NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 32

Tuesday, February 6, 2024

mint

Think Ahead. Think Growth.

mint primer

India's deep tech corpus: Is ₹1 tn really enough?

BY SHOUVIK DAS

The interim union budget for FY25 announced the setting-up of a ₹1 trillion-corpus to fund deep-tech ventures. This gives India's nascent deep-tech sectors a shot in the arm. However, there will be challenges. *Mint* explains why the corpus is significant.

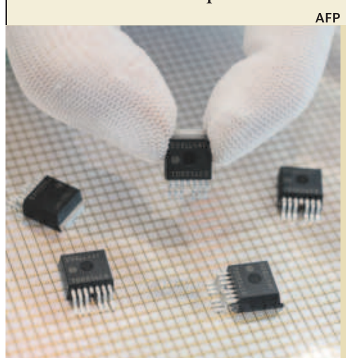
1 Why does deep-tech need govt support?

Deep-tech includes sectors that are heavily driven by engineering, research and development, and innovation. This niche area covers technologies that are yet to go mainstream. Innovation of this nature requires sizeable funds, as deep-tech has a long development phase before hitting the markets. The technologies are also of national significance, because of which developed economies invest heavily in order to not be reliant on other nations. While venture capital investments are important, the massive amounts needed make government funding key to developing foundational and fundamental deep-tech industries.

2 Which sectors are likely to benefit?

Semiconductors, artificial intelligence, quantum computing, and high-tech manufacturing. Globally, other sectors that get clubbed under deep-tech include aviation, climate-tech, mobility, biotics and space. India's startup economy is the target for this fund, since domestic VCs largely offer early-stage funding that is made available in small ticket sizes. After the budget, union IT minister Ashwini Vaishnaw said the Centre will focus on certain strategic sectors to begin with, before other deep-tech sectors also get access to funds. However, the priority sectors for the Centre have not been disclosed yet.

AFP



3 How will the fund be made available?

The framework will be released in the coming days. Following this, select sectors will be chosen for funding. Sectors such as semiconductor development and quantum communications, which are of significant geopolitical importance, are likely to be prioritized. Other sectors will then go through a proposal-based framework of application for government funding.

4 How large is the Indian fund?

The ₹1 trillion ($12 billion) corpus is significant, but not the largest globally. In November, the European Innovation Council said in the past year it offered €1 billion (around ₹9,000 crore) to deep-tech ventures. The US is ahead—even without a deep-tech fund. Goldman Sachs pegs R&D spending on frontier technologies at over $120 billion annually as of 2019. Data from China's finance ministry shows funding of a massive $273 billion in 2022 alone for deep-tech ventures.

5 Is this fund enough for deep-tech to grow?

Industry veterans believe the corpus is sizeable, and should be good to boost development of foundational AI models, semiconductor design, quantum communications and security, space solutions etc. However, much will hinge on how the fund is made accessible. Deep-tech startups face the biggest challenge in scaling up—the Centre can help become a customer through public-sector enterprises. The fine print will determine if the corpus would significantly impact India's global position in deep-tech.

QUICK EDIT

Big banks will help

Finance minister Nirmala Sitharaman has said that India needs more banks the size of State Bank of India (SBI), or larger. "We need more SBI-sized banks. Maybe three times the size of SBI. Because SBI is also not in the top 10 (globally)," Sitharaman said in an interview with *Mint*. The size of our banks, as measured by assets, has long been in discussion. As our economy grows, lending capacity must expand and large lenders can lend larger sums without asset-concentration risk. By global comparison, we still have a modest level of bank assets as a proportion of GDP. One way to enlarge banks is to push for consolidation, an approach taken earlier. In 2019, the government decided to merge at least 10 state-run banks to create four larger ones. Also expected was a bank privatization programme aimed at raising efficiency in a banking sector with a long history of state dominance since Indira Gandhi's bank nationalization in 1969. But plans for this have languished. Perhaps no urgency is felt to de-nationalize banks, given that these do serve policy aims. Efficient allocation of capital, however, would ask for a smaller government role in banking, which means reduced ownership and control.

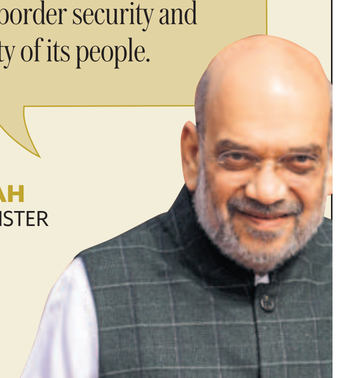
MINT METRIC

by Bibek Debroy

A pigeon circling in the sky
Was suspected of being a Chinese spy.
After eight months in detention,
Its innocence finds a mention.
Now freed after the hue and cry.

QUOTE OF THE DAY

Our external and internal policy is clear. We want friendly relations with other countries. But there will be no compromise on the country's border security and the security of its people.



AMIT SHAH
HOME MINISTER

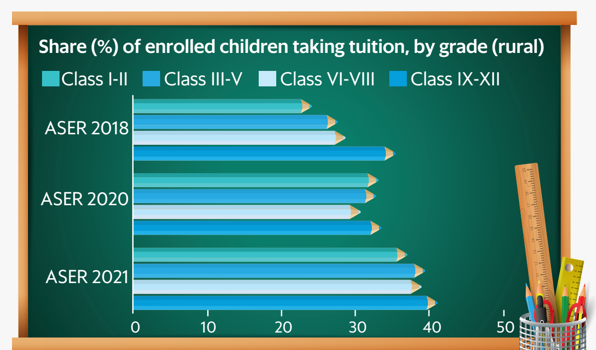
A look at the ubiquity of India's coaching centres

BY MANJUL PAUL

In January, the Centre took a significant step to curtail teenage students' dependence on coaching institutes. Guidelines issued by the education ministry suggest, among other things, mandating that coaching centres enrol only those students who have turned 16 or have completed class X. Every year, thousands of students attempt to pass some of the country's toughest competitive exams. To do well, they turn to coaching institutes, given the notorious inability of the school education system to adequately prepare them. Many are increasingly starting as early as class VI for the extra edge, but the pressure takes some to the brink of suicide. *Mint* explains the numbers behind what the National Education Policy calls 'coaching culture'.

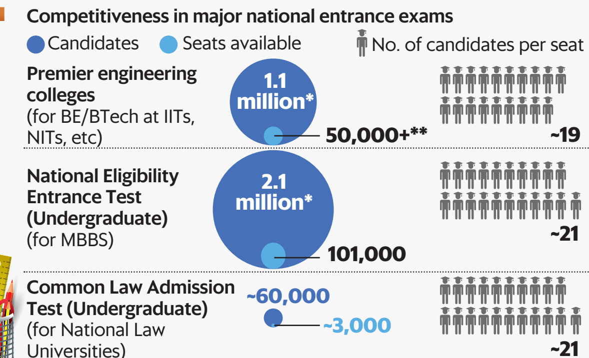
Studying overtime

The number of students taking private coaching for competitive exams isn't clear, but Pratham Education Foundation's Annual Status of Education Report (ASER) gives a hint. The nationwide survey of rural students found a growing number opting to take private lessons after school, particularly those in class IX and above. The wide gap between the number of students registering for coveted competitive exams and the number of seats available indicates the competitiveness that's contributing to this—particularly since the ones who do not qualify have to make do with lower-tier colleges.



The 2022 survey reported this data for each grade till class VIII separately. The share of students in classes I to VIII taking tuition was 30.5% in 2022.

Competitiveness in major national entrance exams

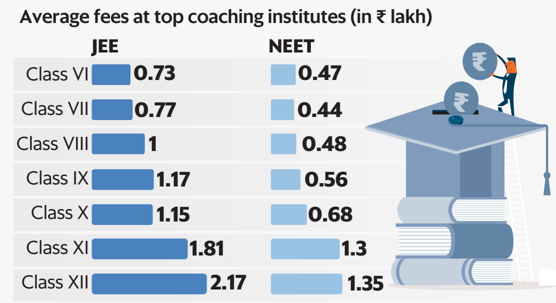


Approximate figures based on recent trends. *Number of those who appear in JEE (Mains), the first stage of the process. **Across institutes that take admissions based on JEE (Advanced).

Burning pockets

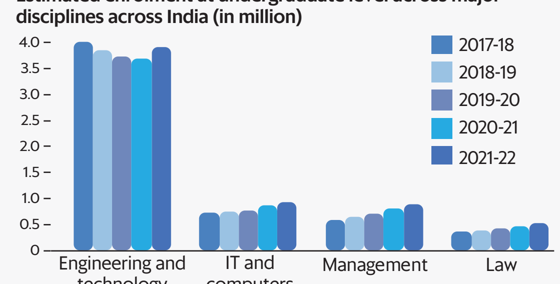
High-demand courses and slow growth in the number of available undergraduate seats drive the hype around competitive exams and, hence, coaching institutes. But this comes with a hefty price tag. At premier coaching centre chains in cities, courses can cost over ₹1 lakh a year after class IX. Beyond the elite institutes and competitive exams, even regular private coaching has been found making up nearly 40% of total education expenses for students.

Average fees at top coaching institutes (in ₹ lakh)

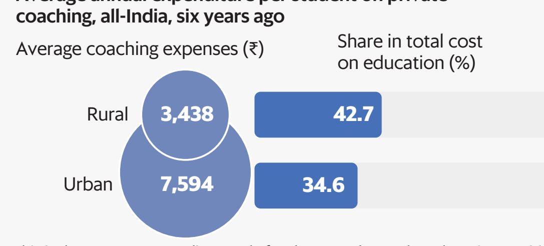


Average fees of courses at three select top-tier coaching institutes for both exams were used for analysis, and hence are only indicative. Classes VI-X include foundational courses for competitive exam preparation.

Estimated enrolment at undergraduate level across major disciplines across India (in million)



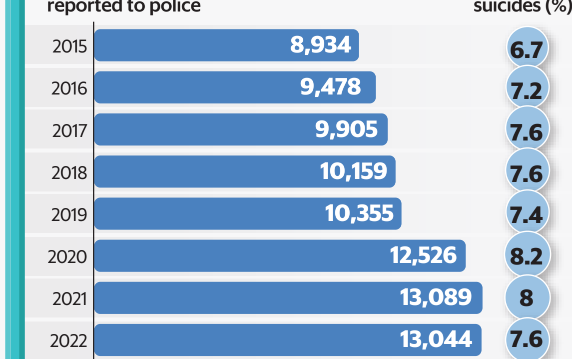
Average annual expenditure per student on private coaching, all-India, six years ago



This is the average expenditure only for those students who take private tuition.

Choked with pressure

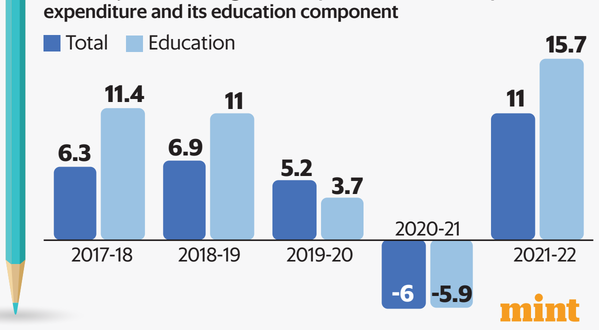
Another argument for regulating coaching centres is the trend of student suicides, indicating that children are under a lot of pressure. National crime data shows that 13,044 students died by suicide in 2022 (these must not be necessarily attributed to studies or tuition centres), and 'failure in examination' was cited as the cause behind over 2,000 suicides. Kota, the coaching hub of India, alone had 26 student suicides in 2023, as per police reports.

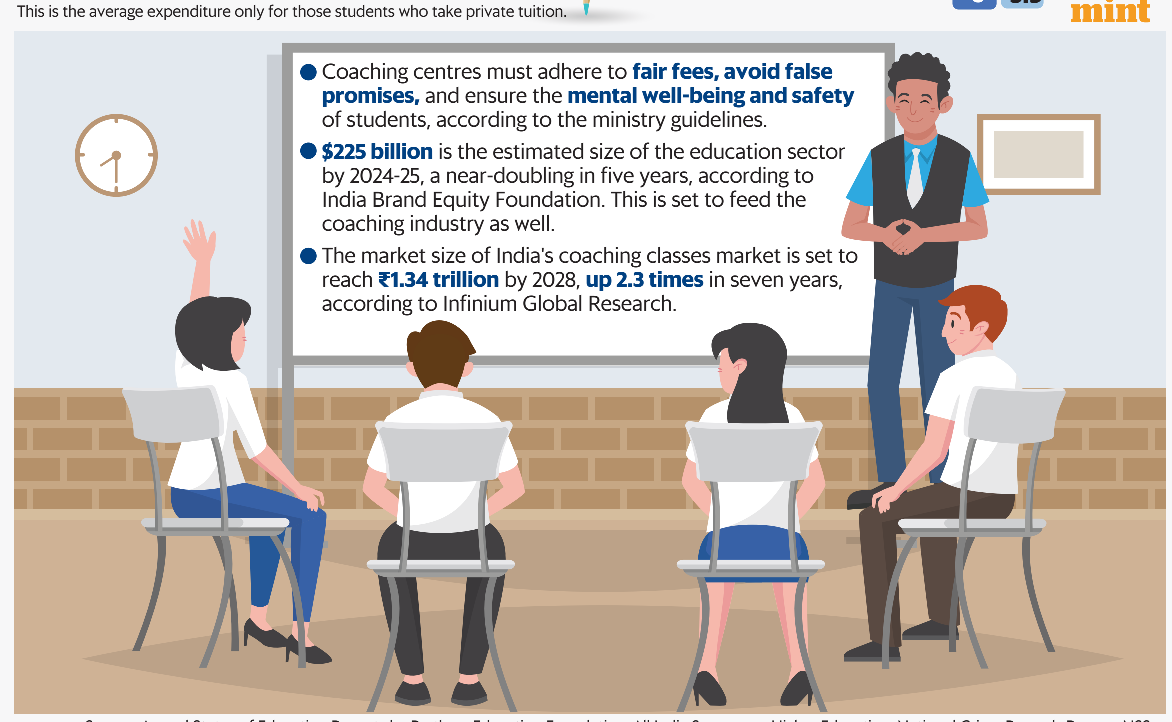


Education boom

While the guidelines aim to reduce burden on students, coaching centres plan to appeal to the government to reconsider the enrolment age cap. The education sector has experienced rapid growth, outpacing overall private consumption expenditure, and the 'coaching culture' has strongly benefited from this. The education component has had one of the highest growth rates over the past decade.

Year-on-year (%) change in total private final consumption expenditure and its education component

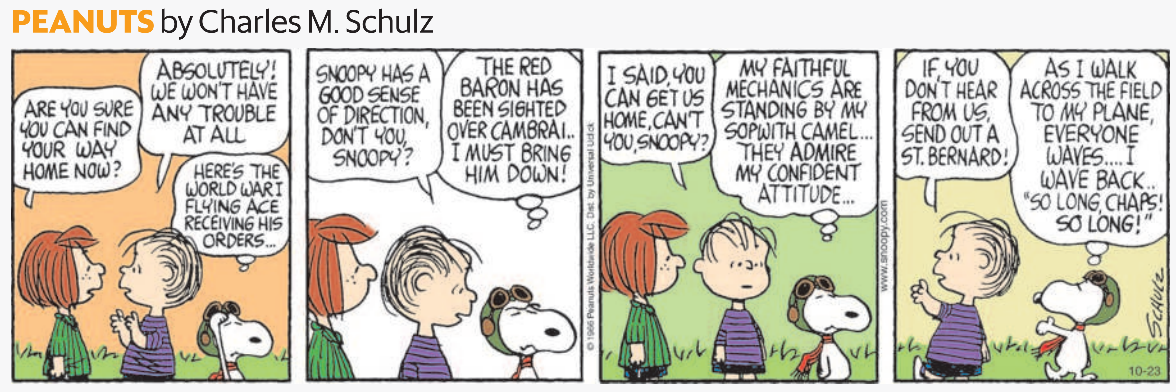




Source: Annual Status of Education Reports by Pratham Education Foundation, All India Surveys on Higher Education, National Crime Records Bureau, NSS education survey 2017-18, ministry of statistics and programme implementation, Mint calculations and analysis

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz



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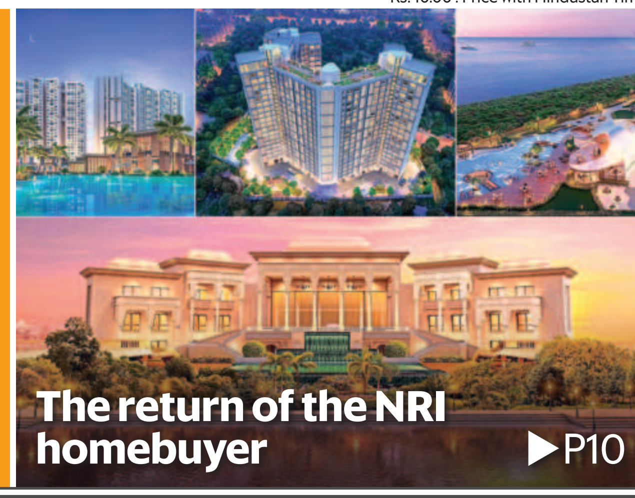

The return of the NRI homebuyer ▶P10

Powell says Fed has new focus: When to cut rates ▶P9

SENSEX 71,731.44 ↓ 354.19 | NIFTY 21,771.70 ↓ 82.10 | DOLLAR ₹83.06 ↓ ₹0.14 | EURO ₹89.33 ↑ ₹0.98 | OIL $77.1 ↓ $2 | POUND ₹104.66 ↑ ₹1.12

Runaway rise in PSU scrips spurs worries

Sensex's returns pale in comparison to the rally over 3 months

Ram Sahgal & Mayur Bhalerao
MUMBAI

Euphoria has gripped stocks of government-owned companies, with their rally over the past three months making the benchmark Sensex's returns pale in comparison, and prompting notes of caution from analysts.

The latest leg of the rally from 26 October has seen the BSE PSU index return 52.6% to 18,123.77 against the Sensex's modest 13.6% gain to 71,731.42 on Monday. Investor frenzy for the stocks drove the index up to a record 18,428.25 during the day.

Life Insurance Corp. of India, for one, which traded at ₹605 apiece on 26 October, way below its IPO price of ₹949, hit a record ₹1,028 on Monday. Others which hit new peaks include Coal India (₹450), BPCL (₹588.80), HPCL (₹517.35) and Gail (₹186.50).

"One needs to be a tad cautious as PSU stocks have run up significantly and profit-booking could lead to volatility and shakeout in certain segments of the index," said Siddhartha Khemka, retail research head, Motilal Oswal Financial Services.

Analysts attribute the rally to many of the stocks rising in unison after relatively underperforming their listed private peers in the past decade, cheaper valuations and a change in fundamentals.

For instance, thermal power producer NTPC gained 201% over the past decade against Tata Power's 446% return and IOC 259% against Reliance Industries' 661%. Again, the trailing 12-month valuation of NTPC stands at 16.7 times against Tata Power's 35.2 times. IOC's valuation is a mere 5.2 times against Reliance's 27.8 times.

"The rise in the PSU pack is not

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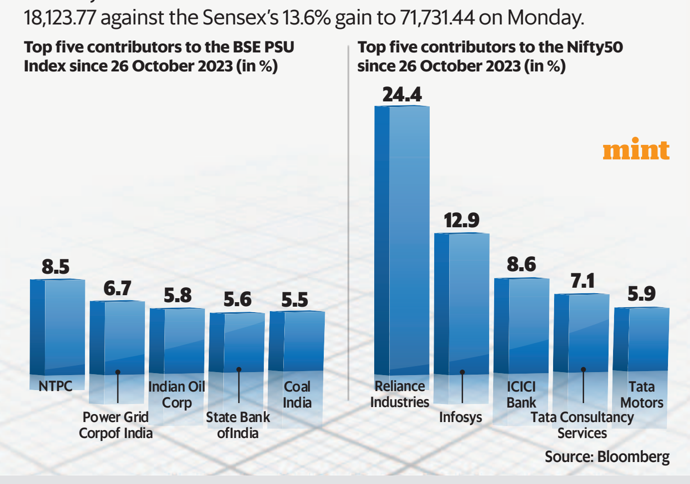
BIG DRAW

The rally from 26 October has seen the BSE PSU index return 52.6% to 18,123.77 against the Sensex's 13.6% gain to 71,731.44 on Monday.



LION'S SHARE

INVESTOR frenzy drove BSE PSU index to record on Monday

TWENTY-TWO of the 56 PSU index stocks hit new records

LIC, which traded at ₹605 on 26 Oct, hit ₹1,028 on Monday

SARVESH KUMAR SHARMA/MINT

How BoB branches gave out gold loans without collateral

Shayan Ghosh
shayan.g@livemint.com
MUMBAI

Gold loans without gold. Processing fees paid by branch. And repayments backdated to hoodwink the system.

This was the bizarre way in which employees at a clutch of Bank of Baroda (BoB) branches disbursed fake gold loans last year to meet stiff targets, four employees aware of the matter said, breaching regulatory guidelines and potentially risking depositors' money.

The breaches were primarily at branches with so-called gold loan shoppes, or private enclosures to serve gold loan customers. A BoB statement in August last year showed the bank had 1,238 such enclosures.

Some BoB staffers in southern India executed the scheme in cahoots with friendly customers, the people cited above said. The branch would sanction a gold loan and credit the money to the customer's account, without any collateral. After a while, the money would be credited back to the bank, like a normal loan repayment. To make sure that the customer does not use up the money, a lien would be created against it. A lien is akin to a block on a specific sum of money on an account. This would help the employees meet their target, without any real loan being made or repaid.

The breaches were primarily at branches with so-called gold loan shoppes. REUTERS

What about the loan's processing fees and interest? According to the employees cited above, the branch would pay the fees from its own expense account, which is meant for internal expenses.

Interest payments were avoided by another unique way: The bankers allegedly back-dated repayments, so that it would later appear like the loan was repaid the same

TURN TO PAGE 6

Dr Agarwals Health Care plans IPO for $300 million

Ranjani Raghavan
ranjani.raghavan@livemint.com
MUMBAI

Dr Agarwals Health Care Ltd (AHCL), parent of publicly listed Dr Agarwals Eye Hospital Ltd (AEHL), is planning a $300–400 million public share sale later this year, three people aware of the plans said.

The company, which is 60% owned by TPG and Temasek, will hear IPO pitches from investment bankers this week, the people cited above said, adding they expect it to fetch a valuation of $1.8–2 billion.

"The IPO will be a mixture of primary and secondary fundraise, with investors TPG and Temasek likely to seek a partial exit," one of the people cited above said on the condition of anonymity. "The final deal contours will be decided in a few months."

"The parent is looking to list. A reverse merger with the subsidiary would not be equitable for all parties, but after the listing of the parent, the two entities will merge," the person cited above added.

AHCL did not respond to queries, while Temasek and TPG declined to comment.

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DON'T MISS

REUTERS

Bharti Airtel profit rises 55% to ₹2,442 cr as new users sign up

Bharti Airtel's net profit in the quarter ended December rose nearly 55% y-o-y to ₹2,442 crore, helped mostly by subscriber additions. India's second-largest telecom operator by subscribers posted revenues of ₹37,900 crore during the quarter. >P5

Services sector growth at six-month high in January

India's services sector growth scaled a six-month high in January driven by higher demand and sales, the HSBC India Services PMI survey showed on Monday, as new orders with service providers rose the fastest since last July. >P2

Govt seeks nod to spend extra ₹78,672 cr for fertilizers, crops

Finance minister Nirmala Sitharaman on Monday sought Parliament's approval for spending a net additional amount of ₹78,672 crore in the current financial year to fund income support for farmers, crop insurance, fertilizer subsidy and rural jobs. >P2

JSW Infra sets ₹6,000 cr for acquisitions, eyes govt port

JSW Infrastructure Ltd, a private port operator, has earmarked ₹6,000 crore for acquiring strategic assets. The firm is exploring a stake acquisition in a government-owned port slated for privatization, a senior executive said. >P6

Show outcome, get loan: Govt to states

Rhik Kundu & Subhash Narayan
NEW DELHI

The Centre will link a large chunk of 50-year interest-free loans to states with specific outcomes, in a bid to nudge them to make capital investments for infrastructure in a time-bound manner, a senior finance ministry official said.

Of the ₹1.3 trillion earmarked for the 'special assistance to states for capital investment' scheme in the interim budget 2024-25, about ₹75,000 crore, or 58%, will be linked to outcomes and reforms carried out by the states, Union finance secretary T.V. Somanathan said.

The remaining ₹55,000 crore will also come with a "simple condition", Somanathan said: "For availing the ₹55,000 crore interest-free loan, it (the infrastructure project) should be incremental; don't use this to substitute your capital expenditure, make it over and above your last year's overall capital expenditure."

T. V. Somanathan, Union finance secretary. PTI

TURN TO PAGE 6

FMCG ad dollars seen rising in Q4

Suneera Tandon
suneera.t@htlive.com
NEW DELHI

Cooling raw material prices and competition from local players have prompted large packaged goods companies to plough more money into advertising and promotion (A&P) in the December quarter, a trend that is likely to pick up in the coming quarters.

"Given moderation in input cost prices, gross margins have expanded meaningfully for most companies in our coverage," Kunal Vora, head, India Equity Research at BNP Paribas India, said in a report dated 10 January. "However, in line with most FMCG firms' commentary, as margins recover, they have reinvested a significant portion in ad spends with a focus on reviving volumes."

Ad spending has risen as raw material costs fell. BLOOMBERG

"Our absolute A&P investments were almost ₹400 crore higher (in Q3FY24) than last year as we continue to invest competitively behind our brands and maintain share of voice ahead of share of market," Ritesh Tiwari, CFO and executive director, finance and IT,

TURN TO PAGE 6

Box office sizzles even as footfall fizzles

Lata Jha
lata.j@htlive.com
NEW DELHI

The Indian movie industry raked in record ticket revenues of ₹12,226 crore in 2023, but the number of people who watched movies in the theatres that year was fewer than before.

The previous box office record was ₹10,948 crore in 2019, according to the report *Box Office Report: 2023* from media consulting firm Ormax. Meanwhile, the number of viewers fell from 1.03 billion in 2019 to 943 million in 2023, though the latter was about 6% higher than in 2022.

Experts say a chunky rise in ticket prices has helped bridge the 'footfall' gap for the movie industry. Average ticket prices (ATP) grew by 9% over in 2023 over 2022, according to the Ormax report, and are now 22% higher than 2019 levels. Plus, theatre owners say movie makers are not spending enough to promote their movies; so people aren't coming to the theatres because they don't know.

2023 became the first-ever year to cross the ₹12,000 crore mark at the India box office, surpassing 2019 figure of ₹10,948 crore. HT

The contrast was stark in Hindi films, where footfall fell to 275 million in 2023 from 341 million in 2019, even though box office collections rose to ₹5,380 crore in 2023 from ₹4,831 crore in 2019.

Industry experts say footfall has fallen 10-20% across multiplex chains and single screen cinemas, and add that the rise in ATP, estimated to be up to 35% in the case of some multiplex chains, has alienated a section of the audience that sees home viewing on OTT channels such as Netflix or Prime Video as a cheaper, more convenient option.

Ajay Bijli, managing director, PVR Inox Ltd claimed higher ticket prices had not pinched consumers. "Pricing is not a deterrent for cinema-going audiences who are very conscious of how they spend two-and-a-half to three hours of their time," he said. "If we do not include rates of luxury formats, pricing is not that high." PVR Inox reported a 2% dip in admits in the third quarter of FY24 compared with the same period a year ago.

Several trade experts point out the increase in pricing was a strategy adopted by multiplex chains that were in the red after covid.

Since a chunk of audiences was hungry to step out, it was easy to cash in on revenge consumption trends along with the slate of big films that was ready for release, including the likes of *Pathaan*, *Jawan* and *Animal*.

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MINT SHORTS

India's coal production rises 10% to 99.73 million tonnes in January

New Delhi: The country's coal output rose 10.3% to 99.73 million tonnes (mt) in January, over the same month in the previous fiscal. India's coal production was 90.42mt in the year-ago period. The coal production in the April-January period rose to 784.11mt (provisional) over 698.99mt during the same period in 2022-23, the coal ministry said in a statement. The country's coal dispatch in January rose to 87.37mt over 82.02mt in January last fiscal. **PTI**

Russian oil imports at 12-month low, long-term appetite intact

REUTERS

New Delhi: India's crude oil imports from Russia fell for a second straight month in January to its lowest in 12 months but the nation's insatiable appetite for Russian crude remains for the long term, according to data from an energy cargo tracker and industry officials. Russia supplied 1.2 million barrels per day of crude oil to India in January, down from 1.32 million barrels in December and 1.62 million barrels in November 2023, according to data from energy cargo tracker Vortexa. **PTI**

Palm oil imports decline in Jan as soyoil shipments rise

Mumbai: India's palm oil imports fell to a three-month low in January, as refiners increased buying of rival soyoil due to negative refining margins for crude palm oil (CPO), five dealers said. Lower purchases by the world's biggest importer of vegetable oils could keep palm oil inventories elevated in top producers Indonesia and Malaysia and weigh on benchmark futures. **REUTERS**

GST officials detect 14,597 tax evasion cases in Apr-Dec 2023

ISTOCKPHOTO

New Delhi: GST officers are using data analytic and artificial intelligence tools like business intelligence and fraud analytics to identify risky taxpayers suspected of passing or availing fake input tax credits, Parliament was informed on Monday. In a written reply to the Lok Sabha, minister of state for finance Pankaj Chaudhary said 14,597 cases of Goods and Services Tax (GST) evasion have been registered by central tax officers during April-December 2023. **PTI**

OECD ups world growth forecast but sees West Asia risk

Paris: The OECD raised its 2024 world economic growth forecast on Monday but warned that the West Asia conflict posed a risk, with disruptions in Red Sea shipping threatening to increase consumer prices. The OECD now expects a 2.9% expansion, up from 2.7% in its previous forecast in November, as it sharply lifted the outlook for the United States, the world's top economy. **AFP**

India's bank credit growth could moderate in FY25: S&P

New Delhi: S&P Global Ratings on Monday said the strong credit growth of Indian banks could moderate to 12-14% in the next fiscal if deposit growth remains tepid. "Deposit growth continues to lag credit for the Indian banks we rate, leading to tight liquidity conditions," S&P Global Ratings credit analyst Nikita Anand said. **PTI**

Govt seeks nod for extra spending of over ₹78,600 cr

Most of the additional funds being sought are for schemes under the agriculture ministry

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

Finance minister Nirmala Sitharaman. PTI

Finance minister Nirmala Sitharaman on Monday sought Parliament's approval for spending a net additional amount of ₹78,672 crore in the current financial year to fund income support for farmers, crop insurance, fertilizer subsidy and rural jobs.

The total amount of additional spending for which the government sought approval is ₹2 trillion, but the net cash outgo is limited to ₹78,672 crore, showed the supplementary demands for grants tabled in the Lok Sabha. The rest is matched by additional receipts, recoveries or savings by various ministries.

This spending adjustment has already been taken into account in the revised estimates for FY24 that is part of the interim budget for FY25 that Sitharaman presented on 1 February, a government official explained.

The spending adjustments come in the context of the government aiming to limit the fiscal deficit in the current financial year to 5.8% of the gross domestic product (GDP) at ₹17.34 trillion in the revised estimates, a notch below the original budget estimate of 5.9%.

₹2 tn total amount of additional spends sought by govt

The supplementary demands tabled in the House showed that a major readjustment was made for schemes run by the agriculture ministry. The government sought Parliament's clearance for spending an extra ₹79,133 crore for various schemes in the farm sector.

For the PM Kisan Samman Nidhi scheme for giving income support to farmers, an extra ₹60,000 crore has been sought. This will be met through savings from various other spending items and extra receipts and does not involve an additional cash outgo.

The additional cash outgo is: ₹9,200 crore for subsidizing the free food grain programme, over ₹13,000 crore for defence services and pension, ₹12,500 crore for higher education and over ₹10,700 crore for rural jobs.

Sitharaman's interim budget showed that in the current financial year, the government will collect ₹1.2 trillion more than the originally estimated ₹9 trillion in personal income tax, giving a strong boost to tax revenue. The revised estimates for corporate tax and GST revenue receipts in FY24 have been kept unchanged in the interim budget, while the projections for excise duty and customs duty revenue receipts have been moderated.

5.8% of GDP: fiscal deficit aim

However, sluggish global trade is impacting customs duty collections and benign oil prices have hit windfall taxes on petroleum, a second government official said on condition of anonymity.

In a written reply, Sitharaman told the Lok Sabha that after a sharp rise in government debt in FY21 on account of the revenue shortfall and extra spending requirements due to the pandemic, central and state governments' debt as a share of GDP has declined over the last two years to around 81% at the end of March 2023.

Buoyant revenue collection, rebalancing of spending from revenue to capital expenditure and robust real GDP growth in the post-pandemic years have led to this decline in government debt relative to GDP, the minister said.

"The emphasis of the government on increasing capital expenditure will not only boost the investments but also return a higher GDP growth to lower the debt burden. Increasing the buoyancy of tax revenue through improved compliance, enhancing efficiency and effectiveness of public expenditure, commitment to reduce fiscal deficit to below 4.5% of GDP by FY26, and augmenting the productive efficiency of the economy are some other important measures taken by the government to bring down debt burden and strengthen the economy," Sitharaman said in her reply.

Teri's green shipping portal to track ports

Puja Das
puja.das@livemint.com
NEW DELHI

The Energy and Resources Institute (Teri), one of India's premier research bodies on sustainable development, will launch a green-shipping portal to track practices by ports across the country and collate information at national and international levels on port and shipping practices.

The portal will be launched at the World Sustainable Development Summit—the annual flagship event organized by Teri since 2001—in New Delhi on 7-9 February.

Teri will also release policy briefs on sustainable development goal (SDG) blueprints, which will focus on sustainable agriculture, linkages with other SDGs, and efficient use of water.

It is also expected to sign a memorandum of understanding with Cenergist, a British consultancy, for transfer of technology to strengthen India's initiative for the International Solar Alliance.

Vibha Dhawan, director-general of Teri, said on Monday, "We will launch a publication called Solutions for Sustainable Development. This is very important because you must look into what sustainable practices should be brought into the public domain. There are many who will benefit from this publication."

Industrial output soared 35% in FY22 post-pandemic recovery

Rhik Kundu
rhik.kundu@livemint.com
NEW DELHI

Industrial output surged over 35% during 2021-22 (FY22) from the previous fiscal year, signalling a robust recovery from the impact of the pandemic, the government's Annual Survey of Industries (ASI) results for 2020-21 and 2021-22 said.

According to the survey conducted by the ministry of statistics & programme implementation, industrial output during 2021-22 stood at ₹119.27 trillion, up from ₹88.09 trillion during 2020-21 and even surpassing the pre-pandemic figures of ₹89.83 trillion in FY19-20.

This recovery spanned manufacturing sectors like basic metals, refined petroleum, pharmaceuticals, motor vehicles, food products and chemicals, indicating a broad-based recovery.

Under the impact of the pandemic, 2020-21 saw output and input contraction and a marginal fall in employment.

However, the year witnessed a sharp growth in most important economic parameters like invested capital, input, output, GVA, net income, and net profit. Meanwhile, the number of people employed by the industry stood at 17.2 million in 2021-22, up by about 7%, recovering from a 3% drop in the previous year due to pandemic-related challenges.

Manufacturing activity grew post-pandemic. HT

"Due to the covid pandemic, there had been a marginal fall in employment in 2020-21, which was more than compensated in the subsequent year," the survey said.

The employment figures for FY22 even surpassed the pre-pandemic numbers, with more than 935,000 additional jobs created, and average salaries witnessing an uptick of 8.3% compared to the previous year.

Investments in fixed capital marginally increased by 0.87% to ₹37.26 trillion. Fixed capital is the part of the total capital outlay of a business invested in physical assets such as factories, vehicles, and machinery for more than one accounting period.

The Gross Value Added (GVA), calculated by subtracting intermediate consumption (input) from the gross value of output, stood at ₹20.48 trillion during 2021-22, up from ₹16.17 trillion in the previous fiscal.

"Among the major states, in terms of GVA, Gujarat remained at the top in 2020-21 and in the second position in 2021-22 while Maharashtra ranked first in 2021-22 and second in 2020-21. These two states were followed by Tamil Nadu, Karnataka and Uttar Pradesh in both the years," the survey said. The top five states together contributed about 53% of the total manufacturing GVA of the country in 2020-21 as well as in 2021-22.

Services PMI at 6-month high

Rhik Kundu
rhik.kundu@livemint.com
NEW DELHI

India's services sector growth scaled a six-month high in January driven by higher demand and sales, according to a private survey on Monday, as new orders with service providers rose the fastest since last July.

The HSBC India Services Purchasing Managers' Index (PMI), compiled by S&P, rose to 61.8 in January, up from 59 in December and from 56.9 in November.

However, the growth during January was still slower than in July, when India's PMI was at 62.3, the highest monthly reading for the service sector during the ongoing fiscal. A reading of 50 separates expansion from contraction. India services PMI has expanded for 30 months, remaining above the contraction point.

The improvement in service sector growth follows a recovery in manufacturing, which hit a four-month-high during January, driven by a sharp uptick in orders amid mild input cost inflation.

The rise in services PMI to a six-month high will help India meet its targeted economic growth rate, which the Reserve Bank of India raised to 7% for FY24, from its earlier estimate of 6.5%. India's services sector, one of the fastest growing in the world, contributes to over 50% of its GDP.

Surging services

The improvement in service sector growth follows a recovery in manufacturing

A reading above 50 denotes an expansion, and below 50 denotes contraction.

Source: S&P Global

SATISH KUMAR/MINT

"India's services PMI rose to a six-month high in January. New business expanded at a faster pace and managers' expectation for future activity was strong," said Ines Lam, economist at HSBC. "The new export business index accelerated, signalling that India's services exports remained robust."

According to the survey, the upturn in January was cemented by the quickest increase in new business since 1July 2023, which stemmed from buoyant demand from domestic and external clients, with new exports rising at the fastest pace in three months.

Indian service companies noted a further increase in their overall expenses at the start of the 2024 calendar year, with food, labour and freight identified as the key cost pressures, and input price inflation reaching a five-month high.

However, selling charges were raised to a smaller extent, the survey added.

On the brighter side, January also saw gains for Indian services from across the globe, including from countries like Afghanistan, Australia, Brazil, China, Europe, the UAE and the US. "Business confidence improved further at the start of the final fiscal quarter, with services companies at their most upbeat since last September," the survey said.

Besides demand strength, firms expect investment and productivity gains to induce output growth in the year ahead, the survey added.

The HSBC Global India Services PMI is compiled from responses to questionnaires sent to about 400 service sector companies.

India Energy Week: Focus on energy security, alternative fuels

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI

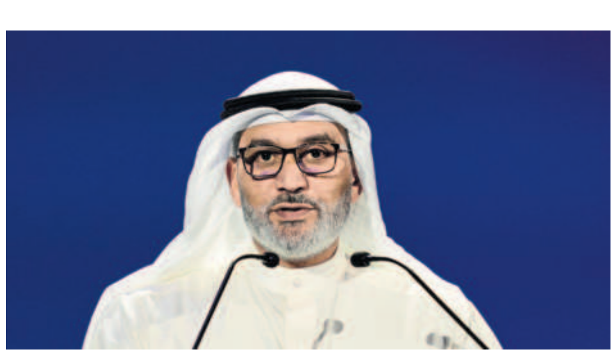
The second edition of the India Energy Week kicks off in Goa on 6 February with major global oil companies such as Russia's Rosneft and Saudi Arabia's Saudi Aramco expected to turn up.

Prime Minister Narendra Modi will inaugurate the event, similar to the first edition which took place in Goa.

India Energy Week 2024, which will see participation from 120 countries, is expected to delve into various themes, including energy transition, the development of a future-ready energy stack, and exploration of alternative fuels, amid India's own quest for energy security and sustainable growth.

The four-day event is likely to see over 35,000 attendees, more than 350 exhibitors, 400 speakers, and 4,000 delegates, according to the union ministry of petroleum and natural gas.

Among the who's who of the oil and gas industry will be the secretary general of the Organization of the Petroleum Exporting Countries (Opec), Haitham Al Ghais.



Among the who's who of the oil and gas industry in the event will be secretary general of Opec, Haitham Al Ghais. AP

Russia's largest oil company Rosneft PJSC's CEO Igor Sechin, president and CEO of Malaysia's state-run Petroliam Nasional Bhd (Petronas) Tengku Muhammad Taufik and its entire board will also attend.

Saudi Aramco, one of the largest energy majors, is a sponsor of the event.

Among many participants and delegates, energy ministers of 17 countries and CEOs of global oil and gas majors would also attend the event. Energy ministers of Guyana, Nigeria, Iraq and Sri Lanka are expected to be present, among others.

Modi is scheduled to meet the global CEOs at a roundtable discussion.

The presence of the global oil and gas companies and Modi's meeting with their chiefs comes at a time when India is looking at increasing oil and gas exploration in the country in a bid to raise domestic hydrocarbon production and reduce import dependence. About 85% of India's energy requirement is met through imports.

Amid India's diversification efforts Russia and Iraq are currently the top suppliers to India.

"In just two years, India Energy Week has become a prominent part of the global energy calendar. With the fastest growing major economy, a growing consumer base, and an inviting investment climate, we've carved out a niche in the energy landscape," an official statement on Sunday quoted union petroleum and natural gas minister Hardeep Singh Puri as saying.

Organized by the Federation of Indian Petroleum Industry under the aegis of the ministry of petroleum and natural gas, India Energy Week, 2024 would provide a platform for discussions, knowledge exchange, and collaboration among industry experts, policy makers, academia and entrepreneurs.

According to the ministry, the event gains significance as India has been able to navigate the volatile energy market in the past few years ensuring energy security while working on energy transition.

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MINT SHORTS

EV platform Snap-E Cabs raises pre-Series A funding of $2.5 million

Bengaluru: Electric vehicle (EV) ride-hailing platform Snap-E Cabs has raised $2.5 million (₹20.7 crore) in a pre-Series A funding round led by Inflection Point Ventures (IPV). The startup will use the funding to develop its technology stack, expand its presence across geographies and hire talent. Founded by Mayank Bindal and Jaydip Mukherjee in 2022, Snap-E-Cabs is an EV fleet operator based out of Kolkata. The startup targets to expand its fleet by adding 300-400 EVs by the end of FY24 and by FY25, the company aims to extend services to 2-3 additional cities as well as add 1,500-2,000 EVs.

Healthtech startup Aarogya Tech raises seed funding

ISTOCKPHOTO

Bengaluru: Aarogya Tech has raised $1.8 million (₹15 crore) in a seed funding round led by Hasu P. Shah, the founder and chairman of Hersha Hospital Trust. Shah will also be joining the board of Aarogya Tech, the company said in a statement. The infusion of new funds will be used for product development and to hire talent. Founded by Prashant Trivedi and Lokendra Thakur in 2023, Aarogya Tech is a healthtech startup based out of the US and Bengaluru. The startup offers data-driven, clinician-led personalized health services at users' doorstep. The startup has developed a disease-specific patient monitoring system to decrease chronic heart failure readmission rates and has launched a personalized health management solution DocSeva.com with over 10 businesses in Bengaluru.

SaaS startup Rupyz secures $1.2 mn funding from Merak Ventures

Bengaluru: Business-to-business (B2B) SaaS startup Rupyz has raised $1.2 million (₹10 crore) in a seed funding round led by early-stage venture capital firm Merak Ventures. The round also saw participation from undisclosed angel investors. Rupyz aims to onboard over 3,000 businesses in the next 12 to 15 months. The latest investment will be utilized to strengthen Rupyz's core technological offerings as well. It presently claims to oversee a network of 85 brands with around 6,500 distributors and 250,000 retailers. Founded by Dhaval Radia, Gourav Gupta, Akshay Gupta and Palash Lunia, Rupyz is a SaaS platform enabling B2B commerce and omnichannel distribution for FMCG and consumer brands.

COMPILED BY K. AMOGHAVARSHA

'We focus on investing in greenfield projects'

Aman Malik
aman.malik@livemint.com
NEW DELHI

Swedish private equity firm EQT Partners and Singapore state investment firm Temasek set up Indian renewable energy platform O2 Power in late 2019, joining a large number of foreign investors in the sector. At the time, they committed $500 million to O2 Power and said the platform would target 4GW of installed capacity. Since then, O2 Power has raised its capacity to 780 MW and is further set to increase it to 1,500 MlW by the end of March, its founder and CEO Parag Sharma said.

In an interview with *VCCircle*, Sharma talked about the company's capacity expansion plan and why it prefers greenfield projects versus making acquisitions.

VCCiRCLE

He also discussed the likely trajectory of tariffs for wind and solar projects, policy moves and what would it take for companies like O2 Power to stop importing Chinese equipment. *Edited excerpts:*

When the platform was started a target of 4GW was given. Are you about to reach half the target?

It was an estimate. When the platform was started, we did not know the wind-solar mix. So, we raised $500 million. It was an estimate that $500 million in a certain ratio will lead to almost 4GW.

In fact, even in alternating current (AC) terms, we will cross 2GW by March 2025, as we will commission 1,300 MW AC in that year as well. So, that will take us to 3.3-3.4GW by the end of FY25. These are signed PPAs which we have to execute next year. We will keep adding more than 1GW greenfield every year.

What will be your wind-solar mix by the end of this financial year?

Around 270-300MW of the total 1,500MW will be wind, the rest solar.

Going forward, how would the solar-wind mix change?

The ratio will be much better. It might be 30% wind and 70% solar. So, of the 1GW that will come, 300 MW might be wind and 700MW might be solar.

Would most of your growth now come from acquisitions or would it be organic?

Acquisitions are difficult to predict. What I have talked about are greenfield projects. If there is a good opportunity, we may make an acquisition also.

We are largely a greenfield-focused platform. Every year, in our past, we would have done a 100MW per year kind of acquisition on average. It will be the same. We will focus more on greenfield projects because that's a place where we believe our internal rate of return (IRR) could be better and that's how the team is structured.

To what extent is the platform capitalised?

Of the $500 million, around $350 million has been infused.

So, could the investors go beyond the $500 million number?

We are discussing multiple options. One option is we may rotate some of the assets. We are sure that we are bidding at a very decent pace. Recently, we won a 180MW SJVNL round-the-clock bid, which is equivalent to 600MW installed capacity. We are not worrying about capital, as we have multiple options for that.

***Mint* reported in September that Gentari, Edelweiss and Actis were vying for O2's 350MW power projects. Could you comment on whether O2's assets are on the block?**

I can't comment specifically on this but, as I said, our investors would like to keep churning capital. We have $500 million and we may raise capital sometime.

> Our investors would like to keep churning capital. We have $500 mn and we may raise capital sometime
>
> **Parag Sharma**
> founder & CEO
> O2 Power

We understand from O2's consolidated financials that despite a more than 10-fold growth in the topline, from March 2022 to March 2023, the company remains in the red. What is O2 doing to turn a net profit?

Our firm is structured such that we have a holding company in Singapore and we have almost 55 special purpose vehicles (SPVs) in India. So, the only way to find out whether we are growing or not is to look at the consolidated picture at the Singapore level. O2 Power Pvt Ltd is nothing but an EPC that provides services to different entities. So, that may not be a true reflection of how we are.

360 ONE invests $25 mn in Anarock

Aman Rawat
aman.rawat@livemint.com
NEW DELHI

Homegrown alternate asset manager 360 ONE Asset Management Ltd (formerly known as IIFL Asset Management) has invested ₹200 crore (around $25 million) in real estate consultancy firm Anarock Property Consultants Pvt. Ltd.

Anarock said that the investment will help the company improve its tech infrastructure, accelerate its expansion, and introduce innovations in real estate services.

VCCiRCLE

"The capital has been earmarked for faster business expansion and fine-tuning our proprietary proptech platforms, which have proved to be game changers for our real estate marketing capabilities. We will continue to explore new high-growth business opportunities," said Anuj Puri, chairman Anarock.

Anarock was founded in 2017 by Rohin Shah and Puri. Shah is also the managing director of UK-based Marylebone Asset Management. The company is an independent real estate consultancy in India and the Middle East.

Over the last six years, the firm has expanded from being a residential-focused organisation to complementary sectors like retail, commercial, hospitality, logistics and data centres, industrial and land.

It also offers strategic advisory, investment banking, research and valuations. It also provides app-based flexible workspaces and society management services and has a team of over 2,200 professionals operating across major markets in India and the Middle East.

Sameer Nath, chief investment officer and head of venture capital and private equity at 360 ONE Asset, said that the investment was backed by the management team, premier marketing and advisory capabilities and a clear leader in India's large and growing real estate services sector.

360 ONE Asset is a part of the 360 ONE group, a wealth and alternates-focused institution with more than $54 billion in assets under management.

	CLOSE	PERCENT CHANGE	PREVIOUS CLOSE	OPEN	HIGH	LOW
S&P BSE Sensex	71,731.42	-0.49	72,085.63	72,269.12	72,385.93	71,602.14
Nifty 50	21,771.70	-0.38	21,853.80	21,921.05	21,964.30	21,726.95
Nifty 500	19,853.50	-0.29	19,910.80	19,989.65	20,044.0	19,805.75
Nifty Next 50	55,669.85	-0.48	55,940.30	56,330.55	56,535.35	55,463.50
Nifty 100	22,113.40	-0.39	22,199.00	22,284.15	22,329.70	22,064.15
S&P BSE Mid-cap	38,937.79	0.02	38,928.11	39,143.72	39,347.70	38,840.76
S&P BSE Small Cap	45,743.17	-0.23	45,849.80	46,131.23	46,207.22	45,588.38

MINT SHORTS

Dollar hits 11-week high as Fed rate cut bets recede

The dollar rose to its highest in almost three months against other major currencies on Monday as traders clawed back bets for aggressive rate cuts by the Federal Reserve this year. The Fed repricing has followed Friday's blockbuster US jobs report that far exceeded market expectations and sent US bond yields soaring. Treasury yields rose further on Monday after Fed Chair Jerome Powell said that the central bank could "give it some time" before cutting interest rates. The dollar index, which tracks the greenback against six other major currencies, rose to 104.3, its highest since 17 November. It was last up 0.21% at 104.27. The two-year Treasury yield was last up 6 basis points at 4.433%, after jumping 18 bps on Friday. The euro fell to its lowest since 11 December at $1.0747. In an interview with CBS news, Powell said the Fed could be patient in deciding when to cut its benchmark interest rate. **REUTERS**

Official data last week showed services activity in China expanded for the first time in three months. ISTOCKPHOTO

China's services sector activity expands, survey shows

A private gauge of China's services activity expanded in January, likely helped by a boost from public holidays. The Caixin services purchasing managers' index fell to 52.7 last month from 52.9 in December, Caixin and S&P Global said in a statement Monday. That falls short of economists' consensus estimate of 53. A reading over 50 indicates expansion from the prior month. "The improved market resulted in growth in business output and sales, though at a slower pace than in the previous month," Wang Zhe, senior economist at Caixin Insight Group, said in a statement accompanying the release. Official data last week showed manufacturing activity shrinking for the fourth straight month while services activity expanded for the first time in three months. The new year public holiday as well as the approaching Lunar New Year likely lifted tourism and retail activities. Consumers have been more willing to spend on services such as travelling rather than goods. **BLOOMBERG**

TaMo in fast lane but for how long?

Vineetha Sampath
vineetha.s@livemint.com

It appears as if there is no stopping the Tata Motors Ltd stock. Post its December-quarter (Q3FY24) results, the automaker's shares gained 5.5% on Monday, becoming the top Nifty 50 gainer.

With this, the shares have appreciated by 19% so far in 2024, after surging 101% in 2023. Investors are gung-ho primarily due to the improved show from Tata Motors' British subsidiary, Jaguar Land Rover Automotive Plc (JLR).

In Q3, JLR's earnings before interest and tax (Ebit) margin increased by 510 basis points year-on-year to 8.8%, aided by moderating chip and material costs coupled with favourable product and geography mix.

The portfolio mix was tilted towards China and that had a positive bearing on the gross margin. As such, JLR is on the right track to achieve its FY24 Ebit margin target of over 8%, which would be a big jump from 2.4% in FY23.

FY24 is likely to end as a noteworthy year for JLR. But the next fiscal may see a slower pace as headwinds emerge.

For one, the Red Sea crisis could impact supplies to China and other overseas markets. China accounted for 14% of JLR's wholesale volume in the nine months ended 31 December, and the share of overseas region was 20%.

Besides, freight costs may also increase. Two, a new wage agreement could lead to an increase in employee costs. And three, JLR aims to invest more in customer acquisition with a rise in variable marketing expenses (VME) from 2.5% of revenue at present.

Kotak Institutional Equities expects that with a normalised orderbook the company will incur higher VME, vehicle discounts and fixed marketing expenses. But the brokerage expects the increase in expenses to be offset by cost-cutting measures, process improvements, and operating leverage benefits.

Having said that, one needs to monitor the volume trajectory. In the nine months ended December, JLR's wholesale volume was up by over 28%.

"FY25 JLR volume growth should taper to a low single digit," Nuvama Research said in a report dated 3 February, adding that S&P Global Mobility has forecast underlying four-wheeler industry growth in 2024 at 2% for the US, 3% for Europe, and 5% for China.

Coming to the domestic businesses, the commercial vehicle (CV) segment is likely to see volatility in volume in the backdrop of national elections. In Q4, Tata Motors expects CV industry volume to decline in single digit year-on-year, and remain soft in the first quarter of FY25.

The automaker's CV market share in Q3 stood at 38.7%, down 100 basis points sequentially.

The passenger vehicle segment is also seeing some demand concerns. Tata Motors expects the industry to clock a growth rate of less than 5% in FY25.

Moreover, the electric vehicle portfolio would weigh on profitability as it is margin-dilutive. The company plans to launch three EVs in 2024. But it is encouraging that the Ebitda margin before accounting for research and development expenses in the electric vehicle business was near breakeven in Q3.

All things considered, given Tata Motors' strong Q3 showing, analysts have raised their earnings estimates for the company. Jefferies India has raised its FY24-26 earnings per share estimate for Tata Motors by 7-11%, factoring lower India CV volumes but higher estimate for JLR.

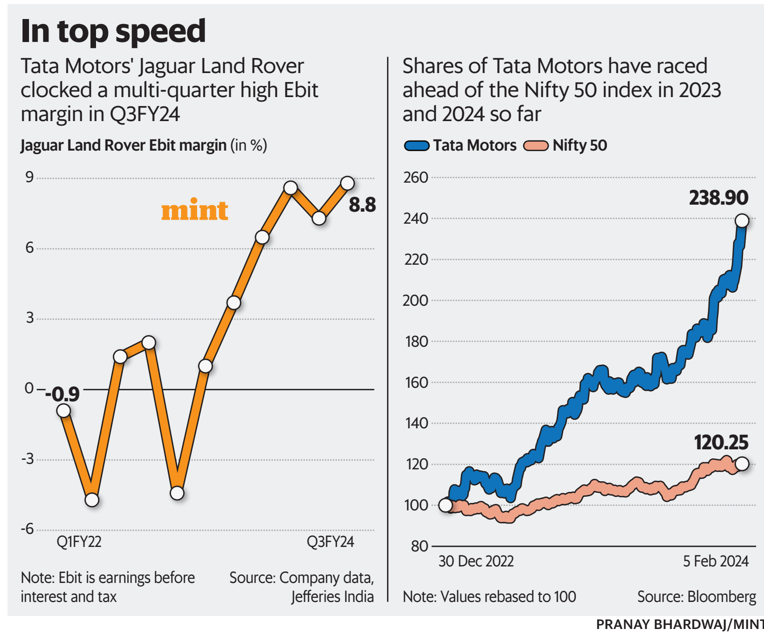
Meanwhile, debt levels are falling and that is positive. In Q3, Tata Motors' net auto debt was ₹29,200 crore, down 24.5% sequentially. The automaker expects a net cash position in the JLR business in FY25.

As things stand, investors are factoring in the optimism adequately but continued deleveraging and improving profitability remains crucial.

BUMPS ON ROAD

THE Red sea crisis could impact JLR supplies to China and other overseas markets

THE CV segment is likely to see volatility in volume in the backdrop of elections



Debt, margin woes suggest more trouble on the anvil for UPL?

Dipti Sharma
dipti.sharma@livemint.com

Agrochemical company UPL Ltd's underwhelming December quarter (Q3FY24) earnings triggered rating downgrades on the stock by brokerages. The stock slipped as much as 11% on Monday, also hitting a new 52-week low of ₹470.05 apiece.

Prolonged destocking in key markets, elevated pricing pressure, higher rebates given to distributors and product returns, and liquidation of high-cost inventories were factors that marred UPL's earnings in Q3.

Consolidated revenue fell by nearly 28% year-on-year to ₹9,887 crore. But a slower pace of drop in total expenses meant a steep 97% drop in Ebitda in Q3. Thus, Ebitda margin shrank to a low to 0.94% from 21% a year ago. Expectations from Q3 were low but such a hit was not anticipated. "A mere 1% Ebitda margin has never been seen in the last decade," said Krishan Parwani, a JM Financial Institutional Securities analyst.

Factoring in Q3 results, JM Financial has lowered its Ebitda estimates for FY24 by 34%, FY25 by 14%, and FY26 by 12%.

Still, UPL sees Ebitda margin improving in Q4 as it does not foresee rebate issues. Going into FY25, high-cost inventories will be limited. So, a gradual recovery in Q1FY25 is likely and normalcy could return from Q2.

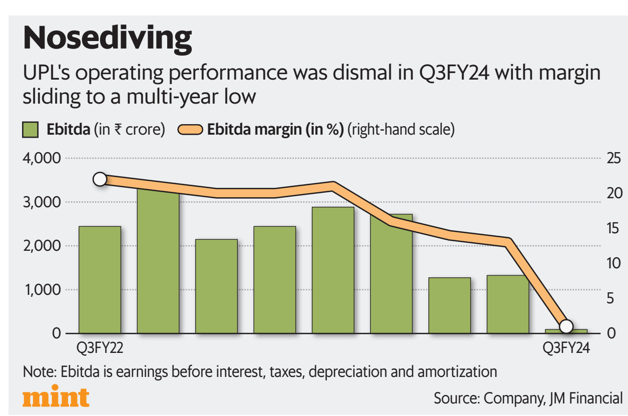
What also adds to the woes is that the debt scenario is turning worrisome. Muted operating cash flows and higher working capital meant UPL's net debt rose to almost ₹31,350 crore at December-end from ₹30,700 crore at September-end.

The company has prioritised deleveraging and announced rights issue of up to $500 million to repay debt. It is also exploring fund raising in platforms business. But there is caution. Nuvama Institutional Equities believes there is a risk of credit rating downgrades in the near term given the increase in UPL's net debt/Ebitda to 5.3x in FY24. "It may trigger higher interest cost and further strain its cash flows," it said.

US-based agricultural chemical major Corteva has guided a low single-digit decline for global agrochemical industry sales in 2024, followed by low single-digit growth in 2025. This suggests UPL's recovery could be similarly subdued.

Investors will do well to monitor crucial factors such as demand recovery in key markets, debt repayment, inventory liquidation, and the underlying demand for agrochemicals.

In the last six months, the stock has fallen 21% largely due to weakness in margin owing to inventory destocking, pricing pressure and higher rebates. The stock trades at 13 times estimated FY25 earnings, *Bloomberg* data showed.



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

Banks pitching risky forex hedges to cos

Reuters
feedback@livemint.com

Banks are increasingly pitching hedging strategies to Indian companies that look appealing in the rupee's current low-turbulence spell but could leave them unprotected when they need it the most and lead to sizeable losses.

Target redemption forward (Tarf) is one such product that banks, mostly foreign ones, say can help exporters get a better rate on their future dollar receivables—even more alluring since the rupee has been in a mere 2% range since last June, with implied volatility at a one-and-a-half-decade low. "Intuitively, Tarf is highly appealing. All the more right now when you have a growing sense that the rupee is going nowhere," a senior treasury official at a large private sector bank said.

Tarf, a zero-cost structure, allows exporters to sell dollars on pre-determined dates at a pre-defined rate that is significantly better than the prevailing forward rate, according to at least two different term sheets from foreign banks seen by *Reuters*. "You look at it and think, 'That looks like a simple way to make money', especially for less sophisticated treasuries," the treasury official said, requesting anonymity as they are not authorized to speak to the media.

However, exporters would face significant losses if the rupee were to depreciate rapidly. And in case of rapid appreciation, a plain vanilla forwards hedge would have been better.

Products like Tarf promise better rates. ISTOCKPHOTO

For example, one of the term sheets seen by *Reuters* said the exporter can sell dollars at 84.80 on 12 expiry dates spread over a year. At the time, the dollar/rupee spot rate was 83.25, the 1-month forward near 83.35 and 1-year forward near 84.75.

The total profit was limited to 6 rupees, at which point the option expires.

The loss, however, was uncapped through the life of the contract and, in one scenario in the term sheet, could top ₹20 if the rupee fell to near 89 over the month.

Moreover, a capped profit means the contract expires at that limit, leaving the exporter unhedged for the remaining tenure, the treasury official explained.

"Besides the extent of losses if things go wrong, the other problem with Tarf is that the hedge may be taken away precisely at the time when you need it the most."

Paytm sheds $2.5 bn since RBI action

Reuters
feedback@livemint.com

Shares of Indian digital payments firm Paytm slumped their daily limit for a third day in a row on Monday and have shed $2.5 billion in market value since a regulatory crackdown last week cast doubt over its business.

The Reserve Bank of India (RBI) told Paytm Payments Bank last week to stop accepting fresh deposits in its accounts or its popular digital wallets from March.

The action against Paytm Payments Bank followed years of non-compliance with central bank rules, including on customer due diligence, use of funds and technology infrastructure, a person familiar with the situation said, on condition of anonymity. The RBI did not respond to requests for comment on the matter.

"Paytm's entire brand is hit, credit operations are ceased and there is a potential collapse of its earnings stream which will take a while to get back on track," said Vinit Bolinjkar, head of research at Ventura Securities.

"With the regulatory crackdown, news flow surrounding investigative agencies, there is no visibility to the fortune of the stock and we will need a white knight to save its fortunes."

Persons familiar with the matter said the RBI had found hundreds of thousands of accounts at Paytm Payments Bank, one of India's most popular digital payment apps, that were created without proper identification.

RBI told Paytm Payments Bank last week to stop accepting fresh deposits. HT

The RBI is concerned that some of the accounts could have been used for money laundering, according to the people.

The central bank has passed the information on to the Enforcement Directorate, India's financial crime-fighting agency, they added.

One 97 Communications, also known as Paytm and the parent of Paytm Payments Bank, denied any connection to money laundering and said the companies have never been probed by the Enforcement Directorate.

India's revenue secretary Sanjay Malhotra told *Reuters* on Saturday that the directorate would probe Paytm Payments Bank if any fresh charges are made regarding improper siphoning of funds.

Paytm's stock fell its 10% daily limit on the BSE on Monday to a record low of ₹438.35 after falling by a 20% daily limit the previous two sessions.

The stock was also near a record low on India's National Stock Exchange.

Hyatt group, 3 more get approval for IPO

PTI
feedback@livemint.com

As many as four companies, including Juniper Hotels, which runs hotels under the Hyatt brand and real estate player Arkade Developers, have received Sebi's go-ahead to raise funds through initial public offerings.

The other firms that obtained the capital markets regulator's nod are logistic firm CJ Darcl Logistics and Indo Farm Equipment, which manufactures tractors, pick and carry cranes, and other farm equipment, an update with the Securities and Exchange Board of India (Sebi) showed on Monday.

These four firms, which filed their preliminary IPO papers with Sebi between September and October 2023, received its observations during January 24-29. In Sebi's parlance, obtaining the regulator's observation means its go-ahead to float the public issue.

However, the regulator has returned the draft IPO documents of Kronox Lab Sciences and Shree Tirupati Balajee Agro Trading Co. Without giving any reason, the offer documents of these two firms were returned by Sebi.

Juniper Hotels' proposed maiden public issue is entirely a fresh issue of equity shares worth ₹1,800 crore, according to the draft papers.

LICHF eyes affordable segment for credit growth, margins

Shayan Ghosh
shayan.g@livemint.com
MUMBAI

LIC Housing Finance has decided to focus on the affordable housing segment as it looks to accelerate loan growth and achieve better margins, a senior executive said on Monday.

So far, the mortgage lender has been more comfortable lending to salaried customers and those with strong credit scores. Tribhuwan Adhikari, managing director and chief executive of LIC Housing Finance, told reporters that the lender has so far not been very aggressive in the affordable housing segment, but now expects a lot of demand for such loans. Home loans of up to ₹50 lakh are typically categorised as credit for affordable housing.

"At present, affordable housing is 8-10% of the portfolio. Two years down the line it could definitely be at least 20-25%," Adhikari said.

As of 31 December, the company's outstanding loans stood at ₹2.8 trillion, up 5% from the same period last year. Adhikari said that while 5% growth in the loan book may not look very good, the current financial year (FY24) has been a year of consolidation for LIC Housing Finance.

Tribhuwan Adhikari, managing director and chief executive of LIC Housing Finance.

"Right at the beginning of the (financial) year, we went in for a major technology upgrade. We also conducted a major overhaul of our organizational structure. Then in August there was a change in leadership when I came in," he said.

Adhikari added that owing to LIC Housing Finance's bad loans and poor decisions in the past, the lender had decided to be cautious. Its stage-three loans or bad loans were at 4.26% of the loan book in Q3, down from 4.33% in the previous quarter. Detailing the changes in the organizational structure and on the technology front, Adhikari said the lender shifted to a new lending platform after using the previous one for almost 13 years.

"[The old platform] was doing well but was slightly constrained in adapting to new technologies. As a company we realized that the way forward was going to be digital," he said.

He added, however, that the mortgage lender had a few performance issues with the new platform that took almost four months to stabilize. The other part of the restructuring, he said, was opening 44 cluster offices for credit appraisal.

"All these things are now over and in Q4 you will see much better growth in the loan book. FY25 is going to be the year of delivery for LIC Housing Finance. We will go all guns blazing and have given a guidance of 15% loan book growth in FY25," he said.

Policy in works to spur part-ownership of jets

While demand for private jets surged during covid, it retreated thereafter

Anu Sharma
anu.sharma@livemint.com
NEW DELHI

Depending on size, range, model and features, a private jet can cost anywhere from $2 million to over $100 million. ISTOCKPHOTO

The government hopes more people will take to co-owning and flying by private jets once it frames clearer, and friendlier rules on fractional ownership of aircraft, potentially helping a nascent industry take off.

While demand for private jets and helicopters surged during the covid years, it retreated thereafter. The civil aviation ministry, hoping to revive interest in the sector, is now fine-tuning its policy on fractional ownership of aircraft to strengthen the ecosystem for private charters, said Shankhesh Mehta, director, ministry of civil aviation.

"... we believe there are passive investors who would want to acquire an aircraft but are waiting for clarity," Mehta said. "The idea is to have as enabling a legislation as possible in place so that we have a NetJets coming out of India."

NetJets Inc., an Ohio-based company owned by Warren Buffet's Berkshire Hathaway, is a global leader in the fractional ownership space, and currently has more than 750 fractionally-owned business jets. The company has created a program that allows flexibility in the ownership and operation of aircraft by individuals and corporations.

"We have to have two major entities in this programme. One would be owners or the fractional owners, who would bring in the money, and the other would be an entity or an operator who would acquire and eventually operate the aircraft for the fractional owners," said Mehta.

"We want to insulate the fractional owners from the regulatory compliances as far as possible, and therefore the pivot of this programme is the operator," he said.

Fractional ownership, a concept still gaining traction in India, allows an entity or an individual to buy a stake in an aircraft and share its flying hours and crew with other part-owners. As per India's draft framework, a part-owner must hold a certain minimum stake, which is likely to be set at between 5% and 10%, Mint had reported in December.

5-10%
stake likely to be set for jet part-owners

Mehta said the civil aviation ministry has broadly outlined the policy requirements and is working on addressing the taxation implications for investors buying a stake in an aircraft.

"How this transaction would be structured? That is still in the works as there are taxation implications," he said.

The ministry is also working on defining the entity that would operate the aircraft on behalf of the fractional owners.

"The entity would acquire the aircraft locally or import it, then sell it fractionally to various owners. And thereafter, once the possession and control of that aircraft is assigned back to the entity that originally acquired the aircraft, it operates this aircraft for the use of those fractional owners," Mehta said.

He added that the operator could also offer the aircraft for hire to third parties by obtaining a non-scheduled operator permit, which allows carriage of passengers on charter flights on per-seat basis or by way of chartering the whole aircraft, or both.

In 2022, there were 95 non-scheduled operator permit holders in India, collectively owning a fleet of 330 charter aircraft, show latest data available from the Directorate General of Civil Aviation.

Depending on size, range, model, and features, a private jet can cost anywhere from $2 million to over $100 million.

India's aviation industry is optimistic that a model similar to that of Netjets would work in the country. Netjets started as Executive Jet Aviation in 1986 and created a program offering aircraft owners increased flexibility in operations and ownership by individuals and corporations.

Airtel's Dec quarter profit jumps 55%

Gulveen Aulakh
gulveen.aulakh@livemint.com
NEW DELHI

Bharti Airtel's consolidated net profit in the quarter ended December rose nearly 55% year-on-year to ₹2,442 crore, helped mostly by subscriber additions and a rise in average revenue per user.

India's second-largest telecom operator by subscribers posted revenues of ₹37,900 crore during the quarter, up 5.9% from the same period a year ago, backed by a strong and consistent performance by India operations, which recorded quarterly revenues of ₹27,811 crore, up 11.4% year-on-year.

However, a devaluation of African currencies impacted the company's consolidated numbers for the quarter.

"Revenue from India business sustained its momentum and grew sequentially by 3%, while the consolidated revenue was impacted by the devaluation of the Nigerian Naira and Malawian Kwacha," Bharti Airtel managing director Gopal Vittal said.

India's second-largest telecom operator by subscribers posted revenues of ₹37,900 cr during the quarter, up 5.9% on year. REUTERS

Airtel reported a one-time charge of ₹130 crore coming from foreign exchange losses due to the currency devaluations. The Africa business reported a 92% fall in net profit to $15 million, with finance costs more than doubling to $352 million.

Mobile services revenues from India operations rose 11.8%, led by 4G and 5G customer additions of 28.2 million over last year. 4G customers account for 71% of the company's total India customer base of 345 million. The Sunil Mittal-promoted carrier said that it added 0.9 million post-paid customers in the December quarter.

The average revenue per user, or ARPU, a key metric of profitability, bettered market expectations at ₹208 per month, up 7.7% y-o-y and also higher than ₹203 it posted in the quarter ended September 2023, helped by acquisition of high-value customers and improved realizations. Airtel's ARPU remains the highest among competitors Reliance Jio, which has the largest customer base but has an ARPU of ₹181.7, and No. 3 carrier Vodafone Idea that reported ARPU of ₹142 in the December quarter.

"Even at this ARPU, our return on capital employed, however, continues to be low at 9.4%. To ensure industry health, tariff repair is extremely critical," Vittal said.

Its India business posted Ebitda of ₹14,985 crore, and Ebitda margin at 53.7%, up 1.1 percentage points from the same period last year. Capital expenditure for the quarter was at ₹7,756 crore, as the carrier continued to expand its 5G coverage across the country. It rolled out more than 12,300 towers in the quarter to strengthen network coverage, taking the number of towers set up in the past 12 months to more than 45,000. Airtel aims to complete pan-India 5G coverage by March.

Last month, the carrier acquired a 97.1% stake in Beetel Teletech along with its 49% stake in Dixon Electro Appliances, as part of the company's strategy to enable indigenization initiative within ecosystem of telecom products, and in line with the government's policy of 'Make in India'.

Ola Cabs' valuation slashed by 30% to $2 bn

Reuters
feedback@livemint.com
BENGALURU

US asset manager Vanguard has cut Indian ride-hailing company Ola Cabs' valuation by 30% to under $2 billion in at least its third-straight mark down, a regulatory filing showed, as the start-up is locked in a battle for market share with Uber.

Vanguard now values ANI Technologies, Ola Cabs' parent company, at about $1.88 billion, according to a filing with the US Securities and Exchange Commission, which did not mention a reason for the valuation cut. It last valued the company at about $2.65 billion in August 2023.

Ola Cabs did not immediately respond to a *Reuters* request for comment.

The ride-hailing company is yet to report a profit. Its losses narrowed by 65% to ₹1,083 crore in fiscal 2023

Ola Cabs was co-founded by Bhavish Aggarwal in 2010 and found immediate backing from marquee investors such as Softbank and Tiger Global, besides Vanguard. These investors injected millions into Ola as it competed with Uber to dominate one of the world's most populous countries.

ANI's most recent fundraise, in 2021, valued it at $7.3 billion. However, the decade-long, bruising price war with Uber has been exacerbated in recent years by new, more niche entrants such as BluSmart, alongside continually changing government regulations.

As a result, Ola Cabs is yet to report a profit. Its losses narrowed by 65% to ₹1,083 crore in fiscal 2023.

The fund manager, which purchased shares for $50 million in 2015, now values them at $13.3 million, marking a 29% decline from its last valuation of $25 million.

Ola Cabs has also incubated an e-scooter company, which Aggarwal spun out into a separate entity in 2019.

Ola Electric, the e-scooter maker, is now looking to raise $662 million in an initial public offering.

Aggarwal also heads the AI startup, Krutrim, which secured $50 million at a $1 billion valuation last month in a funding round led by Matrix Partners India.

Boeing picks more holes in drills on 737

Bloomberg
feedback@livemint.com

Boeing co. found more mistakes with holes drilled in the fuselage of its 737 Max jet, a setback that could further slow deliveries on a critical program already restricted by regulators over quality lapses.

The latest manufacturing slip originated with a supplier and will require rework on about 50 undelivered 737 jets to repair the faulty rivet holes, Boeing commercial chief Stan Deal said in a note to staff. While he didn't identify the contractor, a spokesman for fuselage supplier Spirit AeroSystems Holdings Inc. said it's aware of the issue and will conduct repairs.

The extra time required for inspections and repair work could delay near-term plane deliveries, Deal said in his memo, which was seen by *Bloomberg News*.

Boeing shares have fallen 12% since the start of 2024. REUTERS

"This is the only course of action given our commitment to deliver perfect airplanes every time," Deal said in his note.

The defect follows a string of manufacturing lapses at Boeing, including a near-catastrophic panel blowout on an Alaska Airlines 737 Max last month. The Federal Aviation Administration has stepped up scrutiny of Boeing's manufacturing and supplier systems and has capped 737 production until quality improves.

Boeing shares fell 1.6% in premarket US trading on Monday. They had declined 20% this year through Friday, the worst performance on the Dow Jones Industrial Average. Wichita, Kansas-based Spirit Aero, also slid 1.6%. The shares had fallen 12% since the start of 2024.

The latest manufacturing slip started with a supplier and will require rework on 50 undelivered 737 jets

The problem disclosed Sunday is the latest in a series of glitches originating with Boeing's former aerostructures unit. A drilling fault on an aft pressure bulkhead supplied by Spirit Aero slowed deliveries of the 737 Max last year, the planemaker's most important generator of cash flow. A separate issue with tail-fin fittings affected output earlier in 2023.

In the latest instance, Deal said a worker at a Boeing supplier flagged that two holes in the plane's fuselage may not exactly meet specifications. The problem "is not an immediate flight safety issue and all 737s can continue operating safely," he said.

Still, he said many employees have expressed frustration at how unfinished work, either by suppliers or within Boeing's factories, can ripple through aircraft production lines. To address this, Boeing has recently told a major supplier to hold shipments until all work has been properly completed, he said.

"While this delay in shipment will affect our production schedule, it will improve overall quality and stability," Deal said.

HC junks plea against MIAL's expansion

Priyanka Gawande
priyanka.gawande@livemint.com
MUMBAI

The Bombay High Court on Monday rejected a petition filed by the Air India Staff Colony Association, opposing the demolition of unoccupied buildings in the Air India colony by Mumbai International Airport Ltd (MIAL) for its expansion.

The housing association alleged that MIAL, in which Adani Airport Holdings Ltd holds a 74% stake, had illegally initiated demolition of 19 vacant buildings at the Air India colony in Kalina, a western suburb in Mumbai.

In its plea before the high court, the housing associations opposed the Airport's expansion plans. The association claimed that on 15, 16 and 18 January, the representative of MIAL, along with some outsiders, 'illegally' entered the colony with bulldozers to demolish the buildings in the colony.

The housing association alleged that MIAL had illegally initiated demolition of 19 vacant buildings at Kalina Air India colony. MINT

Following this, on 23 January 2024, these individuals, along with police personnel, illegally demolished a part of the building No.39/D. The association alleged that these persons threatened their members, aiming to demolish the buildings and forcefully evict them.

Thereafter, the Air India Staff Colony Association along with Air India 2nd Colony Association, Indian Airlines Staff Colony Association and Indian Airlines Residents Colony approached the city court at Dindoshi seeking an injunction against MIAL. However, in its order of 25 January, the court denied ad-interim relief in favour of the petitioner associations.

The petitioners then challenged the Dindoshi court order before the Bombay High Court.

"This court does not find any error in the impugned order dated 25 January 2024, declining to grant ad-interim protection in favour of the appellants (Association). The appeal from order is devoid of merits and is dismissed accordingly. As a sequel to the above, pending interim application also stands disposed of", said a bench led by Justice R.N. Laddha, while upholding the city court's order.

The order follows MIAL's official statement issued in January saying that it intended to demolish only the 19 unoccupied buildings, and not the other buildings that are inhabited.

JSW builds ₹6K cr war chest for port M&As

The company is assessing the trans-shipment project in Great Nicobar

Naman Suri
naman.suri@livemint.com
NEW DELHI

JSW Infrastructure Ltd, a private port operator, has earmarked about ₹6,000 crore for acquiring strategic assets, with an aim to bolster its presence in an industry dominated by the Adani group. The firm is exploring a stake acquisition in a government-owned port slated for privatization, a senior executive of the company said.

Arun Maheshwari, joint managing director and chief executive of JSW Infra, said the company has one of the strongest balance sheets in the ports sector and the headroom is good enough to expand aggressively, as long as the opportunity is value accretive. “Today, our net debt/ Ebitda is virtually zero and with the kind of Ebitda we have, I can safely spend ₹5,000-6,000 crore without blinking,” he said. Ebitda is earnings before interest, taxes, depreciation and amortization.

JSW Group is evaluating all privatization prospects offered by the government, including the ambitious trans-shipment port project at Galathea Bay in the Great Nicobar Island.

Pointing out that the government owns about 50% of port capacities in India, which throws opportunities for private players big in terminal operations, Maheshwari said the company is assessing the upcoming Nicobar project. “Once it comes into the block for bidding or offers, that time we will assess and see how we can participate,” he added.

Last month, Sarbananda Sonowal, the minister of ports, shipping and waterways had announced that the government has received expressions of interest from 11 entities for the ₹41,000-crore international trans-shipment port project in Great Nicobar Island. This initiative, expected to span 30 to 50 years, will attract investments through government and public-private partnerships (PPP) based on its phase requirements.

The proposed Andaman and Nicobar port, designed to handle 16 million containers annually, is set for a phased development. With an initial phase costing ₹18,000 crore and aiming for a 2028 completion, it will start with a capacity to manage four million containers.

The strategic location near major trade routes positions it as a competitor to existing trans-shipment hubs like Singapore, Klang, and Colombo.

Adani Ports is India’s largest port operator and is about three and a half times larger than JSW Infra with a capacity to handle 580 million tonnes per annum, compared to JSW’s 170 million tonnes.

“In the realm of port management and operation, substantial financial resources and a wealth of experience are imperative. (Only a) few entities in the domain are equipped with both and supported by their robust balance sheet. Despite the formidable presence of any one company, smaller players have ample expansion opportunities, fuelled by the government’s commitment to port privatization, ensuring a conducive environment for growth,” said Varun Gogia, vice-president and sector head at ratings agency Icra Ltd.

The government has said the PPP for this project would be on landlord mode, in which the private company will have flexibility to develop storage area, container handling equipment and other infrastructure based on its own market and business assessment, among other benefits.

According to minister Sarbananda Sonowal, the government has received EoIs from 11 entities for the ₹41,000-crore trans-shipment port in Great Nicobar Island. REUTERS

NEW COMPETITOR

THE Andaman and Nicobar port will be designed to handle 16 million containers annually

THE initial phase of the project, pegged to cost ₹18,000 crore is likely to be completed in 2028

THE port may rise as a competitor to trans-shipment hubs such as Singapore, Klang, and Colombo.

Show outcome, get loan: Govt tells states

FROM PAGE 1

Interest-free loans with a tenure of 50 years have played a vital role in stimulating capital spending by the states and catalysing the economy in the aftermath of the pandemic. States in India make 20–25% of the overall infrastructure spending, a key focus area for the government.

The scheme was launched in FY21 to help states after the pandemic with an allocation of ₹12,000 crore. It stepped up the allocation to ₹15,000 crore in FY22, and dramatically scaled that up to ₹1.07 trillion in FY23 with ₹27,000 crore linked to specific reforms by states.

In FY24, ₹1.3 trillion was earmarked for the scheme, and about ₹30,000 crore of that allocation was marked out as outcome-based. The remaining ₹1 trillion had the same condition as is being proposed for FY25—states had to ensure that the loan was used to supplement their capex and not a substitute for it.

The actual spending by the states, however, was lower than budgeted (see chart).

The conditions states had to meet in the ongoing fiscal year (FY24) to avail the central loans included reforms in the housing sector, providing incentives for scrapping old government vehicles and ambulances, reforms in urban planning and urban finance, increasing housing stock for police personnel, and setting up libraries with digital infrastructure at panchayat and ward levels for children and young adults.

So far, the Centre hasn’t decided on the terms and conditions for FY25. “It may not be the same conditions as last year. Specific reforms and conditions are yet to be decided,” Somanathan said. “The guidelines will also be similar, but not the same.”

For loans not linked to specific reforms, one criterion that is expected to be followed is that they would be given for projects that are set to be completed within the fiscal year.

In FY24, as many as 16 states opted for the loan scheme, namely Arunachal Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Mizoram, Odisha, Rajasthan, Sikkim, Tamil Nadu, Telangana and West Bengal.

Finance minister Nirmala Sitharaman said in an interview with *Mint* that projects are best developed when the capex is used up within 12 months, even though several capital expenditure projects have long gestation projects running into 24 to 36 months or more.

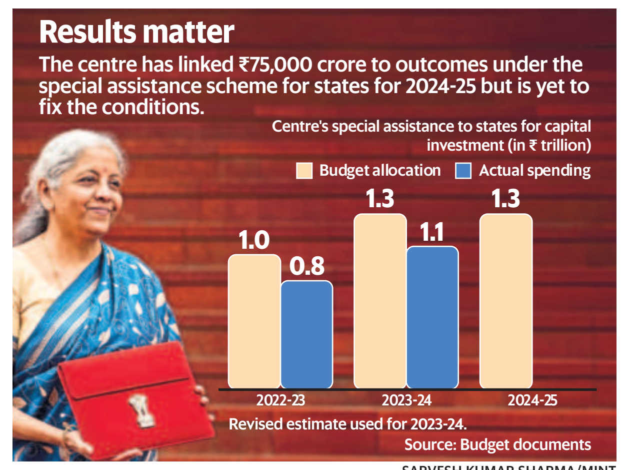
“But the condition that we have put is that you spend that money within 12 months. My monitoring clearly showed me that wherever capex is used up within 12 months, people have done brilliantly,” the finance minister said.

rhik.kundu@livemint.com

In FY24, ₹1.3 tn was earmarked for the scheme, and about ₹30,000 cr of that was marked as outcome-based

Results matter

The centre has linked ₹75,000 crore to outcomes under the special assistance scheme for states for 2024-25 but is yet to fix the conditions.



Revised estimate used for 2023-24.
Source: Budget documents
SARVESH KUMAR SHARMA/MINT

Box office sizzles even as footfall fizzles

FROM PAGE 1

However, the strategy may have backfired for films that didn’t find positive word-of-mouth, or those that didn’t feature big stars and were made at smaller scales.

If prices weren’t as high, some titles could have managed better numbers, as was the case until a few years ago.

“While audiences are ready to spend on premium, luxury experiences when the film demands it, the options are many now. Films are streaming at home within eight weeks of theatrical release,” film distributor and exhibitor Sunny Khanna explained.

Others point to low levels of marketing by studios, which translated into low awareness levels among viewers, especially those beyond the metros, and lowered footfall.

“Awareness levels are so low that there is no urgency created among people to come watch a film. There has to be a sense of FOMO (fear of missing out),” Amit Sharma, managing director, Miraj Entertainment, a company that runs movie theatres, said, and added that overall admissions were 20% lower than pre-covid days.

Rahul Puri, managing director, Mukta Arts and Mukta A2 Cinemas, said covid caused a break in the habit of people visiting cinemas, which has affected both footfall and revenues. However he remains hopeful that things will change.

“We see a change in the pattern and, going forward, we do expect footfall to go back to pre-covid levels, and even exceed them due to the accessibility of screens increasing in smaller towns,” Puri said.

Low levels of marketing by studios also led to lower footfall in cinemas. AFP

The pandemic caused a break in the habit of people visiting cinemas, which hit footfall and revenues

How BoB gave out gold loans without gold in target chase

FROM PAGE 1

day. “This back-dating of repayment tricks the system into believing that the loan has been recovered on the day of the disbursement, thus reversing interest charges,” said one of the employees cited above. All of them spoke on the condition of anonymity.

BoB currently charges an interest of 9.4% on retail gold loans and provides up to ₹50 lakh against gold jewellery, as per its website.

The violation comes to light months after the Reserve Bank of India (RBI) penalized the state-owned lender for violations related to onboarding of customers on its mobile app.

BoB seems to have got a whiff of the matter during the year. According to an internal bank document in December, an offsite surveillance by its audit division detected anomalies between April and September, pertaining to some gold loans that were opened and closed within three months. *Mint* has seen a copy of the document.

The bank found that while 4,679 loan accounts were closed within one to three days, 238 were closed on the same day; and 2,512 were opened and closed within the campaign period, referring to campaigns to push specific loan products.

When contacted, a spokesperson for Bank of Baroda said the bank periodically undertakes internal audits across its business verticals.

“One such audit in gold loans where the bank has around 27 lakh (2.7 million) accounts, identified some anomalies in a few gold loan accounts where there was a deviation from the stipulated guidelines,” the spokesperson said, adding that it has promptly taken necessary corrective action to ensure compliance with the established guidelines. “The bank has strong internal processes and control mechanisms in place, and is committed to adhering to the highest standards of compliance and governance.”

State-owned banks are late entrants to retail gold loans, a sector traditionally dominated by gold loan non-bank financiers. Banks, however, are gradually gaining some foothold. Gold loans against jewellery issued by banks stood at over ₹1 trillion as of December, up 18.6% year-on-year (y-o-y), showed data from RBI. At Bank of Baroda, gold loans stood at ₹3,682 crore in Q3, up 78% y-o-y but constitutes 1.8% of the retail loan book.

Experts said disbursing gold loans without collateral directly contravenes the basic principles of lending against collateral. “If these loans turn bad or the gold ornaments do not exist, the bank risks losing the loan amount, which will have significant financial implications for the bank and its customers,” said Ankur Mahindro, managing partner at Kred Jure, a full-service boutique law firm.

Mahindro added that surprise and regular audits act as a deterrent against potential violators who are aware that their actions are likely to be discovered.

BoB currently charges an interest of 9.4% on retail gold loans. MINT

Dr Agarwals Health Care plans an IPO

FROM PAGE 1

The hospital chain was founded by Dr Amar Agarwal as a single clinic in Chennai in 1957. Over the past few years, it set up chains across several states. While the parent company AHCL has a larger number of assets under its belt, the listed subsidiary AEHL has fewer.

AHCL operates in Maharashtra, Tamil Nadu, Punjab and Delhi, and holds over 71% in AEHL. AEHL owns some hospitals in Tamil Nadu, and has a market value of around Rs 1360 crore on the BSE.

Between the parent and the subsidiary, the hospitals offer eye care services for cataract, laser correction, vitreo-retinal surgery, corneal transplant, glaucoma and squint. Super-speciality eye care services such as paediatric ophthalmology, ocular oncology, neuro-ophthalmology, uvea and oculoplasty are also offered at its tertiary hubs, according to its website.

In 2019, AHCL raised capital from Temasek. Over 2022 and 2023, TPG and Temasek put in more money. Following the last round in August 2023, its equity valuation stood at over ₹6,000 crore, group founder and chairman Amar Agarwal said in an interview with the *Mint* in August. Agarwal said the company plans to double its eye centres across India from around 150 clinics.

A Crisil credit rating report dated 6 September 2023 said the company’s financial risk profile has strengthened on the back of recent equity infusion from existing investors. “[T]he business performance continues to remain robust with steady and sustained stabilization of the recently added centres. Net worth would improve to over ₹1,200 crore by the end of the current fiscal (FY24) resulting in a sharp improvement in capital structure,” the report said.

The report added that equity raised by Dr Agarwals would help fuel medium term through greenfield expansion and acquisition.

“The group is estimated to grow at over 30% CAGR in the current fiscal while the growth would witness acceleration over the coming fiscals with the addition and scaling up of centres. The timely ramp up and stabilization of operations in the newly added centres would remain key rating monitorable,” the report said.

Dr Agarwals Health Care reported consolidated net sales of around ₹1,018 crore for FY23, on a profit of ₹103 crore, up from a revenue of ₹696 crore, on a profit of ₹43.1 crore, according to data platform VCCEdge. Several investors are opting to list their companies due to the rich multiples offered in the primary markets. The Sensex and the Nifty have both risen sharply over the last year—the Nifty is up over 22%, while the Sensex is up over 18% year-to-date.

“We remain structurally positive in the hospitals space and expect momentum to continue in FY24 with improvement in occupancy, better case- payor mix and new capacity additions,” said a research report on the hospital sector published by brokerage Prabhudas Lilladher dated 6 October 2023.

AHCL operates in Maharashtra, Tamil Nadu, Punjab and Delhi, and holds over 71% in AEHL.

Runaway rise in PSU scrips spurs worries

FROM PAGE 1

unusual, nor surprising, and neither are the stocks in bubble territory,” said Deepak Shenoy, founder of portfolio management firm Capital Mind. “The rally can be attributed to a combination of underperformance in the past many years and some change in fundamentals.”

Shenoy pointed to NTPC, which proposes to generate nuclear power from being a thermal power producer, and PFC and REC getting into the renewable financing space.

Incidentally, investors who acted on Prime Minister Narendra Modi’s jibe at the Opposition last August—he had asked investors to buy shares of PSUs criticized by the latter—appear to have got rich, led by a surge in shares of LIC. Twenty two of the 56 PSU index stocks hit new records on Monday.

Shenoy of Capital Mind said, “What’s probably taken the market by surprise is the re-rating of many of these stocks together. This keeps happening in market cycles. Even after the rise, company valuations aren’t stretched. Look at IOC, which trades at five times price to earnings multiple while its net profit grew ₹80.6 billion (in Q3FY24) against market estimates of ₹49.14 billion,” he explains.

Yet, the simultaneous run-up in PSU stocks over the past three months has taken the index into vastly overbought territory, indicated by the relative strength index or RSI, which measures price movement speed and change.

Rohit Srivastava, founder of analytics firm IndiaCharts said the index reached a record high of 92.35 in the week ended last Friday. A measure above 90 last happened on 12 September 2003, after which the index corrected 18.5% in the subsequent week. “Such steep corrections could happen again before any rally resumes,” cautioned Srivastava.

ram.sahgal@livemint.com

Spending on advertisements by FMCG cos likely to rise in Q4

FROM PAGE 1

Hindustan Unilever Ltd (HUL), said during a post-earnings call last month.

Experts said ad spends are expected to rise going ahead. “In FY25, given raw material is likely to be stable and rural demand is likely to start recovering, FMCG companies will increase ad spends-to-sales ratio a bit,” said Abneesh Roy, executive director, Nuvama Institutional Equities.

According to the BNP Paribas report, edible oil prices were down 30% year-on-year (y-o-y) in Q3, while that of crude oil were down 7% over the same period after declining for three preceding quarters. Palm oil prices were down 6% y-o-y in the third quarter of FY24, it said. Vora of BNP Paribas further said: “We think these companies will also need to focus on improving product visibility, especially for new launches, as competition remains high from both organized and unorganized players.”

HUL said in categories such as skin cleansing and laundry, the company raised grammage or expanded trade promotions. “But equally, for these categories, along with other premium portfolios and other categories, we further dialled up A&P investments as well,” Tiwari said, adding that ad spends will get further amped up in response to greater market competition.

Vatika shampoo maker Dabur India increased A&P investments by around 36% year-on-year in the December quarter. “We believe these media investments are essential to drive long-term sustainable growth and maintain our market leadership,” said Mohit Malhotra, CEO, Dabur India.

The company will continue to drive profitable growth across its business verticals, backed by investments in distribution network, brands, manufacturing, digital and organizational capabilities, Malhotra added. The company also launched more low pack sizes for rural markets.

Liquor major Diageo India’s A&P reinvestment rate was 11% of sales in the December quarter, reflecting the seasonality and investment behind the brands during the festive quarter as well as in the cricket world cup, the company said.

The ongoing quarter will remain a high A&P quarter for Diageo. “There are two or three reasons for it; one is that Don Julio (tequila) has just been launched, we would want to sustain our A&P investments on that. There is some discussion in view of the general election, the IPL probably to be advanced, so WPL or Women’s Premier League and IPL will happen in February and a good part of it might as well happen in March. So, we would want to remain absolutely salient during the cricket season when the entire country kind of gets together,” said Pradeep Jain, CFO, Diageo India.

The company will also be injecting “some amount” of A&P into its popular or low-priced brands to resurrect the momentum, it said.

Meanwhile, in the December quarter, Colgate-Palmolive (India) Ltd’s ad spends grew 20% y-o-y and stood at 14.7% of revenue. The quarter saw Colgate relaunch its second largest toothpaste brand, Maxfresh, and the “Sweet Tooth-Brush at Night” campaign.

Dabur raised A&P investments by around 36% year-on-year in the December quarter. MINT

Liquor major Diageo India’s A&P reinvestment rate was 11% of its sales in the December quarter

Laptop sales stall on enterprise weakness

Data shows laptop sales in 2023 were nearly flat for a second straight year

Shouvik Das
shouvik.das@livemint.com
NEW DELHI

Net revenue earned by brands selling laptops in India was around $6.5 billion last year, at an average selling price of ₹50,000 per unit. BLOOMBERG

Laptop sales stagnated in 2023, hurt by tepid consumer demand and a broader slowdown in tech spending by companies in a year that has been one of the toughest for the domestic IT services sector.

Analysts expect sales to improve this year, driven by more affordable products and helped by the central government's production-linked incentives (PLIs) for IT hardware. However, challenges lie ahead for India's laptops market.

Data collated from three analysts for the personal computer (PC) sector showed laptop sales in 2023 were nearly flat for a second straight year, with shipments of these devices seeing a very slim year-on-year (y-o-y) growth. Overall, an estimated 10.8 million laptops were shipped in India through 2023—mostly unchanged from 2022.

Net revenue earned by brands selling laptops in India was around $6.5 billion last year, at an average selling price (ASP) of ₹50,000 per unit. Both revenue and ASP of laptops in 2023 remained unchanged from 2022.

HP, Lenovo and Dell are the top three brands selling laptops in India and have a combined market share of over 60% here.

10.8 mn laptops were shipped in India through 2023

Industry analysts attribute the muted laptop sales to weak demand from enterprises. "Big enterprises are not buying much, because of which the commercial demand for laptops has fallen. This is because companies are reducing IT spending to cut costs due to macroeconomic concerns," said Bharat Shenoy, senior market analyst at market researcher IDC India.

The enterprise market, to be sure, is a bulk volume contributor to the overall laptop sales in India, and is seen as a key driver of incremental sales of laptops every year—with a higher buying frequency than individual consumers. However, 2023 has been a tough year for India's largest IT services firms—Tata Consultancy Services, Infosys, HCL Technologies and Wipro. Put together, the four companies, which employed nearly 1.4 million people as of 31 December, reduced their overall headcount by 3.5%, or nearly 50,000 people, between April and December. While this is due to a slowdown in tech services businesses globally due to inflationary and geopolitical concerns, the market for laptops is seeing a ripple effect.

Shenoy added that the enterprise segment for laptops has seen a mid-single digit annualized decline in shipments, which further contributed to the weak market for laptops.

"Combined with this, the first half of the year saw low shipments since brands were consolidating leftover inventory of products. This led to a shipment decline in the first half of the year, which revived in the second half due to the festive period," he said.

Harmeet Singh Walia, senior analyst at Counterpoint India, said that the pandemic had fuelled a dramatic growth in demand for laptops and other devices in 2020 and 2021, as remote work became the norm. Once the pandemic ebbed, demand for laptops, particularly the pricier ones, subdued.

"If you look at various price brackets, only the price ranges of sub-$200 and $600-800 in laptops saw marginal growth in shipments. Other categories, which include $200-400, $400-600 and above $800 remained practically the same in terms of shipments. This shows that there's no significant organic growth in laptops, and that the pandemic-induced slowdown in laptop demand is persistent," he said.

MINT SHORTS

Stellantis says no merger plans after report on Renault tie-up

Stellantis chair John Elkann on Monday denied the carmaker was hatching merger plans, responding to press speculation about a possible French-led tie-up with rival Renault. After abandoning the Russian market, at the time its second largest after France, and reducing the scope of its global cooperation with Nissan, Renault has been seen as a potential M&A target. Stellantis, the product of a 2021 merger between France's PSA and Fiat Chrysler and one of the most profitable groups in the industry, has a market cap of more than €85 billion when unlisted shares are factored in. REUTERS

Samsung chief Lee acquitted of crimes related to merger case

AFP

A South Korean court on Monday acquitted Samsung Electronics chair Lee Jae-yong of financial crimes involving a contentious merger between Samsung affiliates in 2015 that tightened his grip over South Korea's biggest company. The court said the prosecution failed to sufficiently prove the merger between Samsung C&T and Cheil Industries was unlawfully conducted with an aim to strengthen Lee's control over Samsung Electronics. AP

Global chip sales forecast to jump 13% this year after rocky 2023

A surge in demand for artificial intelligence (AI) and a steady rise in automotive chips will help propel a rebound in global chip sales this year, according to an industry group's annual sales data released on Monday. The Semiconductor Industry Association (SIA) forecast a 13.1% jump in global chip sales to $595.3 billion, compared with a drop of about 8% in sales in 2023. REUTERS

McDonald's posts rare sales miss as Middle East hit weakens business

McDonald's reported its first quarterly sales miss in nearly four years on Monday on weak sales growth at its international business division, partly due to the conflict in the Middle East, sending the company's shares down about 4%. Comparable sales in McDonald's International Developmental Licenced Markets segment rose 0.7% in the fourth quarter, widely missing estimates of 5.5% growth, according to LSEG data. REUTERS

Powell says Fed has new focus: When to cut rates

The Fed chair says in a rare TV appearance that officials "just want to gain a little more confidence" on inflation

Nick Timiraos
feedback@livemint.com

Federal Reserve Chair Jerome Powell said the central bank has shifted its focus toward deciding when to begin cutting interest rates, but that solid economic growth means officials don't have to rush that decision.

Given recent economic strength, "we feel like we can approach the question of when to begin to reduce interest rates carefully," Powell said during a rare television interview broadcast on CBS on Sunday night.

Powell, speaking on "60 Minutes," said officials were trying to balance the risks of leaving rates too high for too long, which could cause an economic slowdown, and of cutting rates too soon and allowing inflation to settle above the Fed's 2% goal. The interview was taped Thursday from the Fed's Washington headquarters.

"There is no easy, simple, obvious path," Powell said. "We think the economy's in a good place. We think inflation is coming down. We just want to gain a little more confidence that it's coming down in a sustainable way."

The central bank held its benchmark federal-funds rate steady last week in a range between 5.25% and 5.5%, the highest level in more than two decades.

A year ago, many economists and some inside the Fed anticipated that the central bank would have to raise rates to levels that would likely lead to higher unemployment, risking a recession. But economic growth has shown surprising resilience even as wage and price increases have slowed, suggesting officials might be able to achieve a so-called soft landing that avoids a sharp downturn.

Last week, the Labor Department reported that the U.S. economy added 353,000 jobs in January, nearly double the number economists had forecast.

At the same time, price pressures have continued to cool. Inflation excluding volatile food and energy prices fell to 2.9% in December from a year earlier. At a six-month annualized rate, core inflation was 1.9% in December, down from 4% in June.

During his television appearance that aired Sunday, Powell repeated his view that the Fed wouldn't need to wait until inflation fell all the way to its 2% goal to begin cutting rates.

He also said he expected 12-month inflation rates to continue declining in coming months since they'll be lapping much more elevated levels from a year ago. As those higher readings are replaced with lower ones, "you will see the 12-month inflation readings coming down over the course of this year," he said.

Still, Powell said it was too soon to say the economy had achieved a soft landing. "We have work left to do on this," he said in his first appearance on the show since 2021.

Sunday's interview comes ahead of what is likely to be a fraught political season for the Fed. Last week, former President Donald Trump said that if re-elected in November, he wouldn't reappoint Powell when his four-year term as chair expires in 2026.

Trump named Powell as Fed chair in 2018, then later mused about firing him for keeping interest rates too high. President Biden named Powell to a second term as chair in 2022.

In an interview that aired Friday on the Fox Business Network, Trump said he thought Powell would lower interest rates to help Biden: "I think he's political."

During his television appearance that aired Sunday, Federal Reserve Chair Jerome Powell repeated his view that the Fed wouldn't need to wait until inflation fell all the way to its 2% goal to begin cutting rates. REUTERS

Several Democratic lawmakers, including Massachusetts Sen. Elizabeth Warren, last week wrote to Powell urging him to cut interest rates to make housing more affordable.

Powell has met frequently with lawmakers of both parties during his tenure as part of his efforts to protect the Fed's reputation as an apolitical institution. He underscored that point during his interview for Sunday's broadcast, saying that the Fed doesn't consider politics in its decisions.

"We never do, and we never will," he said. "Integrity is priceless, and at the end, that's all you have. And we plan on keeping ours."

The Fed's actions have always had the potential to alter economic—and thus political—outcomes. But that possibility is heightened this year because of the unusual path of inflation and interest rates over the past few years.

After inflation first surged in 2021, shortly after Biden took office, the Fed was slow to raise rates because it thought price pressures would quickly subside. When it finally acted, it did so dramatically, raising rates at the fastest pace in four decades.

"When I look back on this, I want to be able to say that I gave it my absolute best, and that I made the right decisions for the right reasons," Powell said when asked to reflect on his legacy.

Powell often refrains from commenting on policy issues outside the Fed's purview. But he made an appeal in the CBS interview for continued U.S. engagement abroad. America's role defending democracy and related economic and security arrangements "has benefited our country enormously," he said. "I hope that continues."

THE WALL STREET JOURNAL.

Meta has finally figured out how to sell the Metaverse

Dan Gallagher
feedback@livemint.com

The last time Mark Zuckerberg signaled plans to open his wallet, his shareholders bailed. What a difference two years makes.

Meta Platforms saw its share price jump 20% Friday following strong fourth-quarter results that included a significantly boosted share buyback and the company's first-ever dividend. It was a significant bump for a stock that had already nearly tripled in value during 2023. The recent gains have also put Meta's market value back above $1 trillion, in the rarefied ranks of Apple, Microsoft, Amazon, Nvidia and Google-parent Alphabet.

The company once known as Facebook was unceremoniously booted from that club in late 2021 when Zuckerberg first started signaling his interest in the metaverse, loosely defined as a virtual world accessed mainly through virtual and augmented reality devices. Shareholder worries grew as the company took drastic steps that included changing its name to Meta and boosting its annual capital-expenditure, or capex, budget by nearly 80%. Virtual reality had so far been a dud of an industry. But as Facebook's chief executive officer and controlling shareholder, Zuckerberg had little to stop him from chasing the dream.

So investors voted with their feet. Meta's fourth-quarter report in February of 2022 included a dim outlook for its advertising business, which was slowing rapidly to single-digit growth following a pandemic bump. That cost the stock more than a quarter of its value in a single day, and the fallout wasn't over. By November of that year, Meta's market value had bottomed at around $237 billion—78% below its peak just a little over a year earlier.

Meta CEO Mark Zuckerberg. AFP

Zuckerberg got the message, launching a "year of efficiency" that cut the company's head count by 22% during 2023. But Meta isn't exactly getting parsimonious. Besides the aforementioned buybacks and dividend, the company used its fourth-quarter report Thursday to raise the high end of its capital-expenditure forecast by $2 billion, to $37 billion for this year.

The boost was credited to the company's data center build-out as well as the need for servers and other components for AI. Zuckerberg said on the call that he expects to have about 350,000 of Nvidia's expensive and hard-to-come-by H100 chips powering his network by the end of the year.

Microsoft, Google and Amazon also signaled plans to increase capex this year to build out their own AI capabilities. Still, $37 billion would be a sizable outlay for Meta, coming only 10% below what Wall Street projects for Google's parent this year. That company still generates more than twice as much annual revenue.

Meta is also hiring again, which Chief Financial Officer Susan Li said Thursday "will further shift our workforce composition toward higher-cost technical roles." And Zuckerberg hasn't given up on the metaverse: During the company's earnings call, he referred to AI and the metaverse as "two major parts of our long-term vision."

Wall Street isn't worried this time. "This ain't your father's FB," wrote Mark Mahaney of Evercore ISI, noting Meta's reduced cost structure, improving ad-revenue growth and shareholder-friendly moves, such as the dividend. Rohit Kulkarni of Roth MKM said the dividend would bring a "bigger unlock of a new category of shareholders" that could drive the stock even higher. Mark Shmulik of Bernstein was more succinct: "This quarter should leave investors with a simple takeaway: TRUST ZUCK."

That trust will likely hold so long as the right numbers keep moving in the right direction. Advertising revenue—which fell on a full-year basis for the first time ever in 2022—rose 16% in 2023, picking up as the year went on. The operating margin in the company's core family of apps segment jumped 10 percentage points to 47% in 2023, reflecting the improved financial performance of products such as Reels. And the Reality Labs unit that houses the company's metaverse efforts even had a surprising jump in revenue in the fourth quarter, crossing the $1 billion mark for the first time, thanks to strong sales of the company's Quest VR headsets.

That business is still a costly one, incurring an operating loss of more than $16 billion in 2023. And Meta faces plenty of other risks, including growing reliance on Chinese e-commerce players such as Temu for advertising, plus the now ever-present prospects of political scandals and regulation. But a leaner cost structure helps absorb speculative investments. And, despite their recent run, Meta shares closed Friday at 24 times forward earnings—a discount to all the other trillion-dollar techs save for Alphabet.

Facebook's parent should keep more friends this time.

THE WALL STREET JOURNAL.

The copycats are coming for China's hit brands

Sha Hua
feedback@livemint.com
SINGAPORE

For years, Western companies complained about Chinese copycats. Now, the copycats are coming for Chinese companies.

Starbucks's Chinese rival, Luckin Coffee, has fought a long legal battle with a look-alike in Thailand that it says damages its brand. Beverage franchise Heytea, which recently opened its first store in New York selling its signature cheese-foam tea, has faced off against its Singaporean doppelgänger Heetea.

And behind Nigeria's first lithium-processing plant, launched with great ceremony in October, isn't the China-based Tesla supplier Ganfeng Lithium but a local venture called Ganfeng Lithium Industry.

As more Chinese companies go overseas and become coveted brands, they are discovering one of the pitfalls of international success: imitators.

After all, "you are more at risk if you are actually successful and famous," says Catherine Lee, a senior partner at the international law firm Dentons Rodyk and one of the lawyers representing China's Heytea.

International lawyers interviewed by The Wall Street Journal said that inquiries from Chinese companies seeking to protect their intellectual property had risen in recent years. There were nearly 6.2 million trademark registrations in China in 2022, triple the amount compared with five years earlier, according to data from the China National Intellectual Property Administration.

China has strengthened enforcement at home, with higher penalty fees for patent infringements, and shortened the time courts take to handle the cases. In 2022, China handled around 430,000 first-instance civil IP cases, up from 280,000 in 2018, according to China's Supreme People's Court.

In 2005, Starbucks sued Shanghai Xingbake Cafe, a Chinese coffee-shop chain using Starbucks's Chinese characters, for trademark infringement, alleging that the latter was its doppelgänger and causing confusion among customers while diluting the value of its brand in China. Starbucks won the case and Xingbake was ordered to pay damages and change its name.

Luckin's out

Now, Luckin Coffee, which has knocked Starbucks off its top spot in the Chinese coffee market, is fighting against a look-alike abroad.

Starbucks's Chinese rival, Luckin Coffee, has fought a long legal battle with a look-alike in Thailand

Pictures emerged online two years ago showing a cafe in Thailand with the name "Luckin Coffee" and a logo of a blue deer on a white background looking left. The logo of China-based Luckin Coffee shows a white deer on a blue background looking right.

The Chinese company issued a statement in August 2022 calling the Thai store "fake" and saying it would take legal action.

In December 2023, however, Thai Luckin said on social media that Thailand's Central Intellectual Property and International Trade Court had rejected Luckin's case for trademark and copyright infringement.

That is because Thailand, like China, follows a "first-to-file" regimen for intellectual property, which grants use rights to whoever registered the trademark first.

50R, the company behind Thai Luckin, has registered nearly 200 trademarks in Thailand, including names such as TikTok, T-Mall and Pinduoduo—all of which are popular Chinese online platforms. (The company also trademarked Chinese-character versions of Chanel, Tesla and the name "Trump.")

It registered Luckin with Thai authorities in 2018, three years ahead of China's Luckin, and then proceeded to sell coffee.

Luckin's pre-2018 fame in China carried no weight with the Thai court because of the lack of a trademark protection treaty between the two countries, said Lin Shanlin, a Bangkok-based lawyer at Mandarin Accounting Law Firm.

Luckin Coffee declined to comment. Neither Thai Luckin nor 50R Group responded to requests for comment.

Some 73 of the "100 Most Valuable Chinese Brands in 2023," as determined by marketing data firm Kantar, attempted to have their trademarks registered in Thailand. In nearly half of the cases, this appears to have been done by third parties suspected of not being the legitimate owners of the mark, according to data collected by Akkaraporn Muangsobha, a Bangkok-based partner at the international law firm Rajah & Tann Asia.

What's in a name?

China's global leadership in solar panels and batteries is also attracting imitators.

A company billing itself Ganfeng Lithium Industry treated Nigeria's minister of solid minerals development, Dele Alake, to a red-carpet reception and gave him a golden spade for a ceremony marking the construction of a $250 million lithium-processing plant in October.

Days later, Nigeria's Ganfeng released a statement taking issue with media reports that called it a subsidiary of China's Ganfeng Lithium, one of the world's largest lithium-salt producers for EV batteries, and accusing its Chinese counterpart of impersonation instead.

It had "never relied on or utilized any resources or influence" from its more established namesake, Nigeria's Ganfeng said in the statement, adding that the Chinese characters for its name mean "Sweet Harvest."

China's Ganfeng said it was surprised to see someone undertake an entire project using its name.

The meaning of the Chinese characters in the name of Tesla supplier Ganfeng is "vanguard of Jiangxi," a reference to the southeastern Chinese province in which it was founded in 2000.

China's Ganfeng said it was surprised to see someone undertake an entire project using its name. It added that it was currently in the process of registering its trademark in Nigeria and elsewhere in the world.

Nigeria's Ganfeng and the ministry didn't respond to requests for comment.

In countries with strong IP laws, Chinese companies have fared better.

In Singapore, a store called Heetea began operating more than six years ago, selling drinks with a salty layer of cheese foam on top of fresh tea. Its logo showed a cartoon man in black and white from the side drinking from a cup.

There was only one hitch in Heetea's plan: Heytea.

Heytea is a Chinese beverage chain founded in 2012 and was already famous in the Chinese-speaking world for introducing cheese tea to a broad audience.

Singapore's intellectual-property office sided with the Chinese firm, invalidating Heetea's trademark in 2021.

The office pointed to striking similarities in the logo, from the "shape of the head, nose, and mouth; angle of the head tilt; the way the boy holds the cup in the right hand with four fingers visible" to the font and positioning of the text.

For the future, intellectual-property law practitioners say Chinese companies need to do what Western companies long ago learned to do: carry out due diligence, register trademarks early and monitor their use overseas.

That advice comes too late for China's Luckin Coffee, at least in Thailand, where it won't be allowed to open stores called "Luckin Coffee."

NEWS IN NUMBERS

46,700

THE NUMBER of barrels of Russian oil worth over $3.44 million that the United States received in October and November last year despite sanctions.

₹78,672 cr

THE NET additional funding the government would need this fiscal to provide income support to farmers, crop insurance, fertilizer subsidy and rural jobs.

₹600 cr

THE PENALTY collected by the Union government from those who failed to link their PAN with their Aadhaar number before the deadline.

900

THE NUMBER of jobs Societe Generale, France's third-biggest listed bank, is cutting at its Paris headquarters, as a part of its cost-cutting programme.

97.38%

THE PERCENTAGE of ₹2,000 denomination banknotes that have been returned to the RBI since it withdrew them from circulation on May 19 last year.

HOWINDIALIVES.COM

SHOW OF STRENGTH

Prime Minister Narendra Modi addresses Parliament on Monday. PTI

PM sure of poll win, vows India will be third largest economy

Estimates NDA winning more than 400 seats, with BJP bagging at least 370

Subhash Narayan
subhash.narayan@livemint.com
NEW DELHI

Prime minister Narendra Modi on Monday gave a peek into the primary agenda of the BJP-led National Democratic Alliance (NDA) if it wins a successive third mandate in the upcoming national election—to make India the world's third-largest economy while accelerating its growth as a developed nation, or 'Viksit Bharat'.

Replying to a discussion on the motion of thanks on the President's address in the Lok Sabha, the prime minister said the work done by the government in its current term gave him confidence that in the third term of the NDA, India will become the world's third-largest economy, up from its fifth position now.

"This is Modi's guarantee," he told legislators, citing the speed of work in the country that gave him confidence this target would be reached within the next five-year term if the NDA wins the national election.

Hitting out at the previous Congress-led UPA government, Modi said that in the interim budget for 2014, the then finance minister had said India had become the world's eleventh-largest economy and over the next three decades would become the third-largest economy.

"This meant that India would become third-largest economy only by 2044. We are confident of achieving this feat in the government's third term itself," Modi said.

The prime minister said that the pace of work in the country had reached unprecedented levels.

"Our third term will be full of big decisions...I had said from the Red Fort and also reiterated at the time of Ram Mandir Pran Pratishtha that I want to see the country prosperous and at the pinnacle of success for the next thousand years. The third term will be the time to lay a strong foundation for the next 1,000 years," Modi said.

> The prime minister estimated that the NDA would win in more than 400 electoral seats, with the BJP winning in at least 370 of those

Confident of winning and returning to power, the prime minister estimated that the NDA would win in more than 400 electoral seats, with the BJP winning in at least 370 of those.

The prime minister said the NDA government's first term was spent on plugging loopholes of the earlier Congress-led government, while the second term focused on the development agenda. "In our third term, the goal of becoming 'Viksit Bharat' will get new speed," he said.

Thyrocare to buy Think Health

Diagnostics firm Thyrocare Technologies on Monday said it will acquire Chennai-based Think Health Diagnostics and a related entity for an undisclosed amount.

The company has entered into a share purchase agreement with Think Health Diagnostics and their existing shareholders for the deal, it said in a statement.

The strategic acquisition helps Thyrocare provide ECG services at home, it added.

"With the strategic acquisition of Think Health Diagnostics, we are well-positioned to expand our footprint in pre-policy medical checkups for the insurance segment," Thyrocare Technologies MD and CEO Rahul Guha said.

This will allow the company to give insurance partners a one-stop solution for blood and ECG testing and further deepen presence in the pre-policy medical checkup and annual health checkup market, he added. PTI

The company's unexecuted order book now stands at 1.161 GW, according to a BSE filing. MINT

Waaree Renewable bags solar project

Waaree Renewable Technologies on Monday said it has bagged a order worth ₹547.5 crore for 412 MWp solar energy project.

The company's unexecuted order book now stands at 1.161 GW, according to a BSE filing. The Waaree Renewable Technologies has received a Letter of Award (LOA) for the execution of Engineering, Procurement and Construction (EPC) work for Solar power plant on turnkey basis with an order value of ₹547.5 crore, it stated.

The Letter of Award also includes operations and maintenance for a period of two years from the date of hand over, with an order value of ₹6.798 crore. The projects are scheduled to be completed in December, 2024 as per the term of the order.

The company also stated that the order is awarded by one of the global leading biggest utility in the world in renewable energy. However, it did not specify the name of the firm.

But it has disclosed to the BSE that it is a domestic order. PTI

Bajaj Electricals Q3 profit drops 40%

Bajaj Electricals reported its third consecutive drop in quarterly profit on Monday, as high inflation dampened festive spending and rural demand remained subdued.

Consolidated net profit slumped nearly 40% to ₹37.36 crore for the three months ended 31 December, following declines of 56% and 14% in the previous two quarters.

The October-December period typically marks the festival season in India, during which consumers traditionally splurge on non-discretionary products.

However, demand was subdued in the latest quarter due to elevated inflation levels, which restrained expenditure on non-essential items, in both rural and urban areas, analysts said.

"Consumer products continue to show signs of rural stress and weak consumer demand," Bajaj Electricals said in a statement. REUTERS

Standalone profit rose 60.5% from previous year to ₹580 cr for 3 months ended 31 December.

Ashok Leyland Q3 profit beats view

Ashok Leyland Ltd beat third-quarter profit estimates on Monday, helped by reduced costs and increased demand for its trucks and buses.

Standalone profit rose 60.5% from the previous year to ₹580 crore for the three months ended 31 December, surpassing analysts' estimate of ₹551 crore, according to LSEG data. Revenue from operations rose 2.7% to ₹9,273 crore. However, it fell 3.8% from the previous quarter.

Industry data showed that sales of commercial vehicles (CV) in India grew 3.5% in the third quarter, down from 6.9% in the previous three months.

Analysts believe that the buoyancy in truck demand, which began in 2022, will sustain, as historical trends indicate that demand upturns typically last four to five years on average in India. REUTERS

Alembic Pharma Q3 profit beats view

Alembic Pharmaceuticals reported a bigger-than-expected third-quarter profit on Monday, driven by higher sales in the domestic and US markets.

The generic drugmaker reported a consolidated net profit of ₹180 crore for the three months ending 31 December, beating analysts' average estimate of ₹146 crore, as per LSEG data.

It had reported a profit of ₹122 crore in the year-ago period. New product launches and easing price erosion in the United States have benefitted generic drugmakers such as Alembic and also larger rivals, including Cipla, Dr Reddy's and Sun Pharmaceutical Industries, all of which beat their third-quarter profit estimates on strong US sales. Alembic Pharmaceuticals' revenue from operations rose 8% in the December-quarter, led by a 9% rise in its India and US businesses each. REUTERS

Park Hotels IPO fully subscribed

The initial public (IPO) offer of Apeejay Surrendra Park Hotels, which runs hotels under the "The Park" brand, was fully subscribed on the first day of bidding on Monday and ended with 2.52 times subscription.

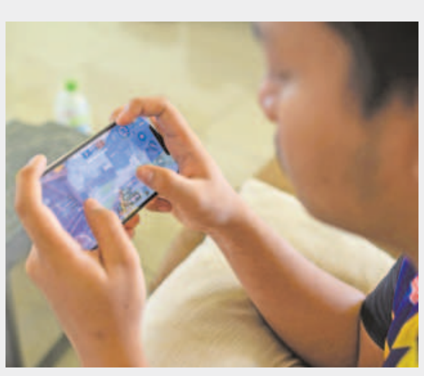
The ₹920 crore IPO received bids for 8,75,33,280 shares against 3,47,61,903 shares on offer, as per NSE data.

The category for Retail Individual Investors (RIIs) received 5.70 times subscription while the quota for non-institutional investors fetched 3.24 times subscription.

The portion meant for Qualified Institutional Buyers (QIBs) got subscribed 1.17 times.

The IPO has a fresh issue of up to ₹600 crore and an offer for sale component of up to ₹320 crore. The IPO has a price range of ₹147-155 a share. Those offering shares in the OFS are Apeejay Surrendra Trust, Apeejay Pvt Ltd, RECP IV Park Hotel Investors Ltd, and RECP IV Park Co-Investors Ltd. PTI

'India to review tax on online gaming'



The $20 billion online gaming sector got a jolt last year when 28% GST was imposed. AFP

India will review the national sales tax regime for online gaming companies after next month, a top finance ministry official said. The $20 billion online gaming industry got a jolt last year when a panel of state finance ministers headed by federal finance minister Nirmala Sitharaman imposed a 28% goods and services tax (GST) on a sector which had boomed during the pandemic. The Goods and Services Tax Council agreed to review the tax after a six-month period.

"The whole tax structure would be reviewed for online gaming companies after March," revenue secretary Sanjay Malhotra said in an interview on Saturday.

Tax income from online gaming companies amounted to ₹3,470 crore since it was implemented on 1 October through January, he said, and the government estimates to collect about ₹14,000 crore in 2024-25.

Online gaming companies including Delta Corp. and Tiger Global-backed Dream11 have seen an increase in demands and notices from tax authorities amid a crackdown on alleged tax evasion. PTI

The company's net profit stood at ₹398 cr in the corresponding period of the previous year.

Tata Chemicals Q3 net profit falls 60%

Tata Chemicals on Monday reported a 60% decline in consolidated net profit to ₹158 crore in the December quarter.

The company's net profit stood at ₹398 crore in the corresponding period of the previous year, Tata Chemicals said in a regulatory filing.

Revenue from operations of the company fell 10% in the third quarter of the ongoing fiscal to ₹3,730 crore compared to ₹4,148 crore in the same period of the previous fiscal.

"The demand environment for soda ash in our domestic markets as well as international markets was challenging during the quarter. This was especially so in the container glass and flat glass sectors in Europe and the Americas, which led to a pressure on volumes and prices."

Our endeavour is to continue to maintain our market share through customer engagement and have steady contribution margins with focus on costs and higher value-added products," Tata Chemicals MD and CEO R. Mukundan said. The company's focus will also be to deliver capital investment projects on time, conserve cash and continue to deleverage, he said. PTI

Varun Beverages' Q4 profit up 77%

Pepsi India bottler Varun Beverages reported a nearly 77% surge in its quarterly profit on Monday, as it saw double-digit volume growth across domestic and international markets even as higher costs of essentials weighed on consumers.

Consolidated net profit rose to ₹132 crore for the fourth quarter ended 31 December, compared with ₹74.75 crore in the year-ago period. Consumers in cities with higher average incomes, compared with their counterparts in the hinterlands, have helped makers of packaged goods pull in massive sales, even in the face of higher prices of essentials.

Varun Beverages said in its investor presentation that it saw a 21% surge in its revenue from operations at ₹2,731 crore in the reported period, and also an upbeat volume growth. The cost of raw materials, which include flavoured concentrate, packaging material and sugar, edged 1.8% higher during the quarter. REUTERS

Maldives Prez says 1st group of Indian troops to be sent back

Maldivian President Mohamed Muizzu on Monday said the first group of Indian military personnel will be sent back from the island nation before 10 March, while the remaining Indians manning two aviation platforms will be withdrawn by 10 May.

In his maiden address to Parliament, Muizzu, widely seen as a pro-China leader, said he believes a large majority of Maldivians support his administration with the expectation that they will remove foreign military presence from the country, and recover the lost oceanic territory.

Soon after taking oath as the President of Maldives on 17 November, Muizzu formally requested India to withdraw 88 military personnel from his country by 15 March, saying the Maldivian people have given him a "strong mandate" to make this request to New Delhi.

Currently, Indian military personnel are in the Maldives primarily to operate two helicopters and an aircraft that have carried out hundreds of medical evacuations and humanitarian missions. PTI

In his maiden address to Parliament, Muizzu said he believes a large majority of Maldivians support his administration. AP

THE RETURN OF THE NRI HOMEBUYER

NRIs have been buying premium flats, plots, villas and homes in retirement communities. What gives?

(Top, clockwise from left): Projects with high NRI participation: Prestige Group's Prestige Park Grove project, Bengaluru; Puravankara's Purva Clermont project, Mumbai; The House of Abhinandan Lodha's Gulf of Goa project, Goa, and its The Sarayu project's clubhouse, Ayodhya. (Bottom, left to right): Columbia Pacific Communities' The Virtuoso project, Bengaluru; DLF's Privana South project, Gurugram and Puravankara's Purva Atmosphere project, Bengaluru. (Note: All photos are artist impressions, except the The Virtuoso).

Madhurima Nandy
madhurima.n@htlive.com
BENGALURU

Last April, Snigdha Basu and her husband Deep Basu flew to Kolkata from Singapore for the housewarming ceremony of their three-bedroom apartment, which they had registered the year before. It was the happy culmination of a journey that had seen them endure a bitter experience a decade earlier after purchasing their first flat. The couple had bought that apartment in the New Town area, as an investment, and to have their own place in a city they grew up in. It was a project by Unitech Ltd, and like many others by the developer, it wasn't completed. Basu's elder brother Prantik Banerjee (a Bangkok resident) and their Dubai-based cousin Chandrima Chowdhury had also booked homes in the Unitech project. They, too, never got possession of their homes.

Consequently, they shunned the property market in India for many years. Then the pandemic hit and the under-performing housing market took off. Non-resident Indians (NRIs), in particular, were cut off and unable to visit their families back home.

"In October 2021, we were in Kolkata for the first time since the pandemic and thought of buying a property again. We looked only at flats in South Kolkata that were close to possession. We booked a 3BHK in a condominium in Picnic Garden, in early 2022. Prices had started to rise and it was a good time to buy," Basu, 44, a banking professional, told *Mint*. Last year, her cousin Chowdhury booked an apartment in another project that was a year away from completion. Her brother is also looking out and plans to buy a home this year.

After the prolonged slowdown in the residential sector, followed by the pandemic, NRI buyers and investors are back again. Corporate and finance executives, doctors, entrepreneurs, techies from West Asia, south-east Asia, the US, the UK, Europe, even business families from Africa have bought premium apartments, plots, villas, as well as homes in retirement communities in the last three years.

As per estimates by proptech firm NoBroker, the NRI share in annual home sales, which was sub-10% before 2020, increased to 15% in 2023, and will touch 20% by 2025. The residential market is currently upbeat and home prices have been increasing. Investors are already back in a big way in the National Capital Region (NCR), and the turnaround in the sector marks the return of the more cautious NRI investor base.

Shveta Jain, managing director, residential services, at property advisory Savills India, said NRI participation today is seeing an uptick. However, after many unpleasant investment experiences in the past, NRIs are routing their investments to developers who have a sound track record, have demonstrated timely project delivery, and honoured their commitments to buyers.

"These are developers whose projects are likely to see better capital appreciation. The primary objective for NRIs is a safe investment and capital appreciation, given that rental returns are still low," added Jain.

> As per estimates by proptech firm NoBroker, the NRI share in annual home sales, which was sub-10% before 2020, increased to 15% in 2023, and will touch 20% by 2025.

WINDOW OF OPPORTUNITY

DLF Ltd, the country's largest developer, pre-launched its luxury project, 'The Arbour', last February. There was little surprise when the project's 1,137 apartments, with an average price of ₹7.5 crore, sold out in three days. What was surprising though, was that 15% (₹1,800 crore) of the sales came from NRIs. The NRI share in DLF's Panchkula low-rise project launched last year, which offered independent floors, was also 15%.

In December, NRI investors from various countries grabbed a bigger share—25%—in the developer's latest launch, 'Privana South', in Gurugram, which has over 1,100 apartments. Among other countries, NRIs from Tanzania and Kenya participated for the first time.

Aakash Ohri, joint managing director and chief business officer, DLF Home Developers Ltd, said that in the last two years, DLF's NRI outreach programme has been actively engaging with investors, conducting meetings and updating them with information. NRIs are provided real-time support and DLF has initiated measures such as securing specific inventory for them and synchronizing launches in India and overseas, so that such customers have access to premier inventory.

"NRIs participated actively till a decade back, but then, in NCR, unscrupulous elements in the property market and construction delays kept them away. NRI interest in our recent projects is due to their trust in DLF, better connectivity and infrastructure, and the price points," Ohri said.

While markets such as Gurugram in NCR have seen faster capital appreciation, the surge in demand for certain under-construction projects, which offer cost arbitrage, makes it evident that investors are back.

Bengaluru-based Puravankara Ltd said its sales to NRIs have seen an uptick in the last two-three years, with 40% year-on-year growth. There is increased interest in luxury homes, plots and villas from NRIs in the US, South East Asia and West Asia.

Regulatory reforms under RERA, favourable government policies, price appreciation and increased trust in Grade A developers drove interest among NRIs, said Group CEO Abhishek Kapoor.

Bengaluru's Prestige Group, which has projects across cities, said it has seen NRI-buying double in the last three years.

"Gulf countries, like before, contributed the most in terms of numbers, but the most significant uptick in interest has been from US-based NRIs. The renewed interest in investing back home is due to better economic growth, pricing and strengthening of the US dollar," said Praveer Srivastava, senior vice-president, residential, Prestige Group.

Similarly, Mumbai's K Raheja Corp Homes is seeing increased interest from NRI buyers from Dubai and Kuwait, with Hyderabad and Pune as top choices.

Like domestic investors, NRI investors could be both short- and long-term investors. Investors coming into the market today have the capacity to hold on for the long term, said consultants.

"Prices are increasing, but not unreasonably. Rents are on the rise. NRIs typically buy for end-use or rent out. There is also an emotional factor. They are a close-knit community where many buy together, or if one buys, more will follow," said Prashant Thakur, director and research head, Anarock Group.

mint SHORT STORY

WHAT

After the prolonged slowdown in the residential sector, NRI buyers and investors are back again. The surge in demand for certain under-construction projects provides ample evidence of this.

AND

Corporate executives, doctors, entrepreneurs, techies from West Asia, US, UK, Europe, and even business families from Africa have been buying premium homes across India.

NOW

NRI investors are diversifying their portfolios and looking at fractional investment platforms for commercial assets such as offices, warehouses, and even luxury holiday homes.

THE INFRASTRUCTURE PUSH

The consecration of the deity of Ram at the new temple in Ayodhya, Uttar Pradesh, in January witnessed NRIs celebrating across the globe. When Mumbai-based branded land developer House of Abhinandan Lodha invited enquiries for its first project in the temple town, called 'The Sarayu', roughly 27% were from NRIs. On 22 January, when the developer officially opened bookings for 250 plots, priced at ₹1.72 crore onwards, the NRI participation was around 33%. The entire inventory sold out in less than 24 hours. The developer is now in the process of setting up its first marketing office in Dubai.

While a strong emotional connection may have played a role, NRI investors also looked at the large-scale infrastructure projects in the temple town, which will drive prices.

Chairman Abhinandan Lodha said NRI participation even two-three years ago was peripheral. "NRIs are now buying with the next generation in mind. Our team has visited multiple countries and built a distribution network. In the Ayodhya project, NRIs from 63 countries expressed interest. There is underlying interest in buying land, because a real estate upside comes with land," he said.

In addition, Lodha has seen significant interest in its second-home projects—a plotted project in Goa as well as premium villas in Alibaug, a seaside town near Mumbai. NRI investors typically respond well to large infrastructure projects that improve connectivity and increase real estate value in the surrounding areas.

The Mumbai Trans Harbour Link (MTHL) or 'Atal Setu', a 21.8 km sea bridge connecting central Mumbai to Navi Mumbai, which was inaugurated in January, is expected to spark real estate activity in the latter, with industry experts forecasting a rise in property prices and demand. The long-pending Navi Mumbai international airport is expected to be operational by the year-end.

> When House of Abhinandan Lodha opened bookings for its Ayodhya project, featuring 250 plots priced at ₹1.72 crore onwards, the NRI participation was 33%.

"NRI investor enquiries across all our projects have risen in the past year, but the highest is in Panvel (Navi Mumbai), for plots and villas. MTHL was in the works for the longest time, but investors will believe it when they see it happen. The airport is also a reality. They are viewing Panvel as a future destination," said Navin Makhija, managing director, Wadhwa Group, which has high-end projects in Mumbai and a large plotted and villa project, 'Wadhwa Wise City', in Panvel.

NOT JUST RESIDENTIAL

NRI investors have always focused on residential projects for the most part. Now, they are diversifying their real estate portfolios and looking at fractional investment platforms for commercial assets. These platforms offer investors part ownership of assets such as offices, warehouses, and even luxury holiday homes.

Strata, a fractional investment platform, which is into office and warehousing assets, has been operational for four years. It has a diverse NRI client base settled in Dubai, Japan, Kenya, the US, and the UK, among other countries. A quarter of its ₹1,300 crore in assets under management (AUM) is attributed to NRI investors.

"Fractional investment platforms have emerged as an important asset class. When investors come on our platform, all the information is available beforehand with complete transparency. There is ease of investment, stability, fully digitized transactions and good returns," said Nihar Shah, director and head of investments, Strata.

Residential yields in the country have typically been low, at 2-3%, compared to commercial office space, which offers higher yields of 7-9%. Fractional real estate ownership platforms, where operators typically buy out individual floors in office assets, small office buildings, or small warehouses, offer even better returns. Strata, for instance, has a targeted internal rate of return, or IRR, of 13-15%, which is a blend of rental yield and capital appreciation.

Now, with market regulator Securities and Exchange Board of India (SEBI) expected to bring such platforms under its jurisdiction, retail investor and NRI confidence and participation are expected to get another boost.

"NRI participation will grow in the next three-five years. Once the Sebi regulations are finalized, the minimum investment of ₹25 lakh is likely to reduce to ₹10 lakh. We are looking at growth and new acquisitions of assets, and our AUM will go up to ₹2,000 crore by March-end," Shah said.

Another platform, hBits, which is raising a ₹500 crore fund to invest in commercial real estate, has seen strong commitments from NRIs. "We do NRI outreach through digital marketing and use wealth managers, financial advisors and property brokers. Transactions are done digitally, including online walk-through of projects, and payments," said Shiv Parekh, founder and CEO, hBits.

TURN TO PAGE 11

Are branded apartments worth the premium that you pay?

There are more amenities associated with branded apartments and the resale value keeps rising, say buyers

Aprajita Sharma & Anil Poste
aprajita.sharma@livemint.com

Brand matters, although it leaves a bigger hole in your wallet. This is more so in the real estate industry where your hard-earned money spent on buying that dream home is at stake. And where it concerns branded apartments, developers, or builders as they are known, charge a premium. But is this premium justified?

A reputed residential real estate developer, say DLF, Godrej, Tata, Prestige, Purvankara or Shriram, can easily command a 20-30% premium for their branded apartments, as compared to a local developer, say real estate experts. For instance, M3M the Cullinan located at Noida Expressway in the National Capital Region charges ₹25,000 per sq.ft for the carpet area, compared to an average rate of ₹13,000 per sq.ft in that locality. To be sure, an apartment is priced on its super built-up area and not the carpet area. So, if the super built-up area of a 3 bhk (bedroom, hall and kitchen) flat is 1,200 sq.ft, its carpet area will be just 70-80% of this based on the project but a buyer will need to pay for the entire built-up area, also known as saleable area.

DLF's ongoing project—DLF One Midtown—at Moti Nagar in New Delhi demands a whopping ₹53,000 per sq.ft carpet area, compared to an average locality rate of ₹13,000 per sq. ft. Godrej 101 at sector 79 in Gurugram is quoting a rate of ₹19,500 per sq. ft, compared to an average ₹9,250 per sq. ft in that sector.

Is it worth paying the huge premium? Not everybody is happy with the concept. Puneet Khurana (51) who stays at Raheja Atlantis in Gurugram is sceptical. "They charged an insane amount as premium when I bought my flat in 2010 but they have not delivered on many of the promises made when they gave possession of the flat. While it is a beautiful apartment, we don't have basic amenities such as a clubhouse or 24-hour power backup. The construction quality is so poor that you can't hammer a nail into the wall," he says. "It is an old property and has been handed over to the RWA," says an executive from Raheja Developers.

Separately, Khurana also bought an apartment at DLF Capital Greens in 2011. While he has no complaints about the quality and fittings, he decries its customer service. "The builder had promised to hand over the flat it 4-5 years after the advance was paid but it happened only after 8-9 years. A court later asked the builder to compensate buyers," he says.

Builders everywhere continue to play truant on delivery dates, say most flat buyers. The situation has not really changed even after Rera, or the Real Estate (Regulation and Development) Act, 2016, was enacted. "I bought M3M Heights located in sector 65 in 2021 at ₹11,000 per sq. ft. The possession was supposed to be in October 2023 but we are still waiting for it even as we have paid full money," he says. Notably, M3M Group is mired in a money laundering case. "Our money is stuck and we have no clarity if the possession will happen," says Khurana.

One of the properties by Godrej Properties—Godrej Summit in Gurugram—suffered from major quality issues and the developer finally offered to buy back all units from its residents last year.

DLF and M3M Group did not respond to emails from *Mint*.

What then is the point in big developers charging such high premiums if their projects are delayed or face quality issues, one may ask. Akhil Saraf, founder & CEO of real estate service provider Reloy, says, "It is not that top builders do not face issues, but they are best positioned to sort it out. They can liaison with authorities to get the work done," says Saraf.

Rising premium

Real estate prices are on a roll, but this is mostly driven by demand and supply, say experts. Ravi Shankar Singh, managing director-residential transaction services, Colliers India, says people working with multinational or tech companies, start-up founders and non-resident Indians have enough liquidity to deploy in the real estate. This has created demand in the ecosystem. Supply, on the other hand, is limited. "The new generation wants a great lifestyle which is environment-friendly and is backed by technology. To cater to this demand, developers are reducing the size of the apartments but providing amenities that this generation seeks. These are fully furnished apartments, with premium fittings, and not the bare shell structures hitherto sold to buyers, who then had to furnish it," says Singh.

Amenities add to the premium. "Prices do appear higher but one needs to understand that you get so many amenities. It is not an apple-to-apple comparison," says Saraf.

While RERA has brought in more transparency and accountability, it has also added to the costs. Efforts at identifying and acquiring land parcels and rising construction costs due to an increase in the prices of raw materials also add to the premium. "Nobody can afford to delay a construction unless it is due to force majeure or change in rules. The developer will have to pay interest from the date of possession promised by the builder till the date of actual possession, as per RERA. The buyer can demand a refund with interest if the project is delayed. Developers have begun to price in this risk," Reshmi Panicker, executive director, land services and residential, Knight Frank India, says.

The missing middle

While high net worth individuals are able to afford premium apartments, the middle class—particularly salaried people— cannot afford the prices and is in a quandary. This segment is delaying its purchase decisions.

Delhi-based Mohit Srivastava, 36, a business consulting professional, has been exploring the housing market for 3-4 years. "A basic apartment in Gurugram will cost you about ₹2 crore. Even if I manage to pay about ₹50 lakh in down payment, I would still be paying more than ₹1 lakh as equated monthly instalments. How will I bear my other monthly expenses?" he wonders.

There are additional costs apart from registration and stamp duties that a buyer has to bear. "When I rented a premium apartment in Gurgaon, I realized that the services of the plumber and electrician were too expensive if these were arranged by the developer. The maintenance cost in itself could be more than ₹15,000 per month at some apartments," he says.

But such high costs are not a deterrent for the well-heeled who would rather be associated with a brand. Some people even compromise with the size of the apartment for the brand. "I chose to buy a 2bhk of 778 sq ft carpet area in Gurugram by Godrej Properties instead of a 3bhk by a mid-tier developer. The delivery is expected in 2026. I chose Godrej because I believe they will deliver on time and even if they delay it, the resale value will be better," says Prateek Pruthi (34) , a treasury manager at an IT company, and based out of Noida.

Do your research

Experts say buyers need to thoroughly research the project that they are interested in, be it for investment or self-use.

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

Premium realty check

Buyers are willing to go with branded developers despite growing issues but the middle class is delaying purchase decisions.

Project	Location	Rate per square ft* (in ₹)	Average locality rate (in ₹)
NCR			
DLF One Midtown	Moti Nagar (Delhi)	53,000*	20,150
Godrej Tropical Isle	Sector 146 (Noida)	26,560*	14,900
M3M The Cullinan	Sector 94, Noida Expressway	25,000	13,000
Gurugram			
M3M Antalya Hills	Sector 79	16,000	9,250
DLF Garden City	Sector 93	14,000	6,950
Godrej 101	Sector 79	19,500	9,250
DLF The Grove	DLF Phase 5, Park Drive	33,500	19,700
Bengaluru			
Prestige Lavender Fields	Varthur	14,000	9,600
Brigade Sanctuary	Whitefield-Sarjapur Road	14,000	8,950
Sobha Neopolis	Panathur	19,500	11,850
MMR			
Kanakia Silicon Valley	Powai (Mumbai)	45,000	35,000
Parimal Vaikunth	Balkum (Thane)	24,084	18,850
Pune			
Shapoorji Pallonji Vanaha	Bavdhan	10,000	8,150
Godrej River Royale	Mahalunge	9,702	8,250

*Carpet area NCR: National Capital Region; MMR: Mumbai Metropolitan Region
Data for a 3bhk flat from 99acres.com; Carpet area prices for Gurugram and Bengaluru calculated by adding 30-40% to super built-up area prices
Source: Sales agents of respective properties; average locality prices from 99acres.com




Puneet Khurana (51) **Location:** Gurugram	**Prateek Pruthi (34)** Gurugram	**Suresh Mandhare (64)** Thane	**Sucharita Ghosh (34)** Bengaluru
Property bought: M3M Heights in 2021	Godrej Nature Plus in 2022	Lodha Paradise in 2010	Prestige Kew Gardens in 2019 Prestige City (Eden Park) in 2022
Size: 1,261 sq. ft. **Price: ₹1.2 crore**	**778 sq. ft.** **₹94 lakh**	**1,350 sq. ft.** **₹55.35 lakh**	**1,357 sq. ft. and 666 sq. ft.** **₹1.2 crore and ₹45 lakh**
"Possession is delayed due to owners being involved in a legal battle.	"With Godrej, I feel that my money will be safe even if delivery gets delayed.	"Faced leakage issues but repair and repainting frequency has been lesser.	"Buying Prestige apts was a breeze; I'm ready to pay premium for convenience.

How to check property/developer status on Rera

Visit the respective state Rera website → Go to the list of 'registered projects' → Use the search bar by putting property or developer name → Click on the property you want to explore → Go through PDFs of project details

Truth behind 'sold-out' project status

- Developers collect cheques in the run up to the launch
- They get EoI forms filled up by interested parties
- A few brokers themselves book a good number of units
- This leads to 'sold-out' status on the launch date
- Cancellations and cheque bounces are common

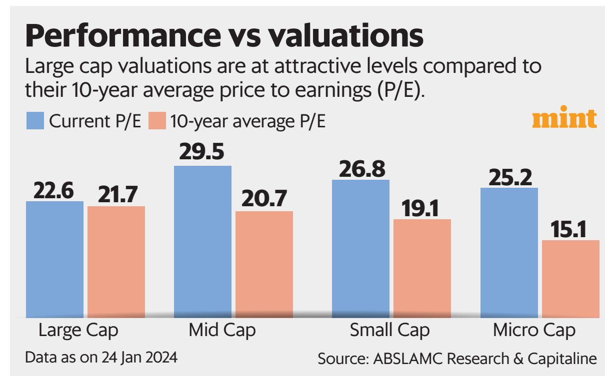
EoI: Expression of interest

PARAS JAIN/MINT

POWER POINT
MAHESH PATIL

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

WHY YOU SHOULD REMAIN INVESTED IN LARGE-CAPS NOW



PARAS JAIN/MINT

In 2023, we saw risk being disproportionately rewarded. India's equity market had a photo finish in the previous calendar year, with the indices hitting all-time levels. In retrospect, the year belonged to the small & mid-cap stocks. The Nifty delivered 20% return during the calendar year and posted its eighth consecutive year of gains while on the Nifty Smallcap rallied 56% and the Nifty Midcap gained 47% during the same time. The rally was broad based, with three sector indices—Nifty Realty, PSE & CPSE—rising more than 50% during the previous calendar year. On the other hand, only a handful of sector indices belonging to the banking and financial services sector underperformed during the same time. The Nifty Private Bank, Nifty Financial Services and Nifty Bank index gained 12–14% in 2023.

Valuations show that large caps are trading close to the 10-year average price to earnings (P/E) multiple whereas small and mid-caps are trading at a premium compared to their 10-year average price to earnings multiple. The P/E ratio is calculated by dividing the market value price per share by the company's earnings per share.

India's stock market is expected to grow in the long term albeit with some short-term volatility. The economic growth trajectory is expected to sustain above 6% going forward. The structural reforms, pick up in investments and capex along with political stability are key ingredients for markets to perform well in the long term. India likely to attract more foreign flows on the back of dollar weakness and the domestic economic outlook being relatively better than global economy. Traditionally, we have seen foreign money favouring large-cap companies with proven long-term track records. Also, the volatility across parameters has been on the lower side be it currency, interest rates, or event equity market performance. This could lead to higher premium for India as an investment destination.

> The economic growth trajectory is expected to sustain above 6%, going ahead

For these reasons, the large-cap stocks could be attractive going forward. There are other reasons too. One, the market capitalization share of large cap stocks is at the lower end of the spectrum at 67%. Two, the returns generated by the market over the long term has been more of less near the earnings growth picture. The Nifty earnings has compounded at 20% in the last three years and is expected to grow 15% in financial year 2025, *Bloomberg* data shows. Finally, more than two thirds of the sector indices outperformed the Nifty in 2023 and 2022. I believe we could see a convergence of the broad outperformance of the last two years.

A large-cap fund is an open-ended equity scheme predominantly investing in large-cap stocks as per the categorization defined by the market regulator, Securities and Exchange Board of India. It is required to invest a minimum 80% of total assets in equity and equity-related instruments of large-cap companies. Further, large-cap companies are those that belong to the top 100 companies in terms of full market capitalization. These are the frontline companies of the country and are known for their proven track record and long-term growth trajectory. Large cap funds invest in such companies with strong fundamentals. Its also offers the fund manager to take limited exposure to mid-cap stocks.

Talking about large-cap fund performance, we have seen the category deliver sustained returns over the years. Also, there are many advantages of investing in large-cap funds such as exposure to a diversified portfolio of frontline companies along with liquidity and easy entry or exit opportunities.

Moreover, the positive factors have been factored in by the market and any negative surprises could lead to a volatile environment for the markets. In such a case, one would be better off with exposure to large-cap names.

In conclusion, taking risks in 2024 may not be as rewarding as 2023.

Mahesh Patil is CIO at Aditya Birla Sun Life AMC Ltd

Check how your NPS investments are faring

There are very few retirement products that help you accumulate a retirement nest egg and one such product is the National Pension System (NPS). It is a market-linked, defined-contribution product that needs you to invest regularly in the funds of your choice. The returns are based on the performance of the fund that you choose. There are eight pension fund managers to choose from and one of the ways to do that is by tracking the returns. Here is a breakdown of the performance of different funds—equity fund, government bond fund and corporate bond fund—of the private sector NPS.

Returns (in %): 1 year, 3 years, 5 years — Tier-1 account

Fund Manager	Equity fund 1 year	Equity fund 3 years	Equity fund 5 years	Government bond fund 1 year	Government bond fund 3 years	Government bond fund 5 years	Corporate debt fund 1 year	Corporate debt fund 3 years	Corporate debt fund 5 years
Aditya Birla Sun Life Pension	24.90	16.18	16.11	8.61	5.01	8.22	7.41	5.47	8.25
HDFC Pension Fund	23.70	16.69	16.57	8.26	4.68	8.15	7.37	5.69	8.44
ICICI Prudential Pension Fund	28.36	17.96	16.82	8.30	4.72	7.97	7.41	5.48	8.00
Kotak Pension Fund	26.15	18.01	16.86	8.72	4.92	8.13	7.32	5.32	7.42
LIC Pension Fund	23.65	17.67	16.01	8.24	4.80	8.40	7.15	5.27	8.14
SBI Pension Fund	24.25	16.05	15.40	8.56	4.73	8.01	7.22	5.35	8.04
UTI Retirement Solutions	25.75	17.21	15.94	8.52	4.67	7.96	7.48	5.17	7.73
Benchmark index	Nifty 50 Total Return: 25.94	17.68	16.96	CCIL All Sovereign Bond-TRI: 8.21	4.45	7.67	CCIL Bond Broad-TRI: 7.28	5.55	8.67

mint
Returns as on 2 Februay 2024;
1-year returns are absolute returns

PRANAY BHARDWAJ/MINT

Source: Npstrust.org

The return of the NRI homebuyer

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EMOTIONAL CONNECT

Senior living projects, too, are seeing big interest from NRIs, particularly during and since the pandemic. In 2022, Morley Muralidhar, who has lived in Raleigh, North Carolina, for 40 years, bought a three-bedroom apartment in Seattle-headquartered Columbia Pacific Communities' retirement living project, 'The Virtuoso', in Bengaluru.

Muralidhar, 73, is now planning to sell the two apartments he had bought in Bengaluru in the past, mainly due to high maintenance charges and the complications in managing them.

"My wife and I are still working, but we want to spend more time in India every year. Our roots are in India," he said.

V. Sivakumar, director, Columbia Pacific Communities, noted that there are two target groups: those who have worked overseas and want to return, and those who want to be part of India's growth story. The company, which runs such facilities in Bengaluru, Chennai, Coimbatore and Kanchipuram, now plans to enter Pune and Kerala, which attract a lot of NRI investor interest.

According to a survey published by NoBroker in November, the majority of NRI buyers are from the UAE and the US, with 37% working as IT/technology professionals. Around 29% of NRIs showed interest in buying property in Bengaluru.

> The return of investors, including NRIs, in markets such as NCR's Gurugram, which has seen a sharp rise in prices, leads to the question: Are speculators back, too?

The year gone by witnessed the highest capital appreciation in the last decade, and NRI investors didn't want to miss the upcycle. "Around 60% of NRIs are buying properties of ₹80 lakh and above. Around 40% are buying for investment and 60% for the family in India or for later. Pre-covid, NRIs were scared to invest and there was no movement in property prices, but that has changed," said Saurabh Garg, co-founder and chief business officer, NoBroker.

The return of investors, including NRIs, in markets such as NCR's Gurugram, which has seen a sharp rise in prices, leads to the question: Are speculators back, too?

In DLF's earnings call in January, an analyst said investors in its project, 'Arbour', launched a few months ago, are already looking to sell their apartments. Secondary sales in the project now command a pricing premium. Is that worrying? Ohri responded saying 5-10% of the stock is up for trading every year, which is not alarming.

The current market conditions offer an opportunity to make short-term gains. Investors who book at the pre-launch stage wait for a few quarters for prices to increase, aiming to exit with a gain.

However, Amit Bhagat, MD and CEO, ASK Property Fund, argued that this is not an investor's market since there is a 5% GST levy on under-construction projects in addition to stamp duty. Except for plotted projects, many are driven by end-users, he noted.

However, due to low inventory in markets such as Gurugram and Noida, there is a fear of missing out, which has brought back long-term investors, especially NRIs, Bhagat added.

Can such investors make adequate compound returns? For now, the outlook is positive and demand continues to be strong.

OUR VIEW

MINT

RBI could signal scope for rate cuts in 2024-25

An early policy pivot is unlikely under near-term price pressures, but a shift in policy stance could set the stage for rate cuts next year—ideally in sync with a private investment revival

Tighter fiscal control than expected by the government has given India's central bank one less reason to worry as it meets this week to review monetary policy. With the Centre's deficit projected to move faster down its glide path, the likelihood of spending-driven price pressures upsetting the Reserve Bank of India's (RBI) apple-cart has fallen a bit. The budget has pegged the central deficit in 2023-24 at 5.8% of GDP, lower than estimated initially. Further tightening to 5.1% has been pencilled in for 2024-25, before it is shrunk to under 4.5% the following year. Looser purse strings could have made RBI wary of a premature policy pivot. But with state spending kept in better check, the central bank would be assured of a fiscal policy favourable to its job.

That said, retail inflation climbing to 5.7% in December will keep RBI's gaze fixed on price stability, the mandate it must meet to score a key credibility win. Given its commitment to Arjuna-like accuracy, it would need price escalation held at—or around—4% year-on-year for a stretch. This means borrowers must display patience and not expect an imminent easing of monetary policy. What the budget plan could advance, however, is a much-awaited shift in stance from "withdrawal of accommodation," a reference to pandemic-time easing, to "neutral." Should RBI's latest data readings prompt confidence that its efforts since mid-2022 have given it a handle on price levels (note that core inflation has been easing), then such a switch is within the realm of possibility this week. If done, it would raise anticipation of policy rate cuts at some point in 2024-25, as it would formalize inflation as a receding threat and economic growth as an equal consideration. Of course, this would depend on RBI's assessment of inflationary factors. Crude oil, for one. While US hydrocarbon supply has helped keep global prices stable, a flare-up due to the crisis in West Asia can't be ruled out. Prices are back above $80 per barrel and even the budget math could get hit by a lasting upshoot. Meanwhile, food prices remain subject to volatility. So core inflation—shorn of fuel and food, i.e.—having eased is incomplete comfort. What RBI's policy panel might opt for, then, is inflation-fighting accuracy as a priority over risking a lost chance of achieving 4%. Hasty easing could undo a year-and-a-half's deployment of various tools. Perhaps RBI can draw comfort from the US Fed's apparent wait for confidence in achieving its 2% target before it eases credit in America. Given how the Fed-funds rate affects capital flows, a measure of synchrony is useful in tightening cycles, but less so the other way round.

What makes space for an Arjuna-worthy shot at 4% by RBI is the Indian economy's brisk pace of expansion. Several forecasts suggest that 7%-plus real GDP growth is sustainable, even though global headwinds persist and geopolitics can deliver shocks. In an ideal scenario, price stability would be achieved sooner than current forecasts indicate, letting RBI calibrate its actions in sync with—and in support of—a revival in private investment that the Centre is optimistic could occur in 2024-25. With the Indian state as our big investor, rate sensitivity is not an issue, but for private players to dust off plans and invest in expansionary projects, real capital costs would have to be kept low on a base of price stability (and expectations thereof). This week's big question, though, is whether RBI deems its covid-easing reversal finally over and done with. Is it time, i.e., to go neutral?

MY VIEW | TIGHTROPE WALK

Even street gigs may have useful business lessons to offer leaders

An act by two enterprising street performers in Milan is a splendid example of business success

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

Travel is a powerful learning tool. Especially if shaped by design experiences in Milan, which is globally famous for design. Last week, I visited Bocconi university, Alma the Italian culinary school, AC Milan, ENI, Ferrari, the Italian Railways and Ducati, among others. I came back with an enriching set of stories and a realization that while companies may operate with different models, successful ones seem to have common elements. But let me begin with the story of two entrepreneurs I met on the streets right next to the Duomo, Milan's iconic cathedral.

These 23-year-old students of physical training and nutrition, Mattia and Samuele started by placing a blaring boombox in the middle of the tourist spot's crowded paths, pumping out catchy numbers and stopping passersby, mostly by performing acrobatics, break dances and funny set-pieces. There was raunchiness in their patter, but within acceptable levels so that parents with small children (their main target audience) could join the laughter.

Next, they drew four girls one by one into the centre to participate in the act. That's not easy, walking up to a shy girl who might be a tourist and bringing her into the middle of a crowd. Even with an encouraging mother (whose incentive is a memorable holiday video), that's not easy. And they have to get it right the very first time, because if the first 'early adopter' refuses, the next one becomes much harder and this act just doesn't work without volunteers.

The two youngsters then proceeded to enact their 'value proposition' in a sort of ham-handed style. Mattia said he intended to entertain us by jumping over all four lined up girls, an impressive jump, given the distance and cobblestones of Duomo Square. The jumper cleared space in the by-now-sizeable crowd for a run-up for this jump, while Samuele instructed the girls to stay still and started rousing the crowd with loud chants and cheers and upping the volume of his boombox. Then the jumper began his run-up amid the noise of a crowd that seemed excited to watch this drama (except perhaps the girls' parents who by now were too invested to withdraw). As he came hurtling down, the jumper missed his step, lost control and crashed into a group of young women in the crowd, shocking everyone. Then he began laughing. Turns out it was just a prank and there was a palpable release of tension, but also some lingering fear because he had shown what could happen if the jump went wrong.

Mattia then walked back to his run-up mark slowly, and at that very moment Samuele took out a hat to pass around for money. There was a decent collection, with most of the contribution coming from the parents of the four 'participants' in the act. And then, in a burst of raw energy, Mattia sprinted towards the lined-up girls and leapt cleanly over them with just inches to spare, much to the relief and applause of the crowd. And more money.

As it happens, Mattia is also an acrobat for Scala, the Italian theatre, and a stuntman for movies. Samuele is the first Italian to participate in the breakdance Olympics held in Brazil (yes, there is such a thing).

What struck me about this street act is that it involved the entire cycle of an entertainment business. The 'business owners' had to obtain the requisite permissions from the municipality. They had to engage and attract a global target audience, recruit employees on the fly with literally no remuneration other than recognition and fame. They had to treat them with empathy and respect. They also created a storyline, building up tension and getting the crowd invested in their plot's success. They then enacted a false near-disaster to rachet up the drama, and finally delivered on the customer promise of a high-stake entertainment act—and only received payments from satisfied customers at the end of it. As Samuele told me later, unlike the theatres where customers have to pay first and then consume the fare, he found it far more rewarding to earn his income from satisfied customers, and that too at voluntary multiple price points.

These two entrepreneurs are running a skunkworks self-internship. They are funding their education while gaining valuable experience of customer interaction and public speaking, all of which is helping raise their self-confidence and the tenacity required to sell an idea to an international audience. They are learning how to network, travel the world for shows and contests, build relationships and spot opportunities.

Companies often look towards marquee corporations and case studies for inspiration and learning. But perhaps an equally valuable skill is the ability to glean knowledge from any well-run and ethical business operation. The support staff of many corporates have similar side-gigs going. While they may not be performing acrobatics, they hold multiple jobs or run skunkwork projects for income augmentation. Corporates in search of talent should also value such competence beyond the academic records of job candidates. Because skills honed engaging harsh audiences on hard cobblestones will always beat those picked up in air-conditioned classrooms.

And in case you want to meet these two entrepreneurs, you will find them *@badmatty23 and milord142_*

10 YEARS AGO

JUST A THOUGHT

What do you need to start a business? Three simple things: know your product better than anyone, know your customer, and have a burning desire to succeed.

DAVE THOMAS

THEIR VIEW

Educate retail borrowers as a risk mitigation project

DEEP MUKHERJEE

is a quantitative risk management professional and a visiting faculty member on risk management at IIM Calcutta.

The Indian banking system's bad-debt level is the lowest in over a decade, but the sector's regulator, the Reserve Bank of India (RBI), is ever vigilant. It has spotted fault-lines in unsecured retail lending. Specifically, small ticket personal loans (STPL) with ticket sizes below ₹50,000 are showing at least 2-to-3 times the delinquency levels of other retail loans. To mitigate this risk, RBI has so far focused only on lenders, which are now expected to keep higher equity levels for all unsecured consumer loans. However, RBI may have missed out on crucial stakeholders in this exercise: STPL borrowers. It is doubtful whether such loan-takers, many of whom have benefitted from financial inclusion only recently, are fully aware of the limits of their debt-servicing ability. The deluge of STPL loans made available by a subset of lenders may lead many of them to over-rate their ability. Besides, they may not be aware of the consequences of a damaged credit profile. It is here that RBI could step in with an awareness campaign. After all, it is the loose lending practices of some players that have raised the risk, and not the country's financial inclusion drive.

A stitch in time: RBI has run awareness campaigns for customers on issues ranging from grievance redressal to fraud prevention. The time is ripe to sensitize borrowers to the problem of over-indebtedness and the importance of a good credit profile. Many borrowers are swamped with loan offers, even for impulse purchases, and some of them may end up taking on more debt than they can handle. While an over-abundance of short-term credit supply may allow them to roll over their loans, at least some are only a single shock away from default. If we see a widespread surge in retail pay-back failures, damaged credit profiles could undo the achievements of financial inclusion.

Credit access is a challenge for borrowers with poor credit scores. Plus, there may be emerging socio-economic implications. Increasingly, employers are requesting prospective employees to share their credit reports. In some cases, these are sought even for matrimonial alliances.

Financial inclusion is not the issue: A narrative has emerged that banks and large non-bank financial institutions do not easily lend to loan applicants who do not have a credit-bureau record. Such individuals are called new-to-credit (NTC). This narrative is an exaggeration, though. Established lenders do lend to NTC-clients. Loan decisions in their case requires many more human touch-points apart from financial information to assess their debt-servicing ability and willingness. This could take days instead of hours, as is usually the case with loan applicants who have a long bureau record.

RBI should run a public campaign to help Indian borrowers work out the level of debt they can safely service

As such, NTC borrowers do not exhibit higher delinquency rates than an average borrower with a credit history. Yet, credit risks would emerge if over-enthusiastic lenders jump forth to underwrite NTC borrowers within minutes without suitable techno-analytical capabilities and guard-rails.

Alternate data is filling gaps: Most established lenders have been able to maintain a balance on the risk-growth tightrope of retail lending, thanks to alternate data. With the consent of customers, lenders can access plenty of data on them for loan approvals. Account aggregators are playing a role in gathering information such as bank statements, while telecom usage bills also come in handy and other indicators of behaviour can be captured via mobile phone apps.

A few lenders are found to be doing a good job of leveraging alternate data for deciding on NTC loans. Such players have access to machine learning (ML) models that are explainable and stable, although model-based lending decisions need to be reviewed diligently and the models kept updated.

Why should RBI step in? The competence shown by a few lenders cannot be generalized across the industry. Several lenders are found to be following worrisome practices. Among their minor problems is the deployment of black-box models that use hundreds and sometimes thousands of variables to assess credit risk, with little understanding of how most variables impact the measurement. In a bid to put in exotic variables, some are using metrics that border on biased opinions as opposed to empirical facts. The presence of specific social-media apps on the mobile phones of borrowers, for example, has been known to impact risk scores. Models also exist that take into account the morning-alarm time set on people's phones. Lack of statistical rigour leads to counter-productive risk models. Conventional risk factors include bounced cheques issued by applicants, low average bank balances and credit-bureau flags raised for borrowers who have taken out too many loans in the past 3-6 months; these are used by saner models.

Next is the relentless hard-sell strategy adopted by some players. Easy availability of credit, often driven by badly designed risk models, allows weak borrowers to pay off one loan with money received from another. Sometimes, it's the same lender that ends up giving top-up loans. However, loan evergreening is often a sign of borrowers having taken unsustainably heavy debt burdens.

Credit deterioration is a direct outcome of such questionable risk practices. Thus, RBI must educate borrowers on how best to estimate their debt-servicing ability and not over-borrow. No matter how strongly RBI pushes lenders to limit lending, it cannot improve the behaviour of all lenders.

GUEST VIEW

Breathing bad: A lung surgeon's prescription for our air pollution

Every city needs data-driven pre-emptive interventions to safeguard the air we share as a matter of collective responsibility

ARVIND KUMAR
is chairman of the Institute of Chest Surgery and Lung Transplantation at Medanta, Gurugram, and founder of Doctors for Clean Air & Climate Change.

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Every breath we take holds the potential for life or disease, and as a lung surgeon tracking and treating respiratory diseases, I am a witness to the silent war waged within our bodies on account of the toxic air we breathe. Air pollution is not merely an environmental concern; it is a public health crisis of colossal proportions. Globally, every year it claims at least 7 million lives. To put this number in perspective, 7 million is roughly the Worldometer tally of the entire covid pandemic's death toll (though the actual number may be higher). The spectre of pollution looms over every stage of life, with links to diseases ranging from cancer and asthma to heart disease and dementia. Despite its catastrophic toll, 99% of the world's population resides in areas where air quality exceeds World Health Organization (WHO) guidelines. On top of it, the economic costs of air pollution related health impacts are tremendous, amounting to over $8.1 trillion, or 6.1% of global GDP, in 2019.

India, with its burgeoning urbanization, is grappling with a dire air quality crisis. Over 80% of our cities bear witness to recurring spells of hazardous air. The National Clean Air Programme (NCAP), launched in 2019, strives to combat this menace and had set an ambitious target of reducing PM2.5 pollution by 20-30% by 2024. In 2022, the NCAP aim was extended to 2026, by when it's aiming for a 40% reduction in pollution levels from the 2017 levels. However, the battle against air pollution extends beyond governmental initiatives; it requires a collective, conscientious effort by each city, every policymaker and each citizen. As cities evolve, so must our strategies for combating the adverse health effects of pollution.

This surge in air pollution demands a paradigm shift in the approach taken by Urban Local Bodies (ULBs) to safeguard public health. While drawing inspiration from global initiatives, particularly London's Air Quality Action Plan, the focus should be on tailoring these strategies to suit the unique challenges faced by Indian cities. The first and foremost is the need for accurate data. This would mean calling for city-wide air pollution monitoring infrastructure. Real-time sensor-based technology allows us to capture local nuances, identify pollution hotspots and enable prompt interventions.

In addition to the air-quality data, we need health-impact data for any meaningful intervention. This would be in the form of pollution and health vulnerability mapping and information on hotspots that are more prone to poor air quality and its adverse effects. That said, data without a strategy for action is of no use. So, authentic data must be coupled with action: for example, the development of a disease calendar using the environmental and health data that would empower cities to allocate resources optimally and safeguard vulnerable areas in specific months of the year.

Communication becomes the lynchpin in this battle. Transparent dissemination of real-time pollution and health data through various channels, from digital billboards and newspapers to social media platforms, fosters public engagement. The information disseminated on air quality should not be restricted to displaying AQI numbers; rather, it should be coupled with clear health advisories that make the numbers relatable to the public without letting a sense of apathy set in. Our air-quality messaging should shift from merely cautioning people against poor air quality to showcasing the benefits of clean air on good days and fostering behavioural changes through public health campaigns, like those against tobacco and covid.

Another much neglected and yet important piece of the puzzle is the need to upgrade our health centres for targeted services to ensure adequate care is provided to those who suffer from the adverse health impacts of air pollution. Hospitals and health centres should be prepared to respond to patients whose health is impacted by polluted air, our healthcare workforce should be educated to make sure they factor in the history of exposure to poor air, including levels of household or occupational risk, while diagnosing a disease and prescribing treatment. A remarkable example of this is the recent decision of Great Ormond Street Hospital in London to "look at home air pollution when diagnosing illnesses." Hospitals and other health facilities should be at the forefront of monitoring air quality and disseminating evidence-based information to the public. In this aspect, I am proud of the efforts taken by my own department at Medanta, Gurgaon. In 2022, we launched the Medanta Institute of Research and Advocacy for Clean Air and Health (MIRACAH) with the objective of working "towards advocacy, training and research on air pollution and health." Our belief is that any health infrastructure must not merely respond, but proactively protect citizens from the health hazards of the air we breathe.

Finally, we must address the root cause of poor air quality in our cities, and this means ensuring strict compliance with emission norms, be it for polluting industries, waste management or road vehicles. Importantly, we must avoid propagating false and end-of-pipeline solutions that often yield no results and are a huge burden on the public exchequer. Air pollution is not a technical problem that only needs smokestacks and tailpipes fixed, but a human health problem that needs a different perspective and approach to solutions.

The health of our cities hinges on decisive action. Cities must seize this opportunity to democratize data, engage communities and place health at the core of policy planning. As a lung surgeon on the front-lines, I implore our cities to breathe life into these strategies, not just as plans on paper, but as the blueprint for a breathable, vibrant future. The battle against air pollution is not just a policy matter; it is a fight for the very air that sustains our existence. Let us rise to the occasion, recognizing that each breath is a gift and safeguarding the air we share is a matter of collective responsibility. The time for action is now.

MINT CURATOR

Elon Musk should ensure that Neuralink is more transparent

A vision of brain implants for the healthy raises ethical questions

FAYE D. FLAM
is a Bloomberg Opinion columnist covering science.

Musk has not yet revealed key details of his company's human implant AP

When researchers at Elon Musk's Neuralink implanted a chip in someone's brain, they were working under a US Food and Drug Administration (FDA) clearance. But that doesn't mean this experiment was safe or ethical. FDA permission only extended to willing volunteers with severe paralysis, like quadriplegia or ALS. But when Musk announced in an X post that the company had carried out the procedure on its first subject, he didn't specify which condition the person suffered, how severe it was, how this patient gave consent, what benefit the doctors hoped to achieve, or whether the implant had helped the patient.

This secrecy creates an ethical problem. To advance, medical science must take some risks, no doubt, but society and the scientific community limit those risks with rules and ethical standards. Ethicists can't say if Neuralink's experiments are within those bounds. Musk's X post did not give enough information.

In principle, an implant could restore the ability to communicate in someone unable to move or speak. Earlier experiments by other researchers have enabled people to move a cursor or robotic arm by thinking—the electronic device was able to translate brain activity into usable signals.

Musk has said that his ultimate goal is to equip the public with brain implants that enhance our cognitive abilities and help humans keep up with AI. It's possible that the road toward these grandiose visions will channel money and expertise towards technology that can help the most severely disabled members of society, but it's also possible someone will be harmed or killed.

In 1999, researchers at the University of Pennsylvania had secured FDA clearance for human experiments with early gene therapy. They accidentally killed an 18-year-old volunteer named Jesse Gelsinger. That experiment was way more transparent than Musk's endeavour. Other implant experiments to restore function and communication to the profoundly paralysed have also been more transparent.

The chip Neuralink developed is very different from existing designs. As described in detail last year by Ashlee Vance, the quarter-dollar-coin-sized implant has hundreds of tiny electrodes strung along a series of flexible threads and replaces cumbersome wired connections to implanted batteries with wireless ones. The device can be inserted using a specially designed robot. But its innovative features doesn't mean it'll work better than existing designs when implanted in humans.

In my column on non-invasive brain imaging studies last year, I reported that researchers told me they hoped to help people with a terrifying condition called locked-in syndrome, which can happen from the degenerative disease ALS or after an injury or stroke. People suffering from such conditions deserve to benefit from new technology, but they also deserve safe, ethical and transparent experiments. After the patient died in the 1999 gene therapy trial, investigators found that researchers had ignored warning signs of unexpected inflammation and rushed ahead anyway. They were apparently in a race for scientific fame and fortune.

Musk seems to be in a race not only to beat rivals developing other implants, but to stay ahead of potentially hostile AI. But at this point, the nature of any threat posed by AI is not understood. It's also not clear there would be a benefit to implanting chips in thousands or even millions of healthy people's brains.

That Musk's motives do not seem aligned with the best interests of Neuralink's experimental subjects is another reason medical ethicists are expressing doubts. New York University medical ethicist Arthur Caplan noted that reporters uncovered examples of botched Neuralink experiments that caused pain and suffering in monkeys.

Law professor and ethicist Henry Greely, director of the Stanford programme on neuroscience and society, said it's common for private firms to be secretive about drugs and medical devices, but that secrecy is not in the best interest of patients. He considers Neuralink's invasive brain procedure particularly worrisome.

The Silicon Valley ethos of 'move fast and break things' has generally failed in healthcare, said Greely, who told me he has visited the Neuralink headquarters and found it a chaotic place. He's also doubtful about Musk's visions for endowing humans with the capacity to communicate directly through brain activity. The unfiltered nature of such conversations might be uncomfortable. Elon Musk may dream of a day when people are directly wired into the internet and each other, but most of us do not. The future of brain implants isn't one of super-productive cyborgs, but of restoring basic human functions to people who have lost them.

MY VIEW | IT MATTERS

A skin-tone bias lingers from early days of photography

SIDDHARTH PAI

is co-founder of Siana Capital, a venture fund manager.

As an amateur photographer, I have long been interested in the interplay of light while making images, especially of the human face. I had long thought that the medium of film, which I used from the 1980s and through the first decade of the 21st century, and the digital sensors I used thereafter were unbiased recorders of light (or the lack thereof) and of colours and their interaction with light.

Today's modern camera sensors use a Bayer filter (named after its inventor Bryce Bayer) to register pixels as shades of red, blue or green (*bit.ly/3SOJJQk*). The combination of colour that each pixel gives off in relation to its neighbouring pixels results in photographs that accurately represent colour. White, which reflects almost all light that falls on it, registers as white, and black, which absorbs a lot light, registers as black. The logarithmic average of the two polar ends of this colour range (black to white) registers as 18% grey, which is the standard used by most photographic light-meters.

I have written before about the problems of facial recognition technology, especially with respect to intentional biases (such as perpetrated by China's government on its own citizens) as well as unintentional ones that have found their way into it. These problems have proven so intractable that in 2020, three American Big Tech companies announced that they would pull back their facial recognition programmes. Amazon, IBM and Microsoft all said that they would either cancel their initiatives or place holds on police departments using their algorithms to identify people.

Many observers had then welcomed it. As the author of an article in *Forbes* (*bit.ly/3Us-Vugh*) said: "I don't think we can overstate the importance of IBM, Microsoft and Amazon and their roles in influencing other tech companies to take a stronger stand on human rights and anti-discrimination.... Let's hope other tech companies start screening their technology through similar human rights and anti-discrimination glasses and follow their lead."

A review of that technology was prompted by a startling set of findings. For instance, in mid-2018, Rekognition, Amazon's open application programming interface (API) for facial recognition made news with its results on a test run by the American Civil Liberties Union (ACLU). It test-scanned the faces of all 535 members of US Congress against 25,000 public mug-shots (of arrested people and/or criminals). None of the members of Congress was in that set of photographs, but Amazon's system threw up 28 false matches, with obvious implications.

> **Perhaps AI can help resolve a bias that has survived into the digital era of facial recognition**

At the time, Amazon said that the ACLU's tests were run at its default confidence threshold of 80%, and not at the 95% that it recommends for law enforcement, where false identification can have serious consequences. Such nuanced arguments are passé. Rekognition and others like it were withdrawn for a while.

My impression was that these biases were due to faulty data sets fed to facial recognition systems, and in the case of racial discrimination, programmer bias against non-Caucasians. To me, the camera, whether film or digital, was an impartial observer that simply recorded the truth. But I was startled to find recently that I was wrong. Richard Dyer, in a 1997 book, *White* (Routledge), includes an essay on how the development of films and early photographic techniques used for lighting were contributors to this bias right from the early days of photography.

Initially, photographic films were orthochromatic, sensitive to blue and green light but blind to red. This technical limitation meant that lighter skins were rendered in more flattering tones, while darker skins appeared unnaturally dark and lacked detail. The fact that "white" skin isn't really white but is a form of pink meant that this (lighter) tone of red was not reproduced faithfully on orthochromatic film. Dyer highlights how these early photographic biases were not merely technical flaws, but were embedded in a socio-cultural context that favoured lighter skin. Early photographers found ways to correct for this, including by using heavy make-up on their human subjects as well as carbon arc lights instead of natural light, which made fair complexions appear "whiter." Dyer also attributes a colonial bias to it, with non-Caucasians seen as "the other." This was perpetuated by film development processes that catered to Caucasian subjects. "Shirley cards," used by photo labs to calibrate skin tones, featured a Caucasian woman to set standards for colour balance and contrast, but it did not account for a diverse range of skin tones.

The implication is clear: Photographic technology was developed with a specific demographic slice in mind.

Orthochromatic film was in general use from roughly 1873 till about 1906, when panchromatic black-and-white film (which could also register red light) was invented. It took some years before panchromatic films took hold and the partially blind version became a thing of the past in black-and-white photography. The bias crept up again in the 1960s, when colour film came into widespread use but the standards used for its product development were again focused on the skin tone of Caucasian subjects.

Dealing with a bias this insidious is no small task. Merely stopping work on facial recognition is not the answer. We need some combination of regulation, data-set cleaning and inclusivity-oriented technological advances to eliminate this bias (hopefully with the help of Artificial Intelligence).