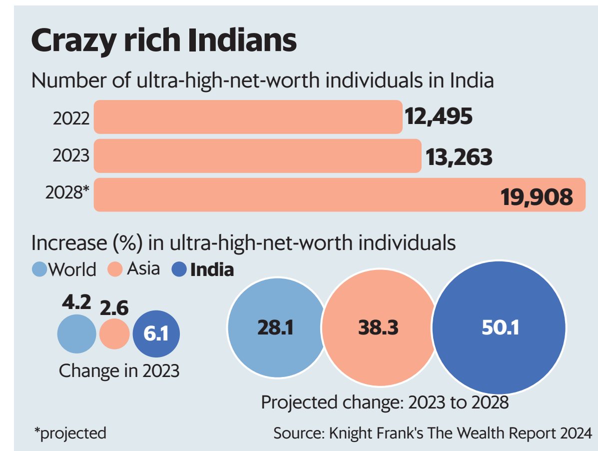
According to 'The Wealth Report 2024' by Knight Frank, nearly 17% of India's super-rich (those with a net worth of $30 million and above) bought coveted collectibles using their investable wealth in 2023.

But Indians still love real estate. According to the report, 32% of super-rich Indians invested in property last year.

The report said expensive watches were the top luxury investment category for super-rich Indians in 2023, followed by art.

Jewellery also featured on the list. This contrasted with global preferences, where art reigned supreme, followed by watches and classic cars. India's super-rich also invested in wine and rare whisky, but relatively less than than their global counterparts. The report did not consider real estate to be a luxury investment.

Shishir Baijal, chairman and managing director of Knight Frank India, said Indians have a long-standing appreciation for collectibles of various kinds, and that this was driving the growth.



There are also promising returns to be had in these categories in both domestic and international markets, the report found.

"The demand for rare collectibles is rising across age groups in India, and as wealth continues to grow, we expect further investments in these asset classes," it said.

The number of ultra-high-net-worth individuals (UHNWIs) in India grew by 6.1% in 2023, and their number is projected to grow by 50% – from 13,263 to 19,908 – in the next five years, far outpacing the global average.

The number of ultra-high-net-worth individuals in India grew by 6.1% in 2023, and it's projected to grow by 50%

The number of wealthy individuals globally is expected to grow by 28.1% to 8.02 lakh by 2028. In 2023, their number rose to 4.2%, 6.26 lakh from 6.01 lakh the previous year. About 90% of Indian UHNWIs expect their wealth to increase this year, and almost 63% of these expect it to grow by more than 10%. The report added that 32% of India's UHNWIs have invested in real estate. Interestingly, nearly 14% of their combined residential portfolio comprises properties located outside India.

About 12% of India's UHNWIs bought a new home in 2023 and a similar percentage plan to do so in 2024, the report said. This is lower than the global average of 22%. The average Indian UHNWI owns 2.57 homes and a sizable 28% rented out their second homes during 2023.

According to Knight Frank's Luxury Investment Index, which tracks 10 popular luxury investments, art was the best-performing asset in 2023, with an 11% price increase. Other luxury assets such as rare whisky still hold long-term value, having generated 280% returns over the past decade, it said. The report added that while auction houses saw record-breaking sales in 2023, the luxury investment index dipped slightly at the end of the year as the value of some assets fell or saw minimal gains. However, experts said this could have been a market correction rather than a cause for major concern, with some losses simply reflecting a stabilisation of previously inflated assets.

'Govts backing down on EV subsidies'

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As governments in many countries are "backing down" on subsidies on electric vehicles along with the end of a wave of early adopters, the demand for EVs has seen a dip, says Martin Jahn, member of the board of management for sales and marketing, Skoda Auto.

Governments in many developed regions are taking a more "realistic" view of their commitments to "100% electrification", as the path to an EV-only universe gets more challenging in the face of battery supply routes, raw material sourcing and infrastructural issues.

Czech carmaker Skoda Auto, a part of the multinational automotive group Volkswagen, will consider bringing a mass market EV to India at some point in the future, Jahn said, adding that it is "exploring all options" to make a viable business case of selling EVs in the price-sensitive mass market in India.

Skoda expects policies designed for the adoption of EVs to keep changing "very quickly" across the world even as original equipment manufacturers continue to double down on investments on the technology.

"In clean mobility, the predominant path is electric. There are different commitments at the moment (from different countries). We see that the dreams of some markets going 100% electric are not realistic, you can go to 30% or 50% but even China is now not saying we want to be 100% and has had some challenges. So, the question is at which pace we will be getting to a large number of electric vehicles and India has very ambitious plans for this. Let's see how it works", Jahn said.

Social sector spending short of target

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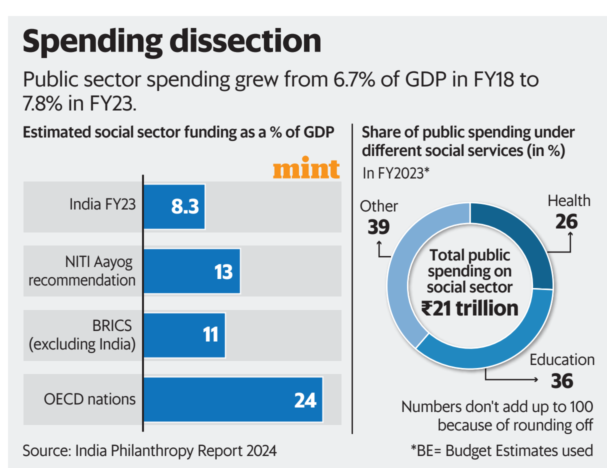
India's social sector spending deficit could increase to ₹15 trillion by fiscal year 2028, below the Niti Aayog's recommended spending threshold of 13% of gross domestic product (GDP).

According to a joint report, *India Philanthropy Report 2024*, by philanthropy organization Dasra and global management consulting firm Bain & Co., India's social sector spending in FY23 was around ₹23 trillion ($280 billion), accounting for 8.3% of GDP.

"Inequalities persist in India despite strong GDP growth, a burgeoning middle-class, and a goal to become a $5-trillion economy by FY25... Despite robust growth over the last five years in social sector spending, India still falls 4.7% short of Niti Aayog's annual social funding target," it said.

In FY23, member countries of the Organization of Economic Co-operation and Development (OECD), and Brazil, Russia, India, China, and South Africa (Brics) nations reported significantly higher spending rates of 24% and 11%,



PRANAY BHARDWAJ/MINT

respectively (FY22 numbers).

However, India has not been able to keep pace with its OECD and Brics counterparts due to moderate growth in corporate social responsibility (CSR) and donations from high-net-worth individuals (HNIs) or affluents, despite a growing donor pool, the report added.

While Niti Aayog estimated a 57% disparity between demand and supply in India for FY23, over the next five years, this could decrease to 35% as the country's social sector funding deficit rises to ₹15 trillion, the report said.

Private sector spending in FY23 saw 10% growth, at ₹1.2 tn, on rising contributions from family philanthropy

Public sector spending accounted for 95% of the ₹23 trillion, with the sector's contribution growing from 6.7% of GDP in FY18 to 7.8% in FY23. Health (26%) and education (36%) spending were the primary drivers of this growth, with respective five-year compound annual growth rates (CAGRs) of 18% and 9%.

"India's social sector needs to focus on improvement in the quality of social spending, especially public spending. It's also crucial to balance allocations across sectors by directing funds towards underrepresented sectors and geographies while looking at solving for improving societal outcomes," said Amit Chandra, the founder of ATE Chandra Foundation.

Private sector spending in FY23 saw 10% growth, reaching ₹1.2 trillion, fuelled by rising contributions from family philanthropy and retail donors. This trend is expected to persist, driven by them and CSR. In FY23, CSR reported moderate growth of 7% complying with the mandate, to an estimated ₹28,000 crore, while share of domestic private spending rose to 30% following increased compliance and profit growth.

Healthcare and education were key funded sectors, with environment and sustainability witnessing a substantial inflow of CSR funds in recent years. "There has been a notable increase in corporate givers, as evidenced by the proportion of companies complying with the CSR mandate (2% of profits), which increased from approximately 30% in FY18 to more than 60% in FY22," it said.

India should give more sops for fabrication units: Qualcomm

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India should beef up the quantum of its $10 billion financial incentive scheme to attract semiconductor fabrication majors, said Rahul Patel, Qualcomm Technologies' group general manager for connectivity, broadband and networking.

Patel believes India is competing against developed nations like the US, Europe, Japan, and China, who are offering incentives worth tens of billions of dollars.

"India is competing against developed nations. Companies (fabs) are very capitalistic minded, they're going to look for the best financial outcome, the size and longevity of the incentives and how competitive they are versus the US, China, Europe, Japan, South Korea," he said.

"A $10 billion incentive is not the same as $40-50 billion. I'm sure it's not an issue of India not being capable, but it is going to be an issue where the priorities are spent."


Qualcomm Technologies group general manager Rahul Patel.

He noted that India did have a geo-political advantage globally as companies were trying to diversify away from China, even as the South Asian nation has a similar policy to other countries on owning semiconductor manufacturing capability. Assembly, testing, marking and packaging or ATMP units were good starting points but getting the semiconductor fabs was critical, Patel said.

"Semiconductors are the new oil," he said.

Qualcomm, as a fabless chip design firm, was increasing investments in India on an annual basis and had the second largest research and development centre in the world in the country. The senior executive said that Qualcomm was participating in enabling the electronics and manufacturing ecosystem of India as it was a 'very strategic' market for the company.

"Qualcomm is building the latest wi-fi elements out of Chennai, modem products out of Bangalore and Hyderabad, designing processing engines, building products that go into IoT markets from India, irrespective of incentives. This size of talent pool is not available outside of India," he added.

Patel added that Qualcomm had started discussions with Bharti Airtel, Reliance Jio and Vodafone Idea for bringing wi-fi 7, the latest standard on wifi technology, even as wi-fi 6 based devices and equipment was just beginning to roll out for deployment into networks. "I will not be surprised in 2025, you will see wi-fi 7 in India," he said.

The reporter is in Barcelona to cover the Mobile World Congress at the invitation of Xiaomi.

Old movies in new avatar, theatres bank on re-releases to boost sales

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Theatres across the country that are seeing a dip in business owing to new releases not finding favour with audiences have been banking on re-releasing older hits to boost sales. Films such as *Dilwale Dulhania Le Jayenge, Jab We Met, Mohabbatein* and others have been re-released over the past few weeks, as have southern language hits from the 1990s and 2000s.

While ticket prices are kept nominal to ensure footfalls, trade experts point to the tactic to keep things going at a time when returns from new titles have hit rock bottom.

For the older hits, theatre owners said it was common to see over 50% occupancy, especially on weekends, and the most popular films collected between ₹20 lakh and ₹30 lakh, an impressive figure considering the titles are available on streaming platforms.

Some producers and theatre owners *Mint* spoke with are thinking of re-releasing older films now, including those before the 1990s to cater to slightly older audiences given the latest response.

"Re-release of retro films during festivals offers younger generations a chance to explore and enjoy timeless movies they might have missed," Sanjeev Kumar Bijli, executive director, PVR INOX Ltd said.


Theatre owners said the most popular films collected between ₹20 lakh and ₹30 lakh.
HT

"We have always believed that there is an audience beyond traditional movie screenings. This conviction propels us to experiment with various forms of content in our cinemas, ranging from live screenings of ICC Cricket tournaments, gaming events, and international concerts to significant national events like the Ayodhya Ram Mandir inauguration and the Republic Day parade," Bijli added. During the ICC Men's World Cup, each match had varying occupancies, but most of screenings of India vs Pakistan, India vs New Zealand semi and the final match were sold out. Average occupancy was over 73% and the average ticket price (ATP) was ₹580, Bijli pointed out.

GETTING VIEWERS

FOR older hits, theatre owners said it was common to see over 50% occupancy

INCORPORATING alternate content allows the company to attract new audience segments

The screening of the Ram Mandir inauguration and Republic Day events were priced at ₹100, inclusive of a beverage and popcorn combo.

Nationally, the Ram Mandir screening achieved average occupancy over 70%, while the Republic Day parade clocked in over 65% occupancy specifically in the Delhi and UP regions. Incorporating alternate content into its strategy allows the company to attract new audience segments to cinemas that are fast evolving into social spaces where communities come together, engage, and interact, Bijli said.

Theatre owners agreed showcasing alternative content in cinemas not only offers audiences a diverse range of entertainment options beyond newly released films but also enables cinemas to use their infrastructure and resources efficiently during periods of low film releases or special occasions like the Ram Temple ceremony or Republic Day parade. "During periods with fewer new releases or specific events, showcasing alternate content allows us to utilize the screens efficiently and pull audiences to the cinemas," Rahul Puri, managing director, Mukta Arts, and Mukta A2 Cinemas said.

RIL, Disney tie up to create ₹70K cr media behemoth

FROM PAGE 1

experts.

"This is a landmark agreement that heralds a new era in the Indian entertainment industry," Mukesh Ambani, chairman and managing director of Reliance Industries, said in a statement.

Disney's assets are valued at ₹25,806 crore, a significant markdown due to potential losses from missing out cricket rights, said a person with knowledge of the deal terms. Viacom18, including JioCinema, is valued at ₹33,046 crore in the deal.

Paramount, which owns a 13% stake in Viacom18, is likely to exit post the merger, this person said.

The transaction is subject to regulatory, shareholder and other customary approvals and is expected to be completed in the final quarter of this year or in early 2025.

Disney may also contribute certain additional media assets to the JV, subject to regulatory and third-party approvals, the companies said.

"Reliance has a deep understanding of the Indian market and consumer, and together we will create one of the country's leading media companies....," said Bob Iger, CEO of The Walt Disney Co.

To be sure, the combined might of Reliance and Disney could set competition up at a disadvantage as far as bargaining power for TV ad rates goes, given that the new entity would have the biggest pie of the market at 40-45%.

"The merged entity will have approximately 100 TV channels, of which 70 will be Disney and the rest Viacom. The combined resources and content libraries of Disney and Reliance could impact traditional TV networks, especially if the deal leads to shifts in advertising revenue and viewer preferences," Deleise Ross, associate vice-president at media agency Mudra Max, had said in a recent Mint interview.

"Smaller media companies may find it challenging to compete with the scale and resources of a merged Disney-Reliance entity. They might need to explore strategic partnerships or focus on niche markets to maintain their positions," she had said.

The deal will give Reliance access to Disney's massive libraries across the English language, including its Marvel catalogue. Reliance already has content from HBO, and is bullish on regional languages, including the four South Indian languages, as well as Marathi and Bengali. Sports will continue to be a priority for the entity, leaving little for others to do on that front.

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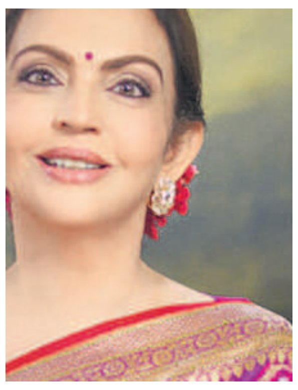

The JV will be headed by Nita M. Ambani as chairperson.

The deal transaction is expected to be completed in the final quarter of this year or in early 2025

Experts await more clarity on GST on corporate guarantees

Taxman is of the view that giving such guarantees is a service liable for taxation under GST

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Indirect tax experts are awaiting clarity on the levy of goods and services tax (GST) on corporate guarantees given by Indian companies on behalf of their subsidiaries following a notification issued by the finance ministry.

The 26 October notification had clarified the value to be given to a transaction that provides corporate guarantees with no financial consideration involved.

This comes after the Directorate General of GST Intelligence (DGGI) last year sent out a spate of tax demand notices to Indian companies related to financial guarantees given by them on behalf of their subsidiaries. Earlier, companies did not pay any GST on corporate guarantees as generally no financial consideration is paid for it by the subsidiary.

But the taxman was of the view that giving such guarantees is a service liable for taxation under GST as it is done by the parent company to maximize returns on investment in a subsidiary.

Subsequently, the Central Board of Indirect Taxes and Customs (CBIC) clarified in October that in case of such guarantees, when the parent company takes no financial consideration for providing the guarantee, a notional value equivalent to 1% of the guaranteed sum will be ascribed to it.

However, it remains unclear if GST will be levied on the guarantees per year or for the entire period for which the guarantee is effective, experts said. "Despite recent government clarifications, uncertainty remains around the timing and value of tax levied on corporate guarantees, particularly for long-term agreements," said Saurabh Agarwal, tax partner at EY.

There is also confusion on the valuation to be ascribed to guarantees issued before the notification was issued. GST became effective from July 2017 while the notification was issued in October 2023. Tax experts seek clarity on the valuation to be ascribed to corporate guarantees in between this period.

"Valuation of corporate guarantee has been a topic of debate since implementation of GST," said Payal Thaker, partner, indirect tax, BDO India. "Since 26 October 2023, the valuation provisions have been amended to bring clarity on this aspect. However, the valuation for corporate guarantees issued before the amendment still remains unclarified as the amendment is prospective," she said. She added ideally, valuation provisions for related party transactions existing prior to the amendment would be applicable on past corporate guarantees.

Another confusion is whether a similar tax will be levied on letters of comfort given by companies on behalf of subsidiaries. Unlike a corporate guarantee, a letter of comfort is not a legally enforceable contract. However, it is written by a company to further the business of a subsidiary and can be seen as a step to maximize the returns on its investment.

"Since a letter of comfort from a reputable company can help its subsidiary secure a loan or get favourable terms from a counterparty, the tax authorities could construe it as a service, much like in the case of corporate guarantee, and levy GST on the consideration for offering such letter of comfort," said Ranjeet Mahtani, partner, Dhruva Advisors. "In my view, a letter of comfort does not represent a supply, that is service of a commitment or assurance or undertaking regarding repayment of monies borrowed and so, should not be liable to GST."

The confusion arises because under GST, services to a related party for furthering business are treated as supply liable for taxation even if made with no financial consideration. This makes several business practices liable to taxation depending on the interpretation taken by concerned tax officers, experts said.

The 26 October notification from the finance ministry had clarified how much value to be ascribed to a transaction that provides corporate guarantees when there is no financial consideration involved. MINT

GREY AREAS

IT remains unclear if GST will be levied on guarantees per year or for the entire guarantee period

DGGI last year sent out a spate of tax demand notices related to financial guarantees

THERE'S also confusion whether a similar tax will be levied on letters of comfort

UNLIKE a corporate guarantee, a letter of comfort is not a legally enforceable contract

Apple has reassigned some of its employees from the car project to its AI efforts. REUTERS

Cancellation of Apple's car project boosts AI, headset bets

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In abandoning plans for a self-driving car, Apple Inc. is giving up on billions in potential revenue and the dream of selling what one executive called "the ultimate mobile device." The hope is that other big bets—including generative artificial intelligence (GenAI) and mixed-reality headsets—can make up the difference.

Apple reached this crossroads on Tuesday, when it told employees it was winding down the car project and reassigned some of the staff to its AI efforts. The decision followed months of frenzied meetings between top executives and the company's board over how to proceed. Chief operating officer Jeff Williams and project head Kevin Lynch broke the news to the roughly 2,000-member team during a meeting that lasted less than 15 minutes.

The upshot: Apple's future isn't going to hinge on selling $100,000 cars with self-driving features. Instead, it will focus on catching up with rivals in the GenAI industry, where chatbots from OpenAI and Google have captured the imagination of consumers and investors. The shift also lets Apple concentrate on turning the Vision Pro headset—still a fledgling product—into a mainstream hit.

But the decision also eliminates a future revenue source at a time when Apple has been struggling to maintain growth. Though the company managed to pull out of a sales slump last quarter, it warned that the current period will be sluggish again. The Vision Pro just launched this month and isn't expected to be a major contributor to growth for years, if ever.

With a car, profit margins would have been slim but the revenue potential was massive. The idea was long touted as one of Apple's famous "next big things" and could have more firmly locked consumers into the company's ecosystem. Tesla Inc., which led the EV revolution in the US, generated nearly $100 billion in revenue last year. Furthermore, tech giants like Alphabet Inc. and Chinese rivals remain focused on cars.

Apple's decade-long car effort, known as Project Titan, also was an AI challenge in itself. Apple attempted to build an AI system that was powerful and energy-efficient enough to make a car fully autonomous.

Small-cap valuation fears rock stock markets

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regulatory concerns over too much money flowing into small-cap schemes.

Although domestic institutions offset the FPI selling with provisional purchases of ₹1,827.45 crore, FPI selling in derivatives dragged down the indices, market analysts said.

A senior fund official confirmed that stress test results of its small-cap fund were shared with the regulator, which has been holding discussions with fund houses over the past three-four months on curbing excessive cash flows into small-cap schemes. Sebi's concerns pertain to funds' ability to cope with redemption pressures in small-cap stock counters with limited free float.

In parallel, news of Kotak Mutual Fund placing temporary limits on investor subscription for units in its small-cap fund raised fears that other fund houses could follow suit. Kotak MF has restricted lumpsum inflows into its small-cap fund to ₹2 lakh per PAN per month and systematic investment plan (SIP) flows to ₹25,000 per PAN per month effective 4 March. Earlier, there were no such limits.

"A few stocks in the small- and mid-cap segment have multiplied, and strong momentum is taking them beyond the fair value of businesses," Kotak MF wrote in a letter to investors on Monday, a copy of which *Mint* has seen. "While India's market capitalisation/GDP is hovering at a lifetime high of ~130%, small caps' market capitalisation to overall market capitalisation has climbed to ~18.9%. Historically, the proportion has been ~10%," it said.

The Kotak letter added that retail investors' ownership of small caps has become sizeable, crossing even institutional ownership in many stocks.

"Institutional investors, like mutual funds, exercise broad controls and invest in a disciplined manner. However, momentum chasing by investors, coupled with limited free float available in the market, has created valuation distortions in a few cases. Such experience is further boosting investors' confidence, over-shadowing the caution required," Kotak said.

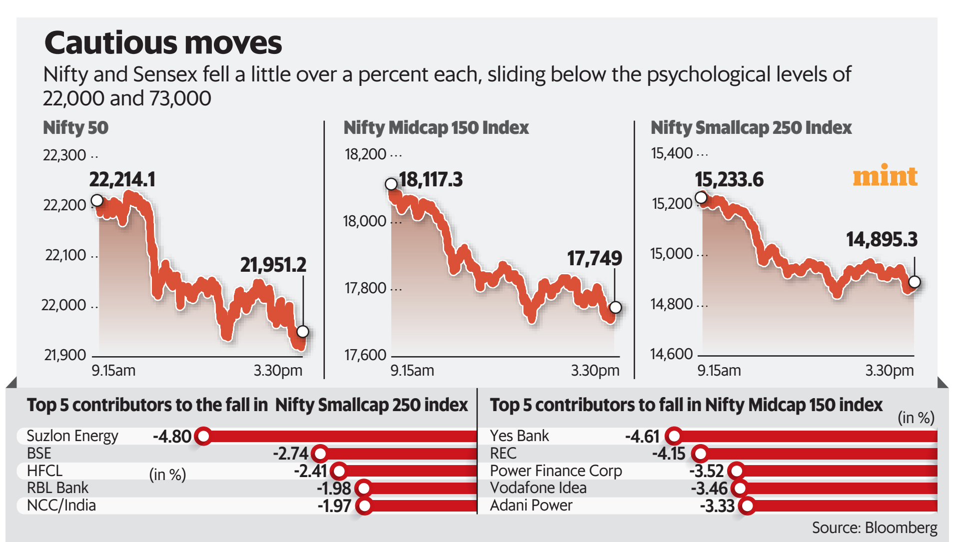
Last July, Tata Mutual Fund halted lumpsum investments in its small-cap fund, while continuing SIP investments. Nippon India Life Asset Management also stopped lumpsum investments into its small-cap fund that month, raising concerns of overvaluation. "The small-cap universe is large enough to choose the right business at cheap valuation with a long term horizon," said Chandraprakash Padiyar, senior fund manager (equities), Tata Mutual Fund. "It's about picking the right stock as it is in the large-cap space, but I think why small-caps are more in the news is because of the relative liquidity issue. What this means is if you sell a stock high, you might not get to enter later because of relatively lower free float," he added.

The biggest drags on the small-cap index were Suzlon Energy (down 13.77%), BSE 7.87%), HFCL (6.9%) , RBL Bank (5.7%) and NCC (5.7%) .

The Nifty losses were led by M&M, Wipro, IndusInd Bank, Maruti and Power Grid Corp, which fell between 2.7% and 4.4% ahead of the February futures and options contracts expiry on Thursday. Nifty Smallcap 250 now trades at a trailing price to earnings multiple of 28.04 times against the 5-year median of 25.93 times.

"With markets ruling near record highs in the expiry week, volatility was to be expected," said Gaurang Shah, senior vice-president, Geojit Financial Services. Jayesh Bhanushali, lead, research, IIFL Securities, said he expects Nifty to get support at 21,800 initially and to test 21,200 in the March series of derivatives before recovering to test new highs.

Nifty Smallcap 250 now trades at a trailing price to earnings multiple of 28.04x against the 5-year median of 25.93x



SARVESH KUMAR SHARMA/MINT

Byju's can't access rights funds for now

FROM PAGE 1

the repayment of the $1.2 billion loan, which Byju's is contesting.

Byju's investors Prosus NV, Peak XV Partners, General Atlantic, and Sofina SA had jointly filed a petition with the NCLT last week against the rights issue, citing oppression and mismanagement of the company. The four investors who collectively hold around 25% stake in Byju's had sought interim relief on the grounds of alleged financial mismanagement and siphoning of funds by the management, according to court arguments on 27 February.

The company did not immediately respond to a request for comment.

Prashanth Shivadass, partner, Shivadass & Shivadass Law Chambers said NCLT's interim order seems to be a consensus order as a matter of status quo. "However, there are several valid points that were raised by Byju's including knowledge of rights issue and no objections raised by the petitioners, despite their presence at the same meeting which ratified the rights issue etc."

Byju's desperately needs the money from the rights issue, which it said has been fully subscribed, to tide over its liquidity crisis, oversee current liabilities, and repay some of its vendors and debtors.

Mint reported on Tuesday that top investors in Think and Learn Pvt. Ltd, the parent company of Byju's, which have moved the court to stay the rights issue, are likely to skip participating in the issue.

Byju's, which was once valued at $22 billion, has proposed to raise $200 million through a rights issue at a nominal valuation of $25 million. The non-participation of some investors would result in their holdings in the company getting diluted to near zero.

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Funds collected via rights issue will be kept in a separate escrow account and will not be used for any purposes

India's retail market to touch $2 trillion by 2033: BCG-RAI report

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NEW DELHI

India's retail market is poised for transformative growth, with projections indicating a leap to an impressive $2 trillion within the next decade, up from $820 billion in 2023, according to a report by the Boston Consulting Group (BCG) and the Retailers Association of India (RAI).

This forecast comes amid a paradigm shift in consumer behaviour, favouring experiences such as travel and entertainment over traditional product purchases, a trend that has notably influenced the allocation of expenses in the past two years, the report said.

The report highlighted the consistent, albeit recently tempered, growth of the organized retail market in India against the backdrop of broader economic dynamics. Despite encountering potential short-term challenges—evidenced by a 5–10 percentage point dip in year-on-year growth this quarter and subdued performance by some large retailers—the sector remains buoyed by optimism.

"Profitability at the same time has generally remained consistent and largely in line with global peers," BGC said in the report.

Since 2010, when the market was valued at $250 billion, India's retail sector has surged by over 200%, driven by a burgeoning middle class and the entry of major international fashion and food chains.

Over the next decade, the market is expected to grow 9-10%.

These developments underscore the sector's vast potential, albeit punctuated by significant performance variances among retailers, said Namit Puri, managing director and senior partner, BCG.

Success, Puri said, hinges on retailers' ability to reinvent their delivery models, harness artificial intelligence (AI) and analytics, and implement aggressive cost management strategies.

For instance, between fiscal year 2017-18 (FY18) and FY23, consumption of goods increased at a compound annual growth rate (CAGR) of 8-9%, while services grew faster, reporting 11-13% CAGR in the same period.

BCG tracked consumption trends for categories such as food, beverages, tobacco, clothing, footwear, housing and household products such as rentals and household goods apart from spends on transport, vehicles, maintenance, education, leisure, eating out or ordering in, insurance products, EMIs, personal care products, among others.

The report also shed light on the notable increase in savings and investments among households, including a 30% rise in demat accounts between December 2022 and December 2023 and a growth in health insurance penetration.

"The competition for high-ticket categories such as jewellery or durables is going to be mutual fund savings or holidays. As consumers are actually investing more on experiences and are also dialling up their investments—retailers cannot take demand as a given," said Puri.

Moreover, consumers are trading up to better products, driving demand for premium goods. The report revealed that spending by "elite households"—those earning upwards of ₹20 lakh annually—is significantly higher on luxury products such as cosmetics, air conditioners, microwave ovens, water purifiers, beauty and health services, cars, and leisure travel.

The report added that store expansion will persist and consumption in cities across all tiers will rise, driven by ongoing urbanization.

The report also shed light on the notable increase in savings and investments among households. MINT

OPTIMISTIC OUTLOOK

SINCE 2010, when the market was at $250 bn, India's retail sector has surged by over 200%

OVER the next decade, the market is expected to grow 9-10%, according to the report

Kedaara set to raise $1.7 bn for India's biggest PE fund

Reuters
feedback@livemint.com
MUMBAI


The fund will be Kedaara's fourth and 54% larger than its previous one in 2021. ISTOCKPHOTO

Kedaara Capital is set to raise $1.7 billion for what would be India's biggest-ever private equity fund, two people with direct knowledge of the matter said, highlighting huge interest in the country's fast-growing economy amid a shift away from China.

The latest fund will be Kedaara's fourth and will be 54% larger than its previous one in 2021.

The plans come as India's stock markets are trading at record highs. While there have only been a handful of significant India-specific PE funds to date, they are growing in size. Kedaara, founded in 2011 by former Temasek and General Atlantic executives, is one of India's best-known buyout funds.

About 80% of the fund will come from backers of Kedaara's previous funds and 20% will come from new ones that include US-based Cleveland Clinic and the University of Minnesota, the persons said.

They declined to be identified as the discussions were private.

Kedaara declined to comment. Cleveland Clinic and the University of Minnesota did not respond to queries seeking comment.

The fund will likely invest in sectors such as banking, healthcare, consumer and software and it will seek both minority stakes and buyout deals, the persons said.

Kedaara plans to announce the fund by the end of March and is currently finalizing documentation with its investors, they added.

According to one of the persons, investors were interested in committing more than $2 billion to the new fund, but Kedaara decided to cap it at about $1.7 billion so as not to strain their ability to deploy.

Investors in Kedaara's previous funds include Canada's Ontario Teachers Pension Plan and German insurer Allianz, Pitchbook data shows.

The fund will likely invest in sectors such as banking, healthcare, consumer and software

India has been benefiting from increased interest as Western firms look to diversify away from China amid heightened trade and economic tensions between Washington and Beijing.

Last year, India's share of Asia-Pacific private equity deals grew to 23% while China's fell to a nine-year low of 31%, consultancy firm Bain said in a report.

Kedaara's three previous funds raised a combined $2.4 billion between 2011 and 2021 which was invested in 27 Indian companies.

Delays drop at Mumbai airport

Just 4% of arrivals were delayed over 30 minutes during 16–24 Feb compared with 26% plus during 11 Nov–10 Dec

Anu Sharma
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NEW DELHI

The Mumbai airport saw fewer delays in flight arrivals following recent measures to resolve congestion and delays, bringing relief to thousands of travellers transiting India's second-busiest airport daily.

Just 4% of arrivals were delayed over 30 minutes in the 16–24 February period compared with more than 26% during 11 November–10 December, the aviation ministry said. Similarly, 57% flights arrived with a delay of 0–15 minutes and 26% with a delay of 15–30 minutes in the February stretch, against 25% and 14% in November-December.

Earlier this month, the ministry curbed the number of flights at the Adani group operated airport and criticized it for not taking proactive measures to ease congestion.

"The combination of aircraft grounding and restriction of flights at Mumbai will have an impact on airfares, particularly in summer when demand peaks as people travel with families because of school holidays. Airfares are definitely going to rise. All in all, it will lead to increase in cost of travel," Ajay Prakash, board member, Federation of Associations in Indian Tourism and Hospitality and president of Travel Agents Federation of India said.


Flight curbs at Mumbai airport could impact airfares, mainly in the summer. MINT

The data, which covered 14,476 aircraft arrivals between 11 November and 10 December, and 4,337 arrivals in the February period, also showed that before-schedule arrivals have also been reduced to 13% of flights as compared to 34.4% earlier.

"Aircraft operating earlier than the approved slot (marked as before-schedule in the data) lead to congestion and delay other aircraft adhering to the schedule, which, in turn, will have a cascading effect on other schedule movements. These movements were also targeted for improvements and airlines asked to adhere to the allotted slots," the ministry said.

As per an analysis by the Airports Authority of India (AAI), air traffic allowed per hour in Mumbai during the six hours of high intensity runway operations (Hiro), from 8 am to 11 am and 5 pm to 8 pm) was nearly the same as during the other 18 hours of the day, with unrestricted operations for general aviation and military aircraft. This, coupled with the operation of non-scheduled flights, worsens congestion during peak hours.

57%
Share of flights late by 0-15 minutes during 16-24 Feb

The ministry capped air traffic movements during Hiro from 46 to 44 flights per hour, and outside Hiro from 44 to 42 flights per hour, apart from curbs on general aviation during Hiro. The ministry said it is closely monitoring the air traffic situation at Mumbai.

However, fares continue to remain elevated due to curtailed capacity.

According to Gaurav Patwari, vice president, air category, Cleartrip, fares have gone up 7% since the curbs were introduced.

The congestion at the Mumbai airport was forcing flights to hover for 40–60 minutes, significantly wasting fuel—costing about ₹1.8 lakh for a 40-minute circling time to ₹2.6 lakh for 60 minutes. This not only raised airfares but also affected airport operations, resulting in delays. The ministry had also observed that the snarl was due to excessive slot allocation by the airport operator for landing and departure with short intervals, airlines not adhering to their slots, and unscheduled flights during peak hours.

Two in five fliers face delays or lose baggage: LocalCircles survey

Anu Sharma
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NEW DELHI

A recent survey by LocalCircles has found that two out of five fliers have been delayed or lost luggage in the last two years.

The study received over 41,000 responses from fliers in 303 districts.

This included 41% respondents from tier-I locations, 30% from tier-II locations and 29% from tier-III, tier-IV, and rural locations.


The percentage of fliers who had an airline damage their bags rose from 35% to 50% in the last 12 months, the survey found. ISTOCKPHOTO

The percentage of fliers who had an airline damage their bags rose from 35% to 50% in the last 12 months, according to the survey.

In the case of those who have had their luggage damaged four or more times, the percentage has increased from 5% to 7%; while those who have faced this situation at least once has jumped from 5% in 2022 to 24% in 2024.

However, the survey has also noted improved response from airlines to customer complaints.

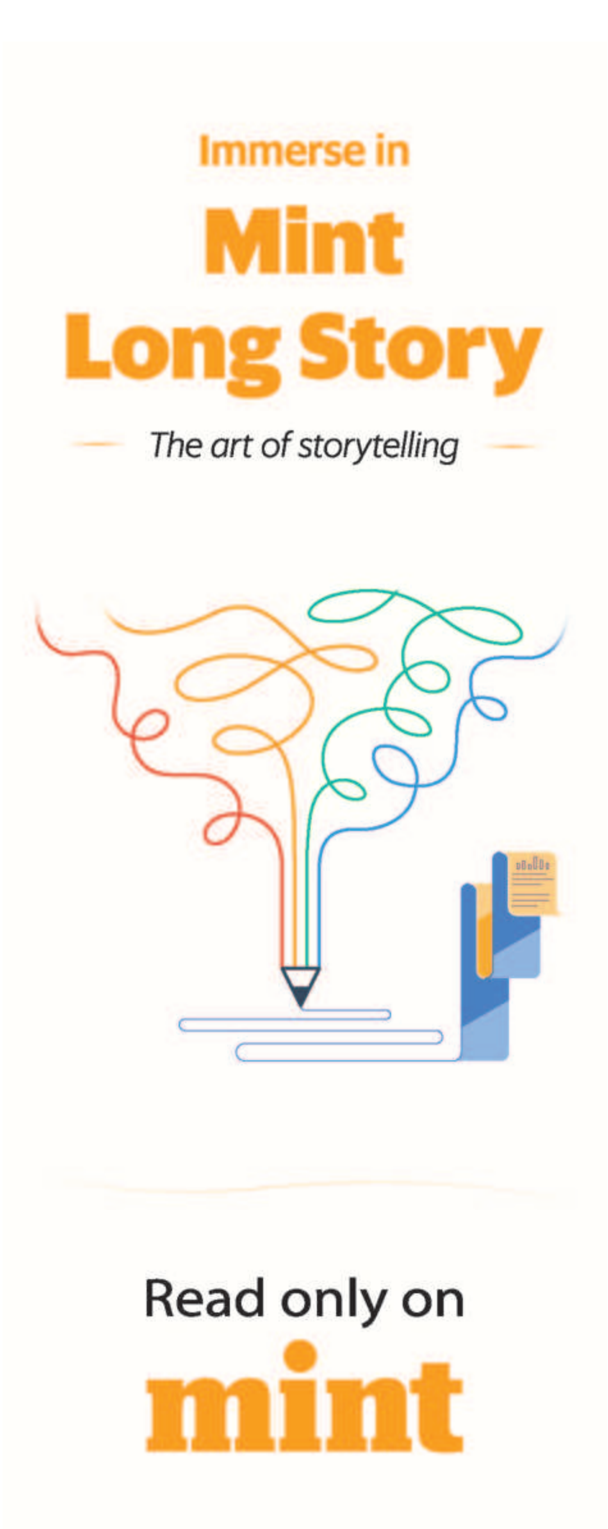
Airline customer service and responsiveness to baggage complaints improved in the last two years with only 24% rating it as poor or worse as opposed to 50% in 2022, according to the survey.

Recently, the Bureau of Civil Aviation Security (BCAS) had also directed all major Indian airlines to increase their manpower to streamline and improve baggage delivery at airports before 26 February, or they could face regulatory action. The move followed several complaints from unhappy passengers on social media and other platforms.

The survey has also noted an improvement in response from airlines to customer complaints

The annual *Baggage IT Insights* report by airport technology company SITA states that globally baggage systems and baggage teams handle more than 4.8 billion bags every year. In 2022, the global rate for mishandled baggage jumped to 7.6 bags per thousand passengers, up 75% from the much quieter 2021.

These numbers are expected to double by 2036, according to the International Air Transport Association.



GE POWER INDIA LIMITED
CIN: L74140MH1992PLC068379
Registered Office: Regus Magnum Business Centers, 11th floor, Platina, Block G, Plot C-59, BKC, Bandra (E), Mumbai, Maharashtra – 400051 **Tel. No.:** T + 91 22 68841741/ +91 0120 5011011
Website: www.ge.com/in/ge-power-india-limited

NOTICE TO MEMBERS
Postal Ballot, Remote E-Voting and other related information

1. Notice is hereby given that the resolutions set out in the Postal Ballot notice dated 28 February 2024 are proposed to be passed by the members of GE Power India Limited ('the Company') by means of Postal Ballot, only by way of remote e-voting process ('e-voting'). Notice has been sent electronically to the members whose e-mail id address is registered with the Company / KFin Technologies Limited ("KFinTech"), Company's Registrar and Transfer Agent / Depository Participants(s), as on Friday, 23 February 2024, i.e. the Cut-Off Date. The Company has completed electronic dispatch of Postal Ballot Notice on Wednesday, 28 February 2024.
2. The Postal Ballot Notice is available on the Company's website at https://www.ge.com/in/ge-power-india-limited and on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com and on the website of KFin Technologies Limited ("KFinTech") at https://evoting.kfintech.com. Members who do not receive the Postal Ballot Notice may download it from the above-mentioned websites.
3. The material documents referred to in the Notice and Statement pursuant to Section 102 of the Act will be available for inspection in the electronic mode. Members seeking to inspect such documents can send an e-mail to in.investor-relations@ge.com
4. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended from time to time), Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015, read with other applicable provisions of law the Company is pleased to provide its Members with the facility to exercise their right to vote by electronic means ('Remote E-Voting') to transact the business as set out in the Postal Ballot Notice through the Remote E-Voting facility provided by Kfintech.
5. The Remote E-Voting period commences on Thursday, 29 February 2024 at 9:00 a.m. IST and ends on Friday, 29 March 2024 at 5:00 p.m. IST. The E-Voting module shall be disabled after the aforesaid time period.
6. A person, whose name appears in the Register of Members/ Beneficial owners as on the cut- off date i.e., Friday, 23 February 2024 shall be entitled to avail the facility of Remote E-voting. Voting rights of a member / beneficial owner (in case of electronic shareholding) shall be in proportion to his/her/its shareholding in the paid-up equity share capital of the Company as on the Cut-Off Date. A person who becomes a member after the Cut-Off Date should treat this notice for information purpose only.
7. Manner of e-voting by members holding shares in dematerialized mode, physical mode and members who have not registered their email address has been provided in the Postal Ballot Notice. Members are requested to refer the same.
8. SEBI vide its circular "SEBI/HO/MIRSD/POD-1/P/CIR/2023/193" dated 27 December 2023 extended the last date for submission of 'choice of nomination' for demat accounts to 30 June 2024. You are requested to submit your choice of nomination accordingly.
   It has been mandated by SEBI to update the PAN, KYC, Nomination details, Bank details, Contact details and Specimen Signature of all shareholders holding shares in physical form and compulsory linking of PAN with Aadhaar no. The copy of relevant circulars are available on the website of the Company i.e. www.ge.com/in/ge-power-india-limited for ready reference, the members are requested to get their details updated in the manner mentioned in the circular.
9. The resolution, if approved, shall be deemed to have been passed on the last date of e-voting i.e. Friday, 29 March 2024. The results of e-voting will be announced on or before Sunday, 31 March 2024 and will be displayed on the Company's website www.ge.com/in/ge-power-india-limited and communicated to the Stock Exchanges and National Securities Depository Limited and Central Depository Services (India) Limited and KFintech.
10. In case of any queries, please visit Help and FAQs section available at KFinTech website https://evoting.kfintech.com. For any grievances related to remote e-voting, please contact KFin Technologies Limited, Selenium Tower B, Plot Nos. 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500 032 at evoting@kfintech.com, Toll Free No. 1800 309 4001.

By order of the Board
For GE Power India Limited

Place : Noida
Date : 28 February 2024

Kamna Tiwari
Company Secretary & Compliance Officer

Dudhsagar Dairy
India's Largest Co-operative Dairy
Mehsana District Co-operative Milk Producers' Union Ltd
Post Box No.1, Highway, Mehsana-384002 Phone.:02762-253201, Fax :253422
Website: http://www.dudhsagardairy.coop/tenders/
Dudhsagar The Pride of India

E-Tender Notice

Tender ID	Work Description	Last Date
47298	Supply of Analytical Balance for Quality Assurance Department at Dudhsagar Dairy, Mehsana.	21/03/2024
42509	Repairing of Dudhmotisagar Bhawan at Dharuhera, Haryana including Civil Plaster and Painting work labour jobs.	21/03/2024
47719	Transportation contract of Cattle feed finished product from Ubkhal / Jagudan cattle feed plant to Rajashthan, Haryana & other states.	21/03/2024
51107	AMC & ARC for Solar Water Heater at Village Dairy Cooperative Society in Mehsana Union milk shed area.	21/03/2024
51123	ARC of various Consumables and Spares of Cattle feed Pellet Mill and Hammer Mill at Ubkhal CFP and Jagudan CFP.	14/03/2024

E-Tender Website: tender.nprocure.com
For details refer tender document available on e-tender website. We regularly publish e-tender on above website.

Off-line Tender Notice

407-3	Re-tender ARC for Refrigeration, Cooling Tower And Condensor Chemicals at Dudhmotisagar Dairy, Dharuhera.	14/03/2024

Dudhsagar Dairy, Mehsana invites tender (in hard copy) for above Works/Materials/ Services. Tender can be downloaded from http://www.dudhsagardairy.coop/tenders/ from 29/02/2024. We regularly publish tender on above website.
Date: 29/02/2024 I/C Managing Director

CENTRAL RAILWAY
NAGPUR DIVISION
E-Tender Notice No.: NGP/GSU/EL/TRD/2023-24/28 Dated 23/02/2024
Name of work: OHE modification work for Up-gradation of existing 1x25 kV Electric Traction System to 2x25 kV AT Feeding System in Amla - Nagpur Section in Nagpur division of Central Railway to meet 3000 MT loading target. **Estimated Cost of work:** Rs.120,64,01,491.35/- (Rs. One Hundred Twenty Crore, Sixty-Four Lakhs, One Thousand, Four Hundred Ninety One and Thirty Five Paise Only). **Earnest Money Deposit:** Rs.61,82,000.00/- (Rs. Sixty One Lakh, Eighty Two Thousand Only). **Last date & Time for submission of tender: 21-03-2024 at 15.00 Hours. Website address:** The relevant details about this E-Tender & for online participation in E-tendering are available on Railway website **www.ireps.gov.in**
CPM/GSU, Nagpur 457
DOWNLOAD UTS APP FOR TICKETS

Yamuna Expressway Industrial Development Authority YEIDA FUTURE IS HERE
यमुना एक्सप्रेसवे औद्योगिक विकास प्राधिकरण
प्रथम तल, कॉमर्शियल कॉम्पलेक्स, ओमेगा–1 (पी–2), ग्रेटर नौएडा
Toll Free No. 18001808296 वेबसाइटः www.yamunaexpresswayauthority.com

पत्रांक : वाई.ई.ए./GM(P)/2024/895 दिनांक : 28.02.2024

ई-निविदा आंमत्रण सूचना

निम्नलिखित कार्य हेतु केन्द्र सरकार/राज्य सरकार/केन्द्र शासित/अर्द्धशासिक/सार्वजनिक उपक्रमों के कार्यों का कम से कम चार वर्ष का अनुभव रखने वाले ठेकेदारों/फर्मो से ई-निविदाएँ आमंत्रित की जाती हैं। ई-प्रोक्योरमेंट सोल्यूशन द्वारा निविदाएँ द्विस्तरीय पद्धति से खोली जायेंगी।

कार्यालय आदेश संख्या : वाई.ई.ए./GM(P)/2024/894 दिनांक 28.02.2024 के अनुपालन में यमुना एक्सप्रेसवे औद्योगिक विकास प्राधिकरण के कार्यों में संविदाकार द्वारा बिल ऑफ क्वान्टिटी (बी.ओ.क्यू.) पर डाले गए 10 प्रतिशत कम दरों तक 0.5 प्रतिशत प्रति एक प्रतिशत कम दर पर तथा उसके पश्चात 10 प्रतिशत से अधिक कम दरों पर 1.00 प्रतिशत प्रति एक प्रतिशत कम दर पर सिक्योरिटी/परफॉर्मेंस गारंटी प्राप्त की जायेगी तथा परफॉर्मेंस गारंटी एफ.डी.आर./सी.डी.आर./बैंक गारंटी/एन.एस.सी. के रूप में न्यूनतम संविदाकार द्वारा अनुबन्ध गठन से पूर्व देनी होगी, जो कार्य के अंतिम बीजक होने के बाद वापिस होगी।

क्रम सं.	कार्य का नाम/वर्क सर्किल	अनुमानित लागत
1.	Landscaping of signages at different location to indicate sectors in YEIDA area with two year maintenance YEA. Wc-Horti	रु. 16.55 लाख
2.	C/o signages at different location to indicate sectors in YEIDA area. Wc-Horti	रु. 110.76 लाख

जिन्हें दिनांक 29.02.2024 से 11.03.2024 को 5.00 बजे तक अपलोड किया जा सकता है। प्राप्त ई–निविदाओं की प्री–क्वालीफिकेशन दिनांक 12.03.2024 को प्रातः 11.00 बजे खोली जायेगी।

क्रम सं.	कार्य का नाम/वर्क सर्किल	अनुमानित लागत
3.	Supplying and Stacking of Khal Choker Chilka and Bhusa for Gaushala in Village-Faleda Bangar YEA. Wc-06	रु. 202.31 लाख

जिन्हें दिनांक 29.02.2024 से 06.03.2024 को 5.00 बजे तक अपलोड किया जा सकता है। प्राप्त ई–निविदाओं की प्री–क्वालीफिकेशन दिनांक 07.03.2024 को प्रातः 11.00 बजे खोली जायेगी।
महाप्रबन्धक (परियोजना)

Have fun with facts on Sundays
Catch the latest column of
HT TWTW
THE WEEK THAT WAS
A quiz on the week's development.

HT FIRST VOICE. LAST WORD.

Google faces backlash over AI chatbot push

Gemini angered users with ahistoric photos, blocking query for white people depictions

Miles Kruppa
feedback@livemint.com

Google's artificial-intelligence push is turning into a reputational headache.

Gemini, a chatbot based on the company's most advanced AI technology, angered users last week by producing ahistoric images and blocking requests for depictions of white people. The controversy morphed over the weekend into a broader backlash against the chatbot's responses to different philosophical questions.

Tech commentators including Elon Musk promoted new criticisms over the past few days of Gemini's responses to prompts such as, "Who has done more harm: libertarians or Stalin?"

Gemini said, "It is difficult to say definitively which ideology has done more harm," in response to the question comparing a political philosophy that champions limited government with the ruthless Soviet dictator Joseph Stalin, according to a screenshot shared on Musk's social-media site X.

The online backlash around Gemini is a vivid illustration of the concerns that held Google back from releasing its chatbot technology to the public years ago. The company's caution created an opening for the startup OpenAI and its largest backer Microsoft to steal the spotlight with the viral ChatGPT service.

Chatbots such as Gemini are designed to produce the next most likely word in a sequence based on a statistical model of human language, making them sometimes unpredictable and difficult to control. Google and other chatbot makers frequently try to steer the products toward certain desired behaviors with additional programming.

THE WALL STREET JOURNAL.

Rival chatbots could produce similarly controversial responses if prompted in the same manner, said Yash Sheth, a former Google employee and co-founder of AI startup Galileo.

Google has less room for mistakes because of the trust it has built with users of its search engine over many years, Sheth said. "The world trusts it implicitly with giving them the truth."

A Google spokeswoman said in a statement Monday that "Gemini is built as a creativity and productivity tool, and it may not always be accurate or reliable. We're continuing to quickly address instances in which the product isn't responding appropriately."


Google CEO Sundar Pichai termed some of the text and image responses generated by the model "biased" and "completely unacceptable". REUTERS

Google said last year that it would restrict Gemini and other consumer AI services from responding to certain election-related queries, without providing additional details, showing the company's efforts to limit AI outputs around controversial topics.

Google released its chatbot Bard almost one year ago, labeling it an "early experiment." This month, Google removed that warning, renamed the product to Gemini and began charging just under $20 a month for access to a version powered by its most advanced AI technology.

Google executives have said they want the chatbot to reach billions of users, an important milestone that only a handful of the company's services have achieved.

On Thursday, the company had suspended the chatbot's ability to generate images of people entirely

Shares in Google's parent company Alphabet fell more than 4% in trading Monday, reflecting investor concern about the potential impact of the controversy on the search company's new business push. Google has built the same technology into new features for its search engine and a suite of workplace software tools that cost as much as $30 a month per user.

Chatbots such as Gemini, which Google has billed as a creativity and productivity tool, have well-known issues with making up incorrect information. Researchers have also raised concerns that chatbots have a tendency to reproduce biases present in their underlying database, which includes much of the internet.

"The Gemini controversy speaks to a bigger problem in AI: How can the public trust AI models?" Macquarie analysts wrote in a research note on Monday.

Another screenshot shared widely on X over the weekend showed the Google chatbot evaluating the relative impacts of Musk and Adolf Hitler. Gemini's response began, "It is not possible to say definitively who negatively impacted society more, Elon tweeting memes or Hitler," according to the screenshot.

The Wall Street Journal couldn't replicate the Stalin and Hitler-focused exchanges on Monday using Gemini Advanced, the paid version of the chatbot. Google didn't have a comment on the specific responses.

Google apologized on Friday for the Gemini visual feature that produced historically inaccurate images and, in some cases, refused to generate depictions of white people. A day earlier, the company had suspended the chatbot's ability to generate images of people entirely.

Google said last week that Gemini's image-generation feature "got it wrong," blaming a mixture of the company's attempts to fine-tune the responses and the technology's evolution away from its intended behavior.

"These two things led the model to overcompensate in some cases, and be over-conservative in others, leading to images that were embarrassing and wrong," Prabhakar Raghavan, a senior vice president who oversees the chatbot efforts and the company's flagship search engine, said in a Google blog post.

Demis Hassabis, head of the AI research unit Google DeepMind, said at a conference on Monday that the company planned to restore Gemini's ability to generate images of people in the next couple of weeks.

Musk and others accused Google in recent days of designing Gemini to reflect a left-wing orthodoxy they claim has taken hold at big tech companies. X offers a competing chatbot called Grok that Musk's artificial-intelligence company, xAI, has promoted as exhibiting a "rebellious streak."

Ben Thompson, the influential tech commentator behind the Stratechery newsletter, wrote Monday that Gemini's responses appeared to have a consistent viewpoint that reflected a corporate culture in need of a shake-up.

Google should consider leadership changes "up to and including CEO Sundar Pichai" in response, Thompson wrote.

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Working to fix Gemini AI, says Sundar Pichai

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Google is working to fix its Gemini AI tool, chief executive officer (CEO) Sundar Pichai told employees in a note on Tuesday, saying some of the text and image responses generated by the model were "biased" and "completely unacceptable".

"Our teams have been working around the clock to address these issues. We're already seeing a substantial improvement on a wide range of prompts... And we'll review what happened and make sure we fix it at scale," he said.


Zoom CFO Kelly Steckelberg said most of its customers had a "renewal event" in the recently ended year, meaning fewer will be up for renewal this year.

Will Zoom ever soar again, like it did during the pandemic?

Dan Gallagher
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Nobody expects much from Zoom Video Communications these days. Sometimes that works to the company's advantage.

The videoconferencing wunderkind that shot to fame during the early days of the pandemic has been experiencing a long and painful comedown since. Revenue growth has been in the low single-digit percentage range for the last six quarters, culminating in just 2.6% growth for the fiscal year ended January, according to the company's fourth-quarter results reported late Monday. That makes Zoom the slowest growing among cloud-software companies generating more than $1 billion in annual revenue, according to data from S&P Global Market Intelligence. Workday—a notably larger cloud provider—said Monday that its annual revenue grew nearly 17% over the same period.

The company's revenue growth has been in low single-digit percentage range for the last six quarters

Zoom hasn't even been able to break into the market's artificial-intelligence party—despite its best efforts. The company announced a generative AI tool called Zoom AI Companion in September, and said less than two months later that more than 125,000 of its customers were using it. But Zoom's stock price has slumped nearly 7% over the last six months—a notable laggard on the BVP Nasdaq Emerging Cloud Index that has jumped nearly 16% in that time.

A weak stock at least set a better stage for Zoom's quarterly results Monday. The shares jumped more than 10% in after-hours trading following the report and conference call, which is a nice change considering the stock has fallen after 10 of the last 12 reports, according to FactSet. Zoom's adjusted operating income for the quarter beat Wall Street's targets while billings—a measure of business transacted during the period—exceeded analysts' forecasts by the widest margin in a year. Zoom also took the occasion to announce its second-ever share buyback plan, this one worth $1.5 billion.

Zoom's heady growth days have hardly returned. The company projected $4.6 billion in revenue for the current fiscal year, which would amount to 2% growth and was slightly below Wall Street's already anemic projections. But the company seems to have finally stabilized the consumer side of its business, where revenue was flat in the fiscal fourth quarter after seven straight quarters of declines. This segment is made up of individuals and small businesses that rushed onto the service early in the pandemic but have been slowly melting away since.

Zoom's enterprise segment that sells to large business customers has been doing a little better, but has also felt the pain of corporate budget crunches and competition with much larger players such as Google and Microsoft, which embed videoconferencing features into their larger suite of software offerings. That segment could do better in the new fiscal year. On Monday's call, Zoom Chief Financial Officer Kelly Steckelberg said the majority of the company's customers had a "renewal event" in the recently ended year, meaning fewer will be up for renewal this year. "So we expect that to have a much lower impact in FY'25," she said.

In the meantime, Zoom's investors will need to take comfort in the company's relatively strong earnings and cash flow that has helped it amass a war chest of about $7 billion in cash and equivalents—the fourth largest among cloud software companies. That fuels the buyback, and could help the company land a decent acquisition, if such an opportunity arises. Tyler Radke of Citigroup called the results "better than feared" in a note Thursday, adding that "we'd expect [the] stock to retrace recent underperformance." A Zoom call with a satisfactory conclusion has been a long time in coming.

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Corporate AI investment is surging, to Nvidia's benefit

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The blockbuster earnings report last week from chip maker Nvidia proved that companies are willing to spend big for artificial intelligence. In corporate settings, that money is often allocated directly from the top.

Unlike previous waves of innovation that were funded by information-technology departments' internal budgets, some companies are setting up allocations just for AI. The money is often earmarked by the chief executive officer, a sign that using the technology is a priority at the highest level.

THE WALL STREET JOURNAL.

Nvidia's chips underpin all of the most advanced AI systems, giving the company a market share estimated at more than 80%.

The strength of the AI boom was on full display Wednesday, when the company reported sales of $22.1 billion for the quarter that ended Jan. 28 and forecast $24 billion for its current quarter, each more than triple that of the year-earlier periods and ahead of Wall Street's bullish expectations.

Much demand is coming from tech companies, which use Nvidia's GPUs, or graphics processing units, to build the physical infrastructure for AI that supports surging demand from corporate customers.

But as Nvidia's Chief Financial Officer Colette Kress noted, "Building and deploying AI solutions has reached virtually every industry."

Eli Lilly Chief Information and Digital Officer Diogo Rau said he felt the enthusiasm for the technology during the drugmaker's annual budget-planning cycle. "I walked out of there with twice as much money from my boss and the rest of the executive committee because everybody wanted to get invested in AI," he said.

Rau, who reports directly to the CEO, said the company set up a pool of money just for funding AI initiatives. He serves as a sort of trustee for how it is doled out, but it doesn't take away from any other investments the technology department is making. Rau declined to say exactly how much money is going to AI but said "it's a lot."

"We always want more money, or we thought we always wanted more money, but now we have more than we know what to do with," he said, adding "there's a lot of pressure on us to innovate."

Out of 400 U.S. CEOs surveyed last year by professional-services firm KPMG, 72% said generative AI is a top investment priority.

Nvidia's chips underpin the latest AI systems, giving it a market share estimated at over 80%. REUTERS

Generative AI, a type of artificial intelligence that can create various types of content—including text, images, video and audio—in response to a user's prompts, surged in popularity after OpenAI released its chatbot ChatGPT in late 2022.

"This last year, we've seen generative AI really becoming a whole new application space, a whole new way of doing computing," Jensen Huang, Nvidia's co-founder and chief executive, said Wednesday. "A whole new industry is being formed, and that's driving our growth."

What AI can do

CarMax, the largest used-car retailer in the U.S., has employed machine learning, a branch of AI, in a commercial strategy that draws on a combination of online and bricks-and-mortar channels, according to CEO Bill Nash.

"Generative AI is something new that we have begun using in a number of ways to support the business, and I have allocated budget to explore how we can integrate Gen AI into further improving our customer and associate experience," Nash said.

For example, the company has used AI in creating a virtual "sweeper" that examines photos of cars and retouches imperfections in the background, such as a dirty garage floor, Shamim Mohammad, executive vice president and chief information and technology officer, said last year. The company also gives customers near-instant offers for their used cars, a capability that is powered by AI.

CarMax has taken measures to ensure the technology is deployed responsibly and with proper guardrails, Nash said. He said he has made it a priority to educate himself and the board about generative AI's opportunities.

At insurance provider Travelers, overall technology spending has risen in the last five years and exceeded $1.5 billion in 2023, according to CEO Alan Schnitzer. During that time, the company said, it has expanded spending on strategic technology initiatives by nearly 70%. "That includes a meaningful increase in investments to develop or acquire cutting-edge AI capabilities built on modern cloud technology," Schnitzer said during an earnings call in July.

The potential uses in the insurance industry are many and varied, according to Schnitzer.

Some of Travelers' current AI capabilities are aimed at driving efficiency through automation, augmenting aspects of underwriting, claims handling, service delivery and more, he said on the call.

Unlike previous waves of innovation, some companies are setting up allocations just for AI

"On the most advanced end, we're leveraging generative AI in large language models, and we've been doing so for several years," he said. LLMs are deep learning algorithms, trained on enormous amounts of data, and capable of summarizing, creating, predicting, translating and synthesizing text and other content.

In the company's Bond & Specialty business, proprietary large language models have processed hundreds of thousands of broker submissions, helping the company reduce intake time from hours to minutes, he said.

"Importantly, we've done all that while significantly improving our expense ratio, in no small part thanks to the success of our technology investments," Schnitzer said.

An opportunity

Consulting firm AlixPartners asked about 3,000 executives around the world what they see as their biggest challenges and opportunities.

"Candidly, I thought they would come back and say that generative AI was their biggest challenge. In fact, it wasn't in their top five. But it was the number one opportunity," AlixPartners CEO Simon Freakley said.

The question is why. There are the obvious efficiency plays, such as how call centers and supply chains can work better, which are well understood, according to Freakley.

"The less obvious question is how does AI drive growth?" he said. "If I have a point of view, personally, it would be that it's not the people with the best large language models who will win, it's the people with the best data sets that will win."

Data was key to the development of consumer-products company Procter & Gamble's generative AI platform, ChatPG. Launched last year, the platform is used to summarize consumer research and develop concepts that play a role in product development, according to Chief Information Officer Vittorio Cretella. It has helped accelerate "concept ideation" from weeks to hours, according to Cretella.

The launch of ChatPG reflected preparation over the past four years, including investment in data foundations, an "AI factory" and the acquisition and development of the right talent, he said.

"Our leadership understands how investing in AI creates superior solutions for our consumers," Cretella said.

At The Wall Street Journal's CIO Network Summit in Menlo Park, Calif., this month, Cisco CIO Fletcher Previn said he is working to get more AI funding as a corporate allocation from the top.

"Like everybody else, we have no money because we're an IT department, and every dollar is spoken for," he said.

Previn said he has been talking to senior leadership to explain the opportunity cost of not getting into generative AI as early as possible. "You don't want to miss out on maybe the most important technology of the last 100 years because you couldn't close your Q4 budget," he said.

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NEWS IN NUMBERS

78%
THE PERCENTAGE of total remittance flows that went to low and middle-income countries in 2023, according to a proposal by India at WTO ministerial conference.

43 mt
THE TOTAL stockpile of coal at thermal power plants in India, a record high driven by the surging production and supplies by the world's largest miner Coal India.

₹20 cr
THE TOTAL budget the Municipal Corporation of Delhi has earmarked to build 10 theme parks for children at a cost of about ₹1.5 to 2 crore per park.

900
THE NUMBER of jobs Japanese giant Sony plans to cut in its PlayStation unit, which is about 8% of the workforce in that division.

3,300kg
THE QUANTITY of contraband, including Charas, Methamphetamine and Morphine seized by the Indian Navy off the Gujarat coast, the largest haul in recent times.

HOWINDIALIVES.COM

SpiceJet settles $29.9 mn dispute

SpiceJet has settled its $29.9 million dispute with aircraft lessor Celestial Aviation Services, casting off a major hurdle as the struggling airline seeks to regain its footing.

The debt-laden airline is embroiled in numerous legal disputes with creditors and aircraft leasing companies over pending payments.

Last week, SpiceJet secured an additional ₹316 crore in funding that will enable it to pursue its expansion plans and settle its dues. The airline has so far raised ₹1,060 crore, or nearly $130 million, through its preferential issue. "With this resolution, we can now focus on revamping our fleet and driving our business forward," Ajay Singh, chairman and MD of SpiceJet, said in a statement on Wednesday.

SpiceJet had informed the National Company Law Tribunal on 26 February that it had resolved its dispute with Celestial Aviation and only had to conclude formalities. KRISHNA YADAV

Rising revenue is also helping improve the operating margin of multiplex operators.

'Multiplex revenue to grow by 10-15%'

Screen additions, higher moviegoer footfalls and increased consumer spending will drive up multiplex revenue 10-15% to ₹7,300 crore in fiscal 2025, according to a latest report by rating agency Crisil.

That compares with 20-24% growth this fiscal following a slew of big-budget releases, especially Hindi films that attracted audiences to cinema halls, the report added.

Rising revenue is also helping improve the operating margin of multiplex operators, though that number will still be lower than the pre-pandemic level of 18-20% given the competition from over-the-top (OTT) content.

Operating performance improved last fiscal as moviegoers returned in big numbers to theatres after two years of covid-induced disruption.

Occupancy surged to 25% from 16% in fiscal 2022, but remained below the pre-pandemic, or fiscal 2020, level of 30-32% amid increased penetration of OTT. Hindi films, which form over half of the box office revenue, performed better than regional ones. LATA JHA

GREEN POWER

India's first indigenous green hydrogen waterway vessel built by Cochin Shipyard, at the backwaters of Kochi, on Wednesday. Prime Minister Narendra Modi inaugurated the indigenous green hydrogen waterway vessel in Thoothukudi, Tamil Nadu, on Wednesday. PTI

RBI wants banks, NBFCs to make climate risk disclosures

RBI said climate change is one of the most significant risks confronting lenders today

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MUMBAI

The Reserve Bank of India (RBI) on Wednesday suggested that financial institutions, including banks and large non-bank financiers, should disclose climate change risks. The central bank believes the move will help customers, depositors, investors, and regulators understand the risks better. Emphasizing the growing importance of climate-related financial risks, RBI said there was a need for regulated entities to provide structured information about the risks. Such disclosures should be integrated into the lender's financial results or statements on its website, it added.

To be sure, while existing norms mandate lenders to disclose material risks as part of their Pillar 3 disclosures, RBI suggested that the disclosures should comprise governance, strategy, risk management, and targets across four thematic areas.

RBI said climate change is one of the most significant risks confronting lenders today, and the proposals are part of the draft disclosure framework on climate-related financial risks. The proposed norms will apply to scheduled commercial banks, excluding local area banks, payments banks, and regional rural banks.

> The proposed norms will apply to scheduled commercial banks, excluding local area banks, payments banks, and regional rural banks

It would also apply to tier-IV primary urban co-operative banks, and all-India financial institutions such as Exim Bank, Nabard, and Sidbi, as well as top and upper layer non-banking financial companies (NBFCs). According to RBI's scale-based regulations, NBFCs are categorized into four layers based on their size, activity, and perceived risks: base, middle, upper, and top layers. Fifteen NBFCs, including Tata Sons, Shriram Finance, and LIC Housing Finance, belong to the upper layer.

The new guidelines will roll out in phases. Governance, strategy, and risk management for banks, all-India financial institutions, and both types of NBFCs will start from FY26. Disclosure on metrics and targets will become effective from FY28. Urban cooperative banks will adopt these norms a year after banks and NBFCs.

"Regulated entities (REs) should disclose information about their climate-related financial risks and opportunities for the users of financial statements," it said, adding that such disclosures will foster an early assessment of climate-related financial risks and opportunities, besides facilitating market discipline.

Sanctions threaten Russian oil exports

Fresh US sanctions on Moscow threaten to dent Russian oil sales to India, the biggest buyer of Russian seaborne crude, and complicate efforts by Indian state refiners to secure annual supply deals, three people familiar with the matter said.

Washington on Friday imposed sanctions to mark the second anniversary of Moscow's invasion of Ukraine and retaliate for the death of opposition leader Alexei Navalny.

The sanctions target Russia's leading tanker group, Sovcomflot, which Washington accused of being involved in violating the G7's price cap on Russian oil, as well as 14 crude oil tankers tied to Sovcomflot. India rarely bought Russian oil before 2022 due to high freight costs, but refiners in the world's third-largest oil importing nation are now big buyers, benefitting from lower prices, after Europe banned Russian oil imports. REUTERS

Executives at Indian carriers say they have plugged capacity gaps with a raft of measures. BLOOMBERG

Airlines optimistic on expansion plans

Top airlines, Air India Ltd and IndiGo, said their short-term expansion plans remain on track as they sidestep the lingering supply-chain snarls that have rattled the global aviation industry. Both carriers have bet big on a travel boom in India, laying out ambitious fleet expansion plans over the past year. In June, IndiGo placed a record-breaking order with Airbus SE for 500 narrowbody aircraft, to be delivered between 2030 and 2035.

But like airlines around the world, they're now grappling with a series of supply chain headaches that risk further delaying aircraft deliveries, paring back flight schedules and hindering the industry's post-covid recovery. Top executives at the Indian carriers say they're able to plug potential capacity gaps with a raft of measures including taking delivery of aircraft initially destined for other firms and even flying rivals' jets. BLOOMBERG

Tata Capital to raise $750 mn via bonds

Tata Capital is looking at overseas fundraising for the very first time and hopes to raise around $750 million via offshore bonds or loans in the next fiscal year starting in April, a senior company official told Reuters on Wednesday.

"The company, as a part of diversifying its liability base, may evaluate raising up to $750 million through overseas loans or bonds in FY25," said Rakesh Bhatia, chief financial officer at the non-bank financial company.

The company is likely to start roadshows for the same by the end of March, he added.

Fundraising via dollar-denominated bonds by Indian corporates touched a 14-year low of $4.1 billion in 2023, as Fed rate hikes pushed US yields against which these bonds are benchmarked, sharply higher. It has bounced back in recent months. REUTERS

India erodes China's electronics exports

India is chipping away at China's dominance in electronics exports in some key markets as manufacturers diversify supply chains away from the world's factory to other parts of Asia, a new study shows.

The impact is most pronounced in the UK and US, where geopolitical tensions with China have increased in recent years.

India's electronics exports to the US as a ratio of China's increased to 7.65% in November last year from 2.51% in November 2021, according to London-based Fathom Financial Consulting. In the UK, the share rose to 10% from 4.79%.

The aim is to expand the domestic manufacturing industry in order to export more, and help businesses grow to global scale through partnerships. India houses Samsung Electronics Co.'s biggest mobile phone factory, while Apple Inc. makes at least 7% of all its iPhones in India through its contract manufacturer Foxconn Technology Group and Pegatron Corp. BLOOMBERG

SC rejects TDS on prepaid SIM sales

The judgment was passed in response to 40 appeals filed by telecom giants. MINT

The Supreme Court (SC) delivered significant relief to telecom companies on Wednesday by ruling against Tax Deduction at Source (TDS) for selling prepaid SIM cards to their distributors at rates below the market price.

The two-judge bench of Justice Sanjiv Khanna and Justice S.V.N. Bhatti passed this judgment in response to 40 appeals filed by telecom giants such as Bharti Airtel and Vodafone Idea regarding the applicability of TDS on discounts provided to prepaid distributors for the sale of SIM cards and recharge vouchers.

"The appeals filed by the assessee—cellular mobile service providers, challenging the judgments of the High Courts of Delhi and Calcutta are allowed and these judgments are set aside. The appeals filed by the Revenue challenging the judgments of High Courts of Rajasthan, Karnataka, and Bombay are dismissed in terms of the reportable judgment," the judgment noted.

The crux of the matter revolved around whether telecom service providers are obligated to deduct TDS under section 194H of the Income Tax Act. KRISHNA YADAV

Sam Bankman-Fried leaves Manhattan federal court in New York. AP

FTX founder pushes for 6.5 year jail term

FTX co-founder Sam Bankman-Fried should serve no more than 6 1/2 years in prison for orchestrating the fraud that brought down the cryptocurrency exchange, his lawyers told a federal judge who could issue a sentence of as long as 20 years for the most serious charges.

Attorneys for the 31-year-old former crypto mogul made their recommendation to US district judge Lewis A. Kaplan in a 98-page memo late Tuesday ahead of his 28 March sentencing. The filing includes letters from Bankman-Fried's supporters, including his parents and public health advocates from Africa attesting to his charity work.

Under federal sentencing guidelines that take into account "Sam's charitable works and demonstrated commitment to others, a sentence that returns Sam promptly to a productive role in society would be sufficient, but not greater than necessary, to comply with the purposes of sentencing," according to the memo.

Citing the advisory guidelines, Bankman-Fried's lawyers said a "just sentence" would be a prison term in the range of 63 months to 78 months. BLOOMBERG

Britain confers honorary knighthood on Sunil Bharti Mittal

Bharti Enterprises founder and chairman Sunil Bharti Mittal on Wednesday became the first Indian citizen to be conferred an honorary knighthood by Britain's King Charles III "for services to UK and India business relations". In a list of honorary British awards unveiled by the UK Cabinet Office, Mittal receives a KBE title under the Most Excellent Order of the British Empire—one of the highest honours conferred by a British monarch.The 66-year-old entrepreneur said in a statement that he was "deeply humbled" by the gracious recognition from King Charles.

The KBE, conferred for a pre-eminent contribution in any field of activity, is awarded in an honorary capacity to foreign nationals. While the knighthood conferred on UK nationals gives them the title of Sir or Dame, non-UK nationals awarded the honour add KBE (or DBE for women) after their name. Previous Indian recipients of the honorary KBE include Ratan Tata (2009), Ravi Shankar (2001) and Jamshed Irani (1997), conferred by the late Queen Elizabeth II PTI

Bharti Enterprises founder and chairman Sunil Bharti Mittal.

Eli Lilly could launch obesity drug soon

US drugmaker Eli Lilly expects to launch Mounjaro, its blockbuster diabetes drug and wildly popular obesity treatment, in India as early as next year after it clears an ongoing regulatory review, CEO David Ricks told *Reuters* on Wednesday.

The market opportunity is huge in the world's most populous country, which has high obesity rates, especially among women, and the second-highest number of people with type-2 diabetes globally. Indian drugmakers are testing their own versions of weight-loss drugs, while illegal versions are also sold online. "Our famous Mounjaro—it's under review now. So, perhaps as early as next year to the Indian market," Ricks told *Reuters* on the sidelines of the BioAsia conference in Telangana.

Mounjaro, chemically known as tirzepatide, is currently sold in the UK and Europe under the same brand name for both conditions. However, it is sold under the brand name Zepbound for weight loss in the US. REUTERS

THE PUBLIC SECTOR GAP IN CENTRE'S CAPEX SPREE

In the last few years, the main central government capex has far outstripped PSU capex

howindialives.com
NEW DELHI

One of the biggest headlines in government economic policy in recent years has been its focus on capital expenditure. Budgeted expenditure classified by the government as capex is projected to increase to about ₹11 trillion in 2024-25—almost 4.5 times the level in 2014-15. It represents 3.4% of projected GDP, up from 2% nine years ago.

Capital expenditure is seen as the building of assets that yield social and economic benefits over time—for example, road, bridges and ports. Increasing the share of government capex in overall spending has been an elusive goal for much of the reform period. Successive governments, when faced with the task of meeting fiscal deficit targets, have taken the axe to capital expenditure rather than revenue expenditure (running expenditure on items like salaries and interest payments on debt that don't yield a future benefit).

Thus, the capex push by the government in the last few years is a welcome break from this tradition.

"This substantial increase in recent years is central to the government's efforts to enhance growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds," finance minister Nirmala Sitharaman said, in her budget speech last year.

But where is this money going and what is it being spent on? While the rise in expenditure labelled by the government as capex has undeniably risen, it's also worth putting this increase in perspective, and looking at the structural shifts that underpin this increase, especially as some of them take away some sheen from the headline numbers.

CENTRALIZING CAPEX

Apart from the government budget documents, capital expenditure data is also compiled by the National Statistical Office (NSO) to calculate gross domestic product (GDP) estimates. Importantly, the NSO doesn't just look at central government budget data. It also compiles capex by the central public sector enterprises (PSEs), whose spending is not part of the main government budget. It compiles capex for governments at both the central and state levels.

As *chart 1* shows, a renewed focus on government capex has been long overdue. The entire reform period has seen a secular decline in public sector capex to around 6-8% of GDP, from levels of well above 10-11% of GDP in the 1980s. As an aside, what is also alarming is the steep decline in private sector capex since the global financial crisis of 2008. Importantly, the private sector never really recovered from that crisis and its after-effects.

The government has had to step in. The government budget measures just that—what the government raises through taxes and other sources of revenue, and what it spends directly. Government budgets do not cover public sector enterprises or bodies that are 'owned' by the central government, since they exist as separate legal and corporate entities, though the budget documents do contain information on the capital spending by such organizations. Any reasonable overview of public sector capex, even if it is only at the central government level, should cover both the main government, and public sector enterprises or bodies that are majority owned by the central government, and the amount that such entities, distinct from government, spend from their own resources or borrowings.

The Indian government's big bet is that its capex push will be the catalyst for the private sector to step in and invest on its own.

Seen from this perspective, there is still a substantial bump in recent years (*chart 2*). Add in PSE capital spends to the mix (from their own resources), as compiled by budget documents, and overall central government capex rises to over ₹14.5 trillion.

But seen in the context of overall GDP, the sharp bump in absolute terms looks less impressive—even in the context of the last decade or so. Combined central government capex (main government plus PSEs) is budgeted at around 4.4% of GDP for 2024-25—that's still lower than the level 10 years ago.

But *chart 2* also highlights a structural shift. Till as recently as 2020-21, PSE capex kept pace with the capex of the main central government in absolute terms. In the last few years, however, main central government capex has far outstripped PSE capex even as the latter has, in absolute terms, declined. Thus, even as overall capex has risen in recent years, it has become more centralized.

mint SHORT STORY

WHAT

The government's capex is projected to increase to ₹11 trillion in 2024-25—almost 4.5 times the level in 2014-15. That's 3.4% of projected GDP, up from 2% nine years ago.

BUT

Till 2020-21, PSU capex kept pace with the capex of the main central government in absolute terms. In the last few years, central government capex has far outstripped PSE capex.

NOW

The real question is whether the government can sustain this pace of increase. A sustained rise, especially in the private sector, will depend on demand picking up across the economy.

REPURPOSING CAPEX

A stark example of this is National Highways Authority of India (NHAI), which builds, or funds the building of, highway projects across the country. In 2021-22, it budgeted a spend of ₹1.22 trillion on such projects, of which, over half was to be funded by itself (largely through borrowing). Since 2022-23, however, all of NHAI's funding was done directly through the government budget. It was not allowed to borrow any funds directly from the market, the aim being to keep the body's borrowing on a tight leash. For 2024-25, as much as 15% of the main central government capex, or ₹1.68 trillion, is allocated toward funding NHAI.

Central government investment in roads and highways has also undergone another parallel shift in recent years, with a substantial amount of investment in roads and highways now being done outside the ambit of NHAI altogether. For 2024-25, the budgeted amount for spending on roads and highways, above and beyond what NHAI gets, is targeted at ₹1.03 trillion (up from a third of that amount a few years earlier).

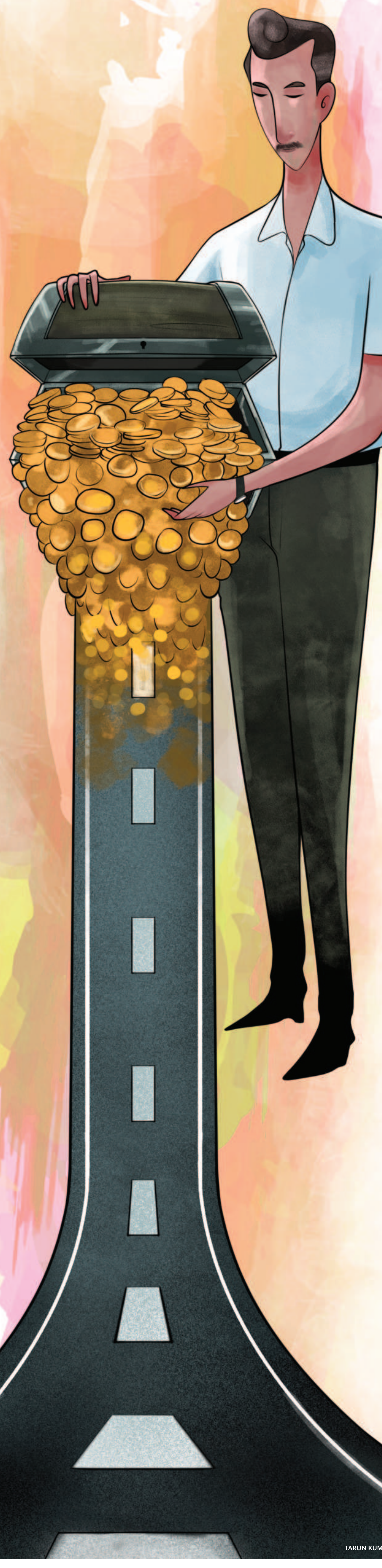
The NHAI is, and was, a government body. Any borrowing it does is effectively done with the full backing of the creditworthiness of the government of India. So, in purely economic terms, there is little effect. But the routing of all NHAI funding through the government budget has effectively resulted in spending on infrastructure assets that would have happened anyway being brought 'on-budget'.

It's a similar story for the railways as well. As of 2019-20, the central government budget contributed less than half of railways capex for the year (₹1.46 trillion). This ratio started to creep up. As of 2024-25, almost all the capex for the railways (₹2.52 trillion) will come directly from the central government budget, with just ₹10,000 crore earmarked to be raised by the railways directly from the bond market or its internal resources.

In this sense, at least a significant part of the increase in capex is a shifting of funds—bringing them 'on-budget'—rather than extra spending. Bringing spending on-budget is not inherently a 'good' or 'bad' thing, but it does imply that the dramatic increase in central government capex in recent years is less than what meets the eye.

And while PSE capex from internal resources and borrowing has increased in absolute terms, even if we exclude NHAI altogether, it now stands at around 0.5% of GDP. But this is down from almost 2% in 2016-17.

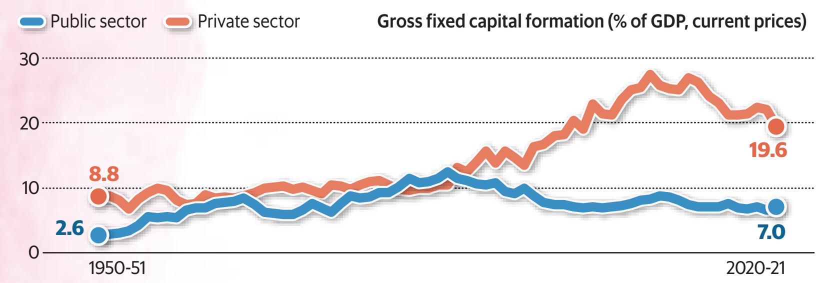
"Even as central capex has picked up impressively in recent years, a broader measure of public capex remains flat because this increase has been offset by slowing PSU capex...," pointed out Sajjid Z. Chinoy, then chief economist at JP Morgan, in an article in *The Economic and Political Weekly*, in April 2023.



TARUN KUMAR SAHU/MINT

THIN OUT

Post-reforms, capital formation by the public sector has tapered



Sources: National Statistical Office

Budgetary capex has replaced PSU capex in the last 5 years

mint

Year	Central budget capex (in ₹ trillion)	PSU capex (in ₹ trillion)	Total central capex (main government plus PSUs) as % of GDP
2011-12	1.6	2.0	4.1
2012-13	1.7	1.9	3.6
2013-14	1.9	2.6	4.0
2014-15	2.5	4.0	5.2
2015-16	2.5	3.1	4.1
2016-17	2.8	3.4	4.0
2017-18	2.6	6.1	5.1
2018-19	3.1	6.1	4.8
2019-20	3.4	6.4	4.9
2020-21	4.3	4.8	4.6
2021-22	5.9	4.4	4.4
2022-23	7.4	3.6	4.0
2023-24	9.5	3.3	4.3
2024-25	11.1	3.4	4.4

Sources: Budget documents; Ministry of statistics and programme implementation

STATE PUSH

The good news with capex of state governments is that it too, collectively, has shown an upward trend—from 3.2% of GDP in 2011-12 to around 4.4% of GDP in 2022-23 (budgeted). There are two drivers behind this capex push in recent years at the state level. The first is that tax revenues in the last few years have been buoyant overall. Further, states have received compensation from the centre for losses in revenue when shifting to the goods and services tax (GST) regime.

The capex of state governments, collectively, has shown an upward trend—from 3.2% of GDP in FY12 to around 4.4% in FY23.

"Strong growth in tax and non-tax revenues and the advancement of payment by the Centre for tax devolution and GST compensation provided the necessary fiscal space to accelerate capital outlay," stated a Reserve Bank of India (RBI) report on state finances last year.

The other big reason is a 'special assistance' scheme under which 50-year interest-free loans are extended by the Centre to states for capital investment. Budgeted at ₹1.3 trillion for 2024-25 (the amount was around ₹1.03 trillion for 2023-24), this has now ballooned to a substantial push toward capex at the state level, provided states meet eligibility criteria for the money to be distributed by the centre. Crisil forecasts that 2023-24 will also see the capital outlay of states (capex excluding loans and advances made by them) rise by 18-20%. "The increase in spending will be supported by healthy goods and services tax collection, stable and upfront devolution from the central government, and allocation of ...interest-free loans to all the states for capital expenditure (capex)," said Crisil.

The government has chosen to keep a tight rein on expenditures by the states under the special assistance scheme for capex. A finance ministry circular for the release of funds in 2022-23 under the scheme makes it clear that states have to get the prior approval of the centre before funding any project under the largest sub-component of the scheme (80% of the total for that year), with projects under the PM Gati Shakti National Master Plan receiving priority, 'where appropriate'.

PRIVATE HOPE

The real question is whether the government can sustain this pace of increase into the future. A big bet that the government has made is that its capex push will be the catalyst for the private sector to step in and invest on its own as well. "Expectations for a fresh round of capex by the corporate sector to take the baton from the government and fuel the next leg of growth are mounting. Balance sheets are healthy on the back of high profits, with leverage remaining constant or improving and the return ratio at a multi-year high," RBI pointed out, in its latest assessment of the *state of the economy*. "Overall, the corporate sector must get its act together ready to relieve the government of capex heavy lifting and take advantage of the space ceded in financial markets by a lower budgeted borrowing programme and the easing of borrowing costs that has already begun in response to the Interim Budget for 2024-25, driven as it is by capex and consolidation."

What are the uncertainties? Personal consumption growth is expected to grow at 4.4% in 2023-24, the slowest pace since 2002-03, and a sign that the big post-covid 'bump' to the economy is receding. And while markets are in a bull phase, a recent *Long Story* in *Mint* points out that the bull case—the supposed 'premiumization' of the economy, where consumers are supposedly buying more expensive and premium products than in the past—has much less to it than meets the eye, given that a substantial mass of consumers, in both rural and urban areas are still struggling. Rural consumer sentiment remains weak. Given that a sustained rise in capital investment, especially in the private sector is dependent on demand picking up across the broad economy, the next few years will be crucial.

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MINT 20* MUTUAL FUND SCHEMES TO INVEST IN

mint 20 BEST FUNDS

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

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
LARGE-CAP			
UTI Nifty Index Fund - Growth	16.01	16.29	15,301
HDFC Index Fund - Nifty 50 Plan	15.87	16.08	12,186
Category average	**15.36**	**15.85**	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	16.54	17.89	11,609
Parag Parikh Flexi Cap	23.40	23.51	55,034
Category average	**17.46**	**18.04**	
EQUITY SMALL AND MIDCAP			
Axis Midcap	18.75	20.93	24,534
SBI Small Cap	24.49	25.97	24,862
Category average Midcap	**23.76**	**23.11**	
Category average Smallcap	**28.82**	**26.37**	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	16.74	19.84	7,155
Mirae Asset Tax Saver	17.86	20.19	20,950
Category average	**19.10**	**18.76**	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	12.96	14.97	10,349
ICICI Prudential Balanced Advantage	12.89	13.32	54,142
Category average	**12.35**	**12.67**	
ARBITRAGE			
Kotak Equity Arbitrage	5.59	5.35	35,998
Tata Arbitrage	5.26	5.29	9,644
Category average	**5.26**	**5.05**	

OUT OF THE BOX	Returns since launch	Date of launch	Corpus (₹ cr)
BHARAT Bond ETF - April 2031	5.23	23-Jul-20	13,230
Motilal Oswal S&P 500 Index Fund	17.98	28-Apr-20	3,032

Returns as on 26 February 2024; Corpus data as of January 2024; Growth option in regular plans has been used
Absolute returns for 'Out of box', CAGR for the rest. For detailed methodology refer to:
Keep a smart, flexible and minimalist MF portfolio
https://www.livemint.com/money/personal-finance/keep-a-smart-flexible-and-minimalist-mf-portfolio-11638378827521.html
Download mint app for latest in Business News - https://bit.ly/32XEfFE
*Debt funds can be viewed in the full table online
Data and analysis by CRISIL Research

Compiled by Neil Borate

Prices cut, but are EVs more economical than petrol cars?

With the price cuts, the time taken to recover the extra upfront cost of an EV has reduced

Anil Poste & Shipra Singh
anilkumar.poste@livemint.com

Cost comparison of petrol and electric cars

The extra upfront cost on EV will be recovered when the car completes 33,000 km

Upfront purchase price (all costs in ₹)

	Tata Tiago XTA	Tata Tiago EV XT Medium Range
Ex-showroom price	694,900	899,000
Insurance premium	39,597	39,588
Registration and handling charges	57,643	12,000
Other Charges	2,000	2,000
Total purchase cost	**₹794,140**	**₹952,588**

4th year onwards, EV owner's annual saving in fuel cost will add up to about **₹4 lakh by 8th year of** ownership, which is when warranty on battery ends. As per current prices, cost of battery replacement is ₹4.5 lakh.

EV purchase price is **₹158,448** more than petrol car

Cost of running for 3 years (driving an average 30km/day)

	Tata Tiago XTA	Tata Tiago EV XT Medium Range
Service costs	25,200	12,000
per km cost	5.6	0.4
Fuel cost for 33,000 km	1,92,584	13,200
Total running cost	**₹217,784**	**₹25,200**
Total insurance premium	23,522	31,287
Running cost for 33,000 km	2,41,306	56,487
Ownership cost over 3 years	**₹1,035,446**	**₹1,009,075**

By 3rd year, EV owner will save **₹26,000**

Challenges in EV ownership

- Most EVs in affordable segment are short-range
- Short-range EVs not feasible for long commuters
- For inter-city travel, highways lack charging infrastructure

Opportunity cost of the extra **₹1.58 lakh** spent on buying EV

If this amount is invested in a fixed deposit for 3 years earning 6% annual interest (pre-tax), you will earn **₹30,900**

Even after adding opportunity cost of **₹30,900**, EV breaks even in 3 years

Offset time for different average commute distances

Average daily commute (km)	40	20	10
Distance covered annually (km)	14,600	7,300	3,650
Years to break even	2.26	4.52	9.04

Typically owner sells the car in 9 years

Assumptions

- EV runs for 180km on single charge. Single charge costs 14 electricity units priced at ₹5 per unit
- Petrol price of ₹106 and petrol variant giving mileage of 19km per litre; per litre petrol cost increased 5% annually
- Battery replacement after 8 years or 160,000 km. Battery cost estimated at ₹4.5 lakh

PRANAY BHARDWAJ/MINT

Tata Motors recently slashed the price of its electric cars Tiago and Nexon by ₹70,000 and ₹1.2 lakh, respectively. Tiago EV now starts at ₹7.99 lakh (ex-showroom), whereas the starting price of Nexon is ₹14.49 lakh. Following the price cuts, Tiago has become the second cheapest electric car in India, just behind MG Comet which starts at ₹6.99 lakh. These price cuts have made electric cars more affordable for Indian consumers, especially since the high upfront cost on electric vehicles (EVs) can be a deterrent for those looking to switch to the greener option.

Moreover, with the price cuts, the time taken to recover the extra upfront cost of an electric car will reduce when compared to its internal combustion engine (ICE) counterpart that runs on fossil fuels. However, when comparing EVs with ICE cars, it's essential to consider their long-term savings on fuel and maintenance.

Earlier, *Mint* did a cost analysis of the overall ownership of Tata Nexon (XZA plus) petrol variant and the Nexon EV Prime. At the time of analysis, the difference in the on-road purchase price of the two models was ₹4.4 lakh. However, Nexon EV Prime showed compelling long-term savings despite higher initial costs. The analysis showed that car owners who drive about 30km daily will recover the higher upfront cost in about six-and-a-half years.

This story compares Tata Tiago XTA with Tata Tiago EV XT. The former is priced at ₹6.95 lakh, while the Tiago EV XT Medium Range (250 km range) costs ₹8.99 lakh. The EV model also incurs higher insurance costs, but allows for lower registration charges.

To be sure, the running costs—the charges incurred on fuel and other expenses—for an EV have reduced over a period of time. This can be understood by looking at the running costs in terms of distance or time. A comparison over 100,000km or 6 years present a contrasting picture. The XTA incurs higher insurance premium, service and fuel costs, totalling ₹3.73 lakh for covering 50,000km, compared to the EV's ₹1.06 lakh. This indicates that EVs offer considerable savings in running costs over time, making it a potentially more cost-effective choice in the long run despite the higher upfront cost.

In comparison with our previous story the time taken to offset the extra upfront cost of an EV has improved significantly. To understand this better, let's consider different average annual distances covered by the Tata Tiago EV XT and the Tata Nexon Prime (XZ Plus) EV.

For the Nexon EV, it took 4.2 years to break even with a daily commute of 40km, while for the Tiago EV, it takes only 3.42 years for the same distance. Similarly, for a daily commute of 30km, the breakeven time decreased from 6.5 years for the Nexon EV to 4.57 years for the Tiago EV, and for 15km daily, it decreased from 13 years to 6.85 years *(See graphic)*.

This improvement can be attributed to several factors. First, the Tiago EV has a lower upfront cost compared to the Nexon EV, making the initial investment more manageable. Second, the Tiago EV's lower running costs, including cheaper battery replacement costs—after 8 years or 160,000km, contribute to the quicker breakeven. Additionally, advancements in EV technology and infrastructure may have played a key role in reducing time to offset the upfront cost and a lower overall cost of ownership over the years

Insurance

"Insurance costs for EVs compared to ICE cars vary due to factors like the high cost of EV batteries and specialized repair needs. Repairing EVs, with their advanced technology, is generally more expensive, including battery and electrical component replacements. Despite this, EV insurance premiums are competitive. The process for filing insurance claims for both EVs and ICE cars is similar, with options for digital self-inspection or traditional surveyor assessments." says Mayur Kacholiya, head–motor product, Digit General Insurance.

Insurance for EVs is more expensive than for ICE cars, although this gap is narrowing. Factors like limited historical data on EV claims, limited expertise and the high cost of repairing components such as battery packs and electric motors contribute to the initial higher premiums for EVs. The Insurance Regulatory and Development Authority of India (Irdai) introduced a 15% discount on premiums for EVs in 2022-23, further bridging the cost disparity. As more EVs hit the road and repair costs decrease, the cost difference between insuring an EV and an ICE car is expected to diminish.

> Insurance for EVs is more expensive than for ICE cars, although this gap is narrowing

Charging and infrastructure

Charging an EV in India varies in cost and convenience. Public stations charge ₹5-15 per kWh, with fast chargers being more expensive. Home charging, on the other hand, costs ₹2-9 per kWh if the infrastructure is available for this at your residential complex. Home charging is cheaper because domestic power tariffs are lower compared to a commercial setup though it takes more time to charge your EV. Additional fees may apply, like subscriptions and parking, at public charging stations. The number of such stations are increasingly coming up across the country, offering various charging speeds at different price points. Yet, if you can install a charging station at your residence, home charging remains the most cost-effective option.

Limited charging stations outside major cities makes it more challenging to use EVs for long trips. Slow charging speeds further hinders convenience. Lack of awareness and expertise in servicing EV batteries, limited EV service centres in comparison to those for ICE cars, residential complexes without charging facilities adds to the challenges.

However things have improved over a period of time with technological advancements and concepts like battery swapping centres. Also, government initiatives like the FAME II scheme are making EV ownership more cost effective and convenient.

How to ensure fair distribution of assets in an estate plan?

Rishabh Shroff & Chirag Shah

ISTOCKPHOTO

ASK MINT
ESTATE PLANNING

I have three sons, all of whom are married and have children. My eldest son and his family, who have been residing in the US, are now returning to India. The relations between all my family members are cordial. I now want to divide my estate (primarily my investments in listed stocks, mutual funds and some cash) proportionately in such a manner that each son's family (especially my grandchildren) get one third share, however, I also want to retain control of my estate in my lifetime. How do I do this?

—Name withheld on request

You can consider a two-step approach. As a long-term step, you may consider preparing a will which can be customised to your preferences. The different bequests of your estate can be factored in your will, and will come into effect after your lifetime, allowing you maximum flexibility. Your will's executors should be immediate family members or trustworthy friends.

Depending on the exact jurisdiction involved, the probate (or a court driven verification process of your will) may be involved.

The other step you can consider is to set up a private trust. This can be set up during your lifetime itself, and the assets moved into it over time (or even immediately after it is set up).

Depending on how you structure it, you can consider becoming a managing trustee of a discretionary irrevocable trust, and have the chosen family members as beneficiaries. You can control the trust in this manner, and distribute benefits to them as you deem fit.

As you have three sons, you can speak with your attorney and explore the pros and cons of one trust for all three sons, or separate trusts for each of them. Separate trusts may also help you customize the trusts for each son's circumstances, and transfer control to them post your lifetime or sooner.

Rishabh Shroff is a partner (co-head at private client and head at international business development) and Chirag Shah is principal associate, Cyril Amarchand Mangaldas.

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

MUTUAL FUND INVESTMENT IS NOT A DO-IT-YOURSELF PRODUCT IN THE LONG RUN

POWER POINT
MISBAH BAXAMUSA

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The digital era we are now living in has given us convenience, access, reach, and information. It continues to evolve quickly and holds many promises and possibilities for us in the future. Amid all this, it is interesting to see how the investors have also evolved. From physical forms to digital platforms, we have come a long way. However, with increased ease, information, and access to investment platforms, the investor faces a dilemma even before an investment decision is made—whether to invest directly or take the help of an expert.

When it comes to investing in mutual funds, or for that matter any kind of investment, there is no 'one-size-fits-all' solution. Every investor is unique, with different financial needs and risk profiles; hence, they need to follow a tailored mutual fund investment strategy. Every investor comes with a different level of experience, knowledge, and biases for investments. Thus, standard solutions and templates may not be suitable for everyone. The first step, thus, would be to determine if you are indeed the best person to manage your investments. If you want to opt for DIY. or do-it-yourself, investing or investing directly without human assistance, ask yourself these questions:

Do I have the requisite expertise, time, resources, knowledge, and understanding of investments?

Can I act rationally and eliminate emotional biases from decision-making at all times, independent of market volatility?

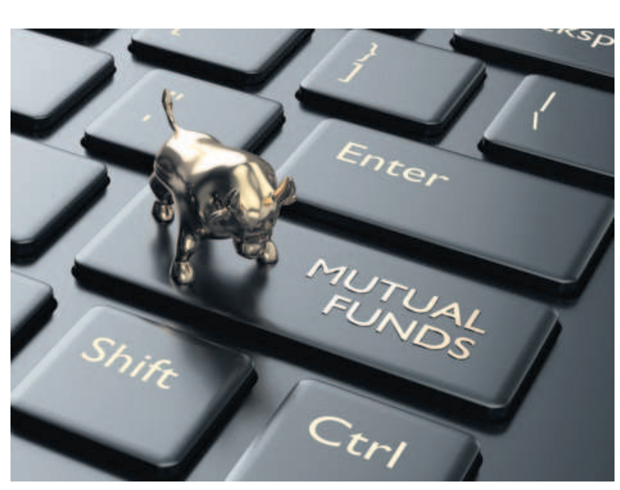
Will I be able to maintain discipline and commitment to the long-term investment journey in the absence of guidance?

If your answer to any of these questions is no, then perhaps you do need the guidance of an experienced person like a mutual fund distributor (MFD). That said, let's look at some benefits of opting for the mutual fund distributor route and where a distributor can help in your investment journey.

Risk profiling and asset allocation: All investors have a different risk appetite and risk tolerance. An MFD can ask the right questions to investors to determine a risk profile for investors. Based on this, a suitable asset allocation can be decided. DIY investors may miss out on this and opt for an asset allocation without proper risk profile understanding.

Need-based investing: Most DIY investors invest without specific financial needs or objectives, and thus, there is a lack of direction. An MFD can help you quantify your financial needs and suggest suitable MF products, build a tailored portfolio and guide on the required investment amount.

Behavioural biases: DIY investors are prone to be influenced by their behavioural biases and emotions while making investment decisions. This can be detrimental to the wealth-building journey. An MFD can help you avoid such biases and emotions while making investment decisions. An MFD would also handhold you during volatile markets, helping you avoid all the noise and giving you the confidence to continue with your plans.



Research and knowledge: Investing in mutual funds requires adequate research and knowledge. There are around 45 fund houses in India and hundreds of schemes in different categories and sub-categories. One may not have the time and knowledge to do the research and make the right investment decisions. On the other hand, an MFD's primary job is to guide investors in selecting the right mutual fund schemes, considering investment objectives and risk profiles.

Portfolio review and rebalancing: The investment process does not end with investments, and you need to ensure that your portfolio is on track to fulfil your financial needs. Regular tracking and periodic reviews followed by necessary corrective action in case of any deviation are required to be done, including any rebalancing of the asset allocation. MFDs can help investors set up a diligent and disciplined process of portfolio review and rebalancing.

> DIY investors are prone to be influenced by behavioural biases and emotions

To summarise, the investment needs, expectations, and experience of every individual is unique. When you are beginning your investment journey, the right start must be made, and hand-holding may be required. However, we have seen that even many experienced and big investors continue to prefer associating with distributors, given the extent of impact they can create over the long term. Countless small decisions eventually pile up and make a considerable impact on your wealth with time. Controlling behavioural biases, emotional decisions, and such mistakes can be detrimental and set you back on this journey. The impact and contribution of MFDs can only be judged with time if you are associated with one.

Misbah Baxamusa is the chief executive officer of NJ Wealth.

OUR VIEW

MINT

Patanjali ad case: Truth in advertising matters

The apex court's hauling up of Patanjali is meant to protect consumers from being misled on cures, but we also need wider public appreciation of how therapeutic claims are tested

India's top court has hauled up Patanjali Ayurved, founded by yoga guru Ramdev, for making misleading claims in advertisements about its products curing diseases. On Tuesday, the Supreme Court served the company and its managing director Acharya Balkrishna contempt notices for defying its restraint orders on such publicity. "[Patanjali] had the courage and guts to come up with this advertisement after the order of this court.... What do you mean by 'permanent relief'? Is it a cure?" asked the country's top court when presented with material by the petitioner Indian Medical Association that showed Patanjali had not only continued to advertise untested treatment claims, but also disparaged modern medicine. The court also came down on the government for failing to act against the company. "The entire country is being taken for a ride," it stated. "The words of these advertisements are totally in violation of law." The judiciary barred Patanjali from promoting products on claims of curing diseases and from making public statements against any medical system.

It dealt a blow to the marketing assumptions that Patanjali appears to have made. So far, Ramdev, whose ambitions for this enterprise have included challenging multinationals with local alternatives in sundry consumer markets, has seemed defiant. He had sought to defend the company's actions while alleging a conspiracy to pull down Ayurveda and his herbal business. With a swelling portfolio of consumables that range from toothpaste and packaged food to items retailed by chemists, Patanjali has been in fierce competition with several market players. Although rivals have protested its methods, a gang-up of global firms against a homegrown success sounds far-fetched. There's no escaping the fact that Patanjali violated public norms for therapeutic options. The Drugs and Magic Remedies (Objectionable Advertisements) Act of 1954 exists because dubious offerings have long masqueraded as cures. The allopathy system insists that every formulation undergoes the rigours of scientific testing, under strict procedures laid down by drug regulators, just to get approval for specific uses; scandals do afflict this process, but as exceptions, not the norm. To be sure, Patanjali has also claimed to have tested its products for efficacy against the ailments they are aimed at, but these claims have not been validated by any authorized scientific agency. Since Ayurvedic products are often based on herbal recipes from olden days, their sales rely heavily on reputations drawn from traditional usage and their regulatory oversight focuses on safety checks. Their packages saying what general health benefits they broadly aim for should raise no eyebrows, as that's a matter of intent. Explicit claims on curing a named condition or disease, however, cannot be held as truthful unless we have verified trial data of the kind that covid vaccines were put through.

Any movement that tries to cast doubt on the scientific method, which involves tests that yield the same results when repeated, can be dangerous if people are misled to avoid useful lines of therapy. Mistrust in evidence-based medicine may have been fanned by the high perceived cost of allopathy, but the country must not be saddled with adverse health outcomes as a consequence. The judiciary is doing its job of securing consumers, but we also need wider public appreciation of how science has sensible ways to test various hypotheses for truth. Quackery thrives on demand, so ad restrictions alone can't achieve much.

MY VIEW | OTHER SPHERE

Fakeness and flakiness are not hard to spot in the social sector

There's plenty of authenticity and rigour but some organizational cultures are weak on both aspects

ANURAG BEHAR
is CEO of Azim Premji Foundation.

A fellow donor waxed eloquent about treating partners as equals. 'Partner' is the word often used for NGOs that receive financial grants from donors. I cringe at the word 'donor' and find 'partner' misleading. Our organization is not a donor, nor am I. If there is a donor, it is my boss, who has donated most of his wealth to the Foundation along with a mandate to contribute towards justice, equity and humaneness. We are not donors; we are actors in civil society's social sector.

'Partner' is misleading because only a very generous notion of partnership would accommodate the relationship between an NGO and the organization that gives it money as one. But let's get back to the story. A few months later, someone narrated to me with amusement and irritation how this "fellow donor" assumed that she was looking for money and treated her as though she was being interviewed for some entry-level job. It was like, in a first meeting with someone like Amartya Sen, I start off by asking "Tell me something about yourself."

A difference between the statements and behaviour of donors is not unusual. Treating your grantees as equals is a virtue in the social sector. So, who would not profess this virtue? Virtue signalling of various sorts, very often totally out of sync with reality, is surprisingly prevalent in the social sector. I think of this as a kind of 'fakeness,' of which there are other kinds too. Fakeness is one of two dimensions that I find very useful to understand organizations and their people. The other dimension is 'flakiness'—a measure of rigour, solidity and reliability.

'Fake' and 'flake' are like the X and Y axes on which organizations can be mapped mentally. The labels at the other end of these dimensions are 'authentic' and 'rigorous.' The sharpness and usefulness of this mental tool increases when different kinds of fakeness and flakiness are included, helping us observe behaviour patterns and their sources. At least four kinds can be identified; and any organization may have one or more these four kinds.

The first is *intellectual*: Faking intellectualism is rife in the social sector. So much theory and ideology is so freely thrown around that it is impossible to escape it anywhere. One level of questioning leads to anger because those who wave these notions as flags either do not understand what they are mouthing or have no real commitment to these ideas. Intellectual flakiness is also too common. This is less about ideology and more about not applying enough rigour to what they should be doing, why they are doing it, how it can be improved, and so on. Basically, a lack of intellectual rigour in their work.

The second is *operational*: Doing things that you don't do routinely in your organization or doing things every day only for the show of it, is operational fakeness. Running loose operations, not knowing what's going on, assuming one thing would lead to another without setting up and running the process and systems that would make such things happen, not adequately accounting for human frailties and strengths, having a naïve faith in 'somehow things will happen,' and more, are all characteristic of operational flakiness.

The third is *relational*: This refers to human relationships. None of us need examples of being fake in relationships. The facade put up being quite different from one's real feelings and sentiments within is at the core of such fakery. Relational flakiness is when you repeatedly fail to do what you say you will, or treat a relationship very transactionally or instrumentally for some narrow purpose. Such relationships are usually ineffective and often dysfunctional. In this context, they are less about individuals and more about what the particular organizational culture fosters.

The fourth is *ethical*. From professing commitments that you don't believe in to plain lying, there is a wide range of ethical fakeness. Ethical flakiness is equally common but a more subtle phenomenon. Under some kind of pressure or circumstance, such as the donor's belief system, you dilute your ethical stand. It's not as though you are faking anything, but sort of just let go in the expediency of the moment.

'Fake-flake' is catchier than calling this mental tool 'authentic-rigorous,' which is why I have used those phrases. It is not because more organizations are fake-flake than authentic-rigorous in the social sector. In my experience, the distribution of organizations is quite even across the four quadrants: fake-flake, authentic-flake, fake-rigorous, and authentic-rigorous.

Fake-flakes are easily noticed and can be weeded out. Authentic-flakes are hard to deal with, often full of righteous anger and indignation. Fake-rigorous are hard to catch, and usually insidious on all fronts. Authentic-rigorous usually punch way above their size, and fortunately there are many.

It is good to admit that we are all fake and flake to some degree. But there is a categorical difference between those who are somewhat or sometimes like that, and those for whom that is a basic mode of being. I find this tool useful and fun. One of the conclusions I have drawn after many years is that flakes drive me up the wall, while I find fakes hard to put up with, causing me to disengage with lighting speed.

10 YEARS AGO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I always pass on good advice. It is the only thing to do with it. It is never of any use to oneself.

OSCAR WILDE

MY VIEW | WORLD APART

Sri Lanka's tourists are back but its recovery is fragile

RAHUL JACOB

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

Sri Lanka's bustling Colombo airport is busier than it has been in the past few years. Last year, the country welcomed 1.5 million tourists, a fifth of them from India. Long-stay Russians number 300,000 and have transformed some of the country's southern resort towns, not always for the better. An airport might seem a peculiar barometer by which to gauge the recovery of a developing economy, but as a small, open economy trying to claw its way back to economic stability, it is a reasonable one. Tourism contributed $2.1 billion to the Sri Lankan economy in 2023, almost double the 2022 level. What Cambridge historian Sujit Sivasundaram characterizes as oceanic countries of the Pacific and Indian Ocean often share this dependence on tourism.

Sri Lanka's dependence is more acute; along with textiles and tea, tourism is a principal money spinner for the economy and one with the most upside, as last year's dramatic increase indicates. But Sri Lanka, which is undergoing an International Monetary Fund (IMF) restructuring of its large foreign debt, is also an emblematic case of a different sort. Ordinarily, a sharp currency devaluation would boost exports in a big way. But in today's global economy of slowing developed-world demand, global value chains and lean inventory management, buyers in the West are likely to continue favouring countries such as Bangladesh for garment production, for instance, because its factories are embedded in their supply chains and are deemed more efficient. To some extent, Bangladesh and Vietnam are therefore immune to a competing nation's lower labour costs via the currency weakness Sri Lanka has had. When I think about it—and I do think about it as a well-wisher of Sri Lanka as well as of India's flagging labour-intensive industries—it is worrying that of my last four purchases from Marks & Spencer (M&S) in India, three were made in Bangladesh and only one in Sri Lanka, a country that used to be a favourite for buyers like M&S and Victoria's Secret.

Colombo airport is thus akin to one of the island's melodramatic sunsets, both an impressionist postcard and an omen of darkness ahead. The recent announcement that visa extensions for Russians and Ukrainians would be summarily withdrawn was an omen; Russians account for the second largest number of visitors. This may have been a knee-jerk reaction to a contemptible "whites only" party at a Russian beach establishment this month. But, President Ranil Wickremesinghe is reported to have asked this week for an inquiry into how this order was passed without consultation or warning. Both realpolitik and economic realities suggest it will be rescinded. Sri Lanka's 1.5 million tourists in all of 2023 looks paltry against Thailand's 6 million in January and February 2024 alone.

Its economy is getting back into form but no illusions should be harboured of the risks it confronts

But as a January IMF report notes, there is plenty of good news. Real GDP grew 1.6% year-on-year in the third quarter of 2023, Sri Lanka's first growth figure in half a dozen quarters. Inflation in February dropped to about 5%, not very different from India's. Gross international reserves increased by $2.5 billion last year. But, as the IMF notes, "Staying the course on the reform agenda is necessary for... broad-based and stable growth."

The worry is that bigger reserves and lower inflation will lead to backsliding, arbitrary decision-making and dysfunctional politics as usual. The past week's news points to this. The government faced flak in parliament because of a planned 70% hike in salaries of central bank employees, while the employment minister grandly declared that Sri Lankan women should not be allowed to work overseas as housemaids. Such a generous pay hike at the central bank is bad optics as well as bad budget management. And hundreds of thousands of Filipinas have worked as house help for decades and helped turn the Philippines' economy around with their hard-earned remittances.

Meanwhile, increased borrowing to stabilize the Sri Lankan economy means interest payments are forecast to jump to an alarming 8.4% of GDP in 2024, much higher than the 7.2% IMF estimate in March 2023. Interest accounted for about 40% of government expenses in revised estimates for 2023, as Citi Research observes. This leaves little money to kickstart the economy by significantly boosting government investment. If revenues miss targets, like last year, expect public investment cuts.

These are unenviable choices, worsened by the obstinacy of private Western creditors. Sri Lanka is also a casualty of the Belt and Road Initiative of the Chinese government, which said this week it would probe allegations of corruption surrounding its projects in Africa and Asia. This month, the Sri Lankan government sent a counter-offer to its private Western bondholders who had proposed a 20% haircut in October. Colombo must sell off public sector enterprises and cut spending on public sector staff, both difficult with a general election in the offing. If its nerve fails, which is likely, it will further increase taxes on people who suffered a loss of purchasing power because of high inflation during the economic crisis (and because imports are so much pricier).

Sri Lankans may find themselves uncomfortably reminded of the lop-sided taxes endured during British colonial rule. The memoirs of English writer Leonard Woolf, an 'anti-imperialist' civil servant in the first decade of the 20th century, recount that divers for oysters had to give two-thirds of their catch to the colonial administration.

GUEST VIEW

Household survey: Fresh light on India's consumption conundrum

The broad picture indicates that consumption is recovering but will continue to play second fiddle to capex in 2024-25 too

SACHCHIDANAND SHUKLA
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MINT

There has been a huge divergence in India among observers on the state of consumption in general and the health of rural demand in particular. Not surprisingly, there is also a squabble over the appropriate letter of the alphabet to denote the shape of consumption demand. There has also been a discernible cleft between rural and urban areas, as also between goods and services, when it comes to the rates and patterns of private consumption demand growth.

Let us look at the latest top-down data first. The country's latest Household Consumption Expenditure Survey reveals that between 2011-12 and 2022-23, nominal average monthly per capita expenditure (MPCE) increased at a compounded annual growth rate (CAGR) of 9.2% and 8.5% in rural and urban India, respectively. The numbers stand at 9.4% and 8.6% if the imputed impact of social welfare schemes (excluding education and health) are considered. But in real terms, average MPCE increased by 3.1% and 3.3%, respectively, and only at 2.7% each if welfare benefits are included. In both nominal and real terms, these growth rates are lower than in the period between the two earlier surveys. Importantly, while a rural-urban per capita consumption chasm is reducing, the rural share in overall spending is declining.

Of the two Reserve Bank of India surveys on consumption, one focuses on consumers' perceptions of current conditions and the other on their outlook for the future. The latest survey shows that consumer confidence continued on its recovery path to a level of 95.1 in January 2024 from 92.2 in November 2023 (on this scale, 100 marks neutrality between optimism and pessimism). But what about their future outlook? As per the survey, households expect an improvement in general economic and employment conditions through the next one year. However, their confidence in future income conditions was a tad lower than in the previous round, following four successive rounds of improvement. Note that consumers being optimistic or pessimistic about the future is a matter of prediction and not of interpreting the current economic situation.

India's general trade channel (of *kirana* stores) recorded single-digit volume growth in the third quarter of 2023-24 in the FMCG space. But modern trade continued to outstrip it with double-digit growth. As per Nielsen IQ, the sector is expected to grow at 4.5- 6.5%, indicating a significant deceleration from a robust 9.3% in 2023. The industry reported 6% value growth year-on-year, driven by a 6.4% increase in volume. Note, these rates are all below the country's nominal GDP growth rate.

Yet, several large global and domestic consumer goods companies have reportedly announced a line-up of big investments in India to step up capacity and offer more premium products.

A distinct pattern of high-ticket consumption and premiumization is visible across sectors even within rural zones. Demand for higher-horsepower tractors (i.e. above 40HP) has reportedly grown three times the demand for small ones (sub-30HP) over the last three years. Interestingly enough, the demand for 4-wheel-drive in tractors is on the rise. Similar trends, data and anecdotes abound for categories such as personal vehicles, real estate and household durables across India, despite continued price hikes by companies.

A combination of the following would help discern the widely divergent readings we've had lately:

First, there has been a notable change in the orientation of government expenditure that has buttressed its supply-side credentials through a scorching capex-spending programme with a CAGR of 31% over the years 2020-21 to 2023-24 and an interim budget allocation for 2024-25 that's 17% higher than the previous year's expenditure.

Second, in a changed global context of muscular industrial policies, India's policy toolkit too favours specific but sizeable sectoral interventions such as production-linked incentives, direct subsidies for semiconductors, etc, as part of the 'Make in India' and *Atmanirbhar Bharat* themes. One can argue that budget interventions have been sector-specific in the past too. However, they leaned more towards consumption earlier.

Third, there has been a massive consumption stimulus already by way of autonomous private spending. If one adds up all spending on account of the festive season, wedding season and a couple of one-offs in the cricket world cup and series of state polls, the country's cumulative spending roughly amounts to a conservative ~$120 billion worth of additional consumption spending in 2023-24, which is over 3% of GDP and about 22% of the 2023-24 budget's revenue expenditure estimate.

Fourth, a busy electoral calendar with nine state elections in the last 12-odd months also created expenditure-pattern differences, as pre-electoral cycles typically see higher government spending by respective states, a phenomenon which shows up in divergent consumption patterns and accentuates skews across states and categories.

Lastly, patchy rainfall has had a deep impact on rural demand, which took a big knock from very poor spatial and temporal monsoon distribution. This created huge distortions in income and consumption patterns. The north and east, where rainfall was satisfactory, did support demand to an extent. But weather-related supply disruptions created jagged pockets even within states. Unsurprisingly, food inflation has been close to ~7% in 2023-24 thus far, after averaging 6.7% in 2022-23 and lower than 6% between 2020-21 and 2021-22, impacting real incomes and consumption.

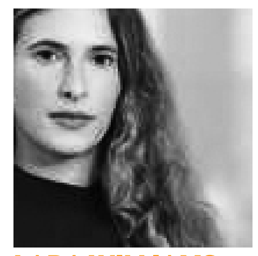
Looking ahead, with weather agencies hinting at a normal monsoon in 2024, hopes of rural-demand normalcy have risen. However, the combination of an abating sugar rush from poll-spending, a squeeze on revenue-expenditure growth to contain the fiscal deficit and the lagged effect of higher-for-longer interest rates will ensure that Indian consumption, while recovering, continues to play second fiddle to capex even in 2024-25.

These are the author's personal views.

MINT CURATOR

The EU carbon market awaits clear emission-capture norms

Europe is making some headway on carbon-removal certification



LARA WILLIAMS
is a Bloomberg Opinion columnist covering climate change.

False-claim scandals must not set the climate cause back

REUTERS

The European Union (EU) is quietly setting the direction for the future of carbon markets, with two pieces of regulation clearing big hurdles in recent weeks. Watch closely, because these initiatives will reshape the industry.

On Tuesday, the European Commission and European Parliament struck a provisional deal to compile rules for certifying carbon-removal credits—the Carbon Removal Certification Framework (CRCF). "This is the first time in history that we have a policy which clearly defines quality carbon removal and seeks to quantify it," Sebastian Manhart, senior policy advisor at removals marketplace Carbonfuture GmbH, told me. "Other nations will probably copy it."

Carbon offsets are typically categorized either as avoidance credits (buy this, we won't cut down this forest) or reduction credits (buy this, we'll install some solar panels). In recent years, scandals ranging from human rights abuses to overstated climate benefits have raised questions over whether offsets are useful in the climate fight or whether they are just a cover for corporations and individuals to continue their polluting behaviour.

Carbon removals seek to suck carbon dioxide out of the atmosphere and store it, ideally permanently underground or in the ocean. While we currently rely on nature to perform that service, nascent technologies ranging from direct air capture (essentially big vacuums) to bio-char, a carbon-rich material made from heating biomass at high temperatures in low oxygen, which can then be added to soil or used in concrete, have the potential to assist. Removals currently make up only about 3% of the total carbon market.

These processes won't be able to deliver without deep emissions cuts, which must come first. But they could help mop up the last dregs of greenhouse gases from hard-to-abate sectors like cement and aviation. Plus, if we make it to net zero, removals offer the potential of reversing some of the damage we've done to the atmosphere.

The industry has been crying out for regulation, which stakeholders hope will distinguish future credits from existing poor-quality products and help the market to grow by creating trust. These latest European developments mark a big step in setting the standards needed.

The CRCF categorizes carbon removals distinctly. It includes soil-emission reductions, and excludes activities like clean-energy projects and avoided deforestation. Manhart sees the framework shaping climate policy at both EU and national levels. If carbon removals were to be included in Europe's Emissions Trading Scheme, they would likely need to be certified under the framework. The most immediate effect will be on purchasing behaviour; buyers will probably start to align acquisitions with the CRCF now to get ahead of the changes.

How the new rules would be used was previously unknown, which is where the other piece of regulation—The Green Claims Directive—comes into play. It seeks to stop greenwashing; under the draft law, companies must get approval for any environmental marketing claims before using them. Organizations breaking the rules may face fines of at least at 4% of their annual turnover.

The directive says companies can only make claims using offsets if they've already reduced their carbon footprints as much as possible and can only use such schemes for residual emissions (greenhouse gas emissions remaining in the atmosphere once reduction possibilities have been exhausted). Carbon credits must be certified under the CRCF. It includes a reference to the like-for-like principle, meaning that companies cannot claim fossil-fuel CO2 emissions (which remain in the atmosphere for centuries) have been offset by short-term removals like planting trees. Only permanent carbon removal will be valid.

There are niggles: The Green Claims Directive doesn't specify what counts as residual emissions, exposing the term to potential misuse. Also, only removal projects within the EU can be certified under the CRCF as it currently stands, which is limiting when the continent isn't blessed with a lot of geological storage capacity.

There's an optional element to these regulations and ignoring them will come with disadvantages. Companies can still buy avoided deforestation credits, as long as they don't use them to make claims about their environmental virtues and carbon removal projects don't have to get certified, but it would make their credits less valuable to purchasers.

There's much work to do to get the CRCF operational. The Green Claims Directive needs to go through several more steps before it's implemented. But the tone has been set and voluntary carbon markets are expected to match it.

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GUEST VIEW

Don't write off businesses challenged by sunrise rivalry

SWANAND KELKAR

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It seems that over the past decade or so, a whole host of stocks and sectors have been written off by investors. Newspapers, linear television, thermal power, anything related to the internal combustion engine, offline travel agents—the list is long. However, in the real world, many of them are still ubiquitous. Take India's newspaper circulation, for example. It has remained intact over the past decade. Over 75% of electricity consumed in India is still generated from thermal plants and over 99% of all vehicles on Indian roads still have internal combustion engines.

The disconnect between what we see everyday versus what markets perceive stems from the fact that investors have convinced themselves that in a few years, these stocks and sectors will cease to exist. They would have been replaced by a newer, better product or service that is being rapidly adopted. So digital news will vanquish newspapers, renewable energy will supersede thermal power plants and electric vehicles will render the combustion engine obsolete.

Stock markets have a tendency to get excited by shiny new things, extrapolate rapid adoption into the future and write obituaries of extant products and services. What follows is an investor stampede out of such challenged spaces, causing severe valuation contractions. In certain cases, explicit investor mandates prohibit investments in these challenged sectors, and that quickens the exodus.

Stocks and sectors being declared terminally ill is not a new phenomenon and markets are often right in their assessment of the future. However, if one were to correctly bet against prevailing wisdom with respect to either the extent or pace of decline, there is a lot of money to be made. Yet, most investors suspend any analysis of sectors caught in the throes of such stampedes.

A useful framework in such cases is a zero-terminal-value discounted cash flow analysis (DCF). Its main assumptions are that the company ceases to exist at a certain date in the future and returns the residual value of net assets to investors. Till that date, one assumes a decline in the market share of whatever it sells, and capital outlay that is just enough to service demand. All else is paid out to shareholders. This, of course, comes with standard DCF disclaimers but generally provides a good 'worst-case' value for such a stock.

At least a few investors seem to have done a similar analysis because shares of a newspaper company, an engine oil manufacturer and a maker of thermal power generation equipment have more than doubled in the past year. A combination of several factors seems to have contributed to this resurrection. Excitement over the meteoric rise of new challengers could have gotten tempered. As new challengers start reaching a larger scale, their growth inevitably slows down, which means that pace-of-decline assumptions in our worst-case DCF analysis start changing in favour of challenged companies. Just as predictions of a 'Lehman moment' far outnumber an actual Lehman moment, forecasts of disruptive 'WhatsApp' moments are often exaggerated.

Market players should take a rational relook at what such challenged industries are really worth

In many cases, the challenged company's leadership makes the right strategic moves that enables it to participate in the new trend while still retaining its solid old-business core. The successful pivot by *The New York Times* towards a digital model in the middle of the previous decade is a good example. On the flip side, though, some management teams panic and in a bid to stay relevant make outsized and over-priced acquisitions of shiny new things but only end up hastening their own downfall.

Importantly, most challenged companies start conserving cash as capital spends are limited. Faced with the very real prospect of declining demand, instead of embarking on new projects, they opt to return cash to shareholders by way of dividends and share buybacks. These measures enhance total shareholder returns. In a financial environment where interest rates seem to have peaked, such streams of steady cash become all the more valuable. Indeed, this free-cash yield, coupled with attractive valuations, has made investors sit up and take notice of this ignored corner of the equity market.

While the zero-terminal-value DCF approach approximates the worst-case situation, upside scenarios can present themselves if demand revives for products and services produced by challenged sectors. Typically, years of under-investment have led to negligible supply growth and weak players have either shut shop or been bought out at reasonable prices, leading to industry consolidation. A surprise demand revival in such a scenario would lead to parabolic price up-moves and a period of supernormal profits for incumbents.

The price of uranium over the past year or so is a case in point. After the Fukushima accident in 2011, investors wrote off nuclear power. A decade of under-investment in uranium mining followed, accompanied by investor apathy. Geopolitical events of the last couple of years, however, have re-awakened the world to the inevitability of nuclear power as a source of clean energy. After languishing for years, the price of uranium has almost doubled in the last year.

Investors should evaluate the forgotten stars of yesteryear. After all, when everyone was supposed to be going gaga over the cast of the Hindi film *The Archies*, it's Bobby Deol who became the talk of tinsel town.

These are the author's personal views.

How *Breathless* made Shankar a sensation

This excerpt from a new biography of singer-composer Shankar Mahadevan relives the excitement of his first solo hit, *Breathless*

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SHANKAR MAHADEVAN

Shankar Mahadevan with young members of the family; (right) Mahadevan in the film *Katyar Kaljat Ghusli.*

'Breathless' earmarked two significant events. Firstly, Shankar Mahadevan became a star. The music video featuring the singer himself started beaming on numerous TV channels and took the song to every corner of the country. Indi-pop music got a new fillip as experimentation reached unimaginable heights. Secondly, it was the start of a bond, a beginning of a cherishing relationship between two talented artists that kept on getting closer and more affectionate with mutual respect and love.

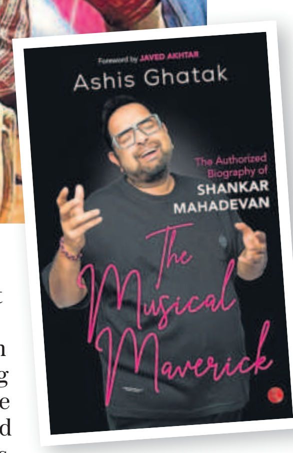
The music video of 'Breathless' went a long way in establishing Shankar's immense popularity. It was again Javed's idea to employ his son Farhan and daughter Zoya to collaborate with Shankar to direct the music video of some songs of the album. When Javed played the 'Breathless' number for Farhan, Shankar was not present there. Farhan had earlier heard Shankar during a Shakti concert and he was completely aware of Shankar's immense skill. Upon hearing the song for the first time Farhan was flabbergasted, to say the least, because it was something that he had never heard before. Apart from Shankar's incredible singing, what intrigued Farhan was the mind that conceptualized something like this. Farhan remembered his initial impressions of the song. He said,

The genius of the singer lies in the way he thought it because Shankar can sing any song, but to think that 'let me do something from the start to finish without any break of breath' was unique. I remember when I heard it for the first time, I told Dad to play it again because I wanted to hear where or whether he had taken a breath. I heard it a couple of times and naturally could not decipher it.

Soon, Farhan made a video that represented the basic idea of the song and showed it to Shankar. The idea was to do the video without any cuts and make it seamless as one line of the song glides onto the other. The whole idea of the music video was that the protagonist of that love story started walking from a room, went through a whole journey and ended back in the room again. It was as if he was singing out the thoughts that lay inside his mind. It was much unlike the outdoor videos being made at that time.

'Breathless' became a trendsetter. Its popularity and capacity to captivate the audience never really waned. Till date, many singers from reality shows attempt to sing it and many performances are choreographed on this number. Several film songs that came later were sourced on the basic idea of this song. A year later, Shankar himself recorded a devotional song 'Endrendrum Ayyappan' where he sang in a style similar to that of 'Breathless', though that song was a devotional number sung in praise of Lord Ayyappa.

Recently, on Hanuman Jayanti (16 April 2022), Shankar recreated the magic of 'Breathless' by singing the Hanuman Chalisa in the same manner. The song was recorded for Shemaroo Bhakti and became an instant hit on YouTube.



Though the myth of the song being sung in a single breath was busted millions of times, yet, a willing suspension of disbelief is at work each time one listens to the song or watches the music video. The speed at which the song's movement and Shankar's movements are synced shows a defiance of being rebuffed in love, and the end of the song leaves one breathless. Renu Desai shared the screen with Shankar in the video. Tubby played the keyboard and Sham, who passed away after a few years, played the mridangam in the track. The modern recording technology might have camouflaged his breaths that came in between the lines but one gets a taste of his mastery and unbelievable control of breath when he is found complying to the multiple requests to sing this song during his concerts. Taufiq, who performed innumerable stage shows with Shankar, said that each time Shankar sang it on stage, he would be watching him closely to note where he took breaths. He would be gasping in wonderment, as Shankar would invariably veil his breaths with subtle tricks that left one baffled.

In the music video of the song 'Tere Khayalon Mein' of the same album, Siddharth made his debut as a child actor and also as a mouth percussionist. In an interview, Siddharth later recalled this unforgettable event of his life, 'I was three years old then. I remember that I was very nervous and refused to sing. My father asked everyone to go out, switched off the lights and assured me that no one was there. I sang and that was recorded. It was a cute and innocent moment that will be etched in my memory.'

Breathless sold 300,000 copies and stayed at the top of the charts for weeks. Taufiq, one of the percussionists in the album, was in splits when he remembered an incident that happened soon after the album got released. Shankar had become a sensation and they had a series of *Breathless* shows all over India. Once Taufiq, Sivamani, Karl Peters, Sridhar and Shankar were travelling to Chandigarh for a concert. At the airport, a Sardarji kept staring at Shankar and kept on following them. Then, all of a sudden, he screamed with joy. The man was so excited that he started stammering. Pointing to Shankar, he shrieked, 'I know you, I know you.' He could not recollect Shankar's name at that time, so out of helplessness he blurted out, 'You...you are that nonstop singer. I saw you on TV.'

Excerpted with permission from 'The Musical Maverick: The Authorized Biography of Shankar Mahadevan' by Ashis Ghatak, published by Rupa India, 375 pages, Rs 695.