HT NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 79

Monday, April 1, 2024

mint

Think Ahead. Think Growth.

mint primer

Will OpenAI pull out GPT-5 from its hat next?

BY LESLIE D'MONTE

Maintaining that GPT-4 "kind of sucks", Open AI CEO Sam Altman said recently his company will release an "amazing new model" this year. This has sparked speculation that OpenAI may release GPT-5 sometime between June and August this year. Why is this a big deal?

Growing heft

GPT-5, or whatever OpenAI chooses to call its new model, is expected to exponentially enhance the multimodal capabilities of GPT-4.

Model	Year	Parameters
GPT-1	2018	117 million
GPT-2	2019	1.5 billion
GPT-3	2020	175 billion
GPT-4	2023	1 trillion*
GPT-5	2024	More than 1.5 trillion**

Note: Parameters in GenAI models typically refer to the weights in neural networks that are adjusted during training to enable the model to make predictions or decisions based on input data.

*Rumoured, not officially disclosed; ** expected

mint

PRANAY BHARDWAJ/MINT

1 What triggered the excitement?

OpenAI, the maker of ChatGPT, inadvertently published a blog post that was indexed by search engines Bing and DuckDuckGo. Readers on X and Reddit first spotted the page, which has since been deleted but the cached version hints at the release of GPT-4.5 Turbo with a "knowledge cutoff" of June 2024 (date when the AI model will stop being trained on information). This has led many to believe that OpenAI will release GPT-4.5 Turbo this summer. When asked if GPT-5 is coming this year, Altman remarked: "We will release an amazing new model this year" but "I don't know what we'll call it."

2 Is it true that GPT-4 "kind of sucks"?

Released in 2023, GPT-4's training data specifics and parameters were not disclosed but unlike GPT-3, it can accept both text and images as input and emit a text output (multimodal). But it still cannot reason, plus it hallucinates (confidently gives wrong answers), and has resulted in a host of plagiarism and copyright violation suits. Launched in 2020 with 175 billion parameters, GPT-3 was a vast improvement over previous editions, with few shot learning (learnings from only a small number of labelled training data) but concerns remained over biases, hallucinations, and contextual understanding.

AFP

3 What can we expect from the "amazing" new model?

GPT-5, or whatever OpenAI chooses to call its new model, is expected to exponentially enhance the multimodal capabilities of GPT-4, have a larger context window (to allow for more inputs), and predict the next token in a sequence, enabling tasks such as sentence completion and code generation essential for chatbots like ChatGPT.

4 How's the competition out there?

Stiff. GPT-4 has competition from foundational models like Google's Gemini, Meta's LLaMa, and Anthropic's Claude 3 family. While Microsoft has invested about $10 billion in OpenAI, Amazon has upped its stake in Anthropic to $4 billion. Anthropic Claude 3 family—Claude 3 Haiku, Claude 3 Sonnet, and Claude 3 Opus—will initially offer a 200,000-context window, much bigger than GPT-4's 128,000. In addition, Gemini 1.0 Ultra can run up to 1 million tokens (numerical representation of words).

5 Are we, then, a step closer to AGI?

Artificial general intelligence (AGI) will be achieved when machines become sentient or even surpass human intelligence. However, current AI technologies are no more than excellent prediction machines that can accurately respond to specific (text, image, code, etc.) prompts because they've been pre-trained on huge amounts of data and are continuously fine-tuned. They still lack human-like logical reasoning, cognitive and emotional abilities (like empathy). So Big Tech is busy diluting its definitions of AGI.

QUICK EDIT

On-target growth

Finance minister Nirmala Sitharaman has hinted that India's economy will see gross domestic product (GDP) expand 8% or more in the three months ended 31 March. "Hopefully, the fourth quarter... will also have (growth of) 8% or above 8%, resulting in 2023-24 having an average growth in GDP of 8% or over 8%," she said at a *Mint* summit on Saturday. This sends an optimistic signal on our post-pandemic growth momentum. Note, the statistics ministry's full year GDP forecast is 7.6%. If 8% expansion materializes, it would be impressive. To this robust pace, we might see tailwinds in 2024-25 once interest rates globally begin to decline. That said, there are still some counts on which India needs to buck up. Capital investment and rural consumption, for example. Further, for long-term growth sustainability, structural reforms would be key—in factor markets, especially. We need a better-skilled workforce for an upcoming era of artificial intelligence. Former Reserve Bank of India governor Raghuram Rajan recently cautioned us about hype by politicians over India's growth. While his views have split the economic world, it may be prudent to use them as food for thought.

MINT METRIC

by Bibek Debroy

In Chhattisgarh, a teacher always drunk.
Students chased away the skunk.
They hit him with footwear,
An insult he could hardly bear,
So he scooted in a blue funk.

QUOTE OF THE DAY

If you look at the overall price level in India, it is very very competitive, if not low, compared to some other parts of the world. I think you should take it as part of the change in India itself and the diversity of India.

PIETER ELBERS
INDIGO CEO

THE WEEK AHEAD

1-7 APR
POLL HEAT
Expect more candidate lists and rallies. Amit Shah to campaign in N-E, Rahul Gandhi in Wayanad.

3 APR
KEJRIWAL PLEA
Delhi High Court to hear chief minister's plea against his arrest by Enforcement Directorate.

1 APR
BANK MERGER
incare Small Finance Bank branches to transition into AU Small Finance Bank following merger.

3-5 APR
MPC MEET
The central bank's monetary policy committee to meet for the first time in FY25.

1 APR
COSTLIER TRIPS
Key routes, including Delhi-Meerut and Bengaluru-Mysuru expressways, set to increase their tolls.

3-5 APR
IPO ALERT
Bharti Airtel arm Bharti Hexacom's ₹4,275-crore initial public offer to stay open.

2 & 4 APR
PMI DATA
S&P Global to release HSBC India purchasing managers' indices for March.

5 APR
CONG MANIFESTO
Congress to release its manifesto ahead of the Lok Sabha polls.

Bonds of loyalty: what poll funding data shows

BY TANAY SUKUMAR

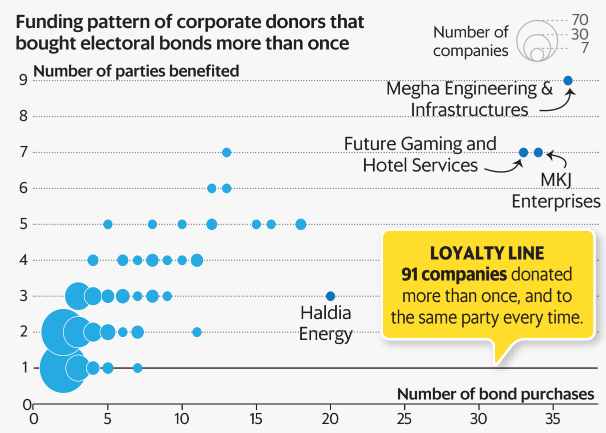
Most companies that bought electoral bonds more than once were not loyal to any single party, a *Mint* analysis of the data released by the Election Commission of India showed. The Bharatiya Janata Party (BJP) had more than 40 repeat 'loyal' corporate donors, the highest of all, followed by the All India Trinamool Congress (AITC) (16). This analysis defines loyal donors as companies that donated more than once—and each time to the same party. Among such donors, the one with the most purchases was Kolkata-based Ripley & Co. Stevedoring & Handling Pvt. Ltd, whose seven donations were all encashed by the AITC. By value, DLF Commercial Developers' five donations to the BJP, worth ₹130 crore, stood out on top.

The analysis covered **762** corporate donors whose details could be conclusively mapped to the ministry of corporate affairs (MCA) database and whose beneficiary parties could be identified. These accounted for **94%** of the total value of bonds purchased between 12 April 2019 and 11 January 2024.

Loyalty meter

Only 263 of the 762 corporate donors went shopping for electoral bonds more than once during this period. Among those that did, just 91 donated to the same party every time. That means the rest switched their loyalties at least once. Megha Engineering and Infrastructure bought bonds the most times (36), and they were encashed by nine different parties. In several cases of multi-party donations, the BJP was the prime beneficiary.

Funding pattern of corporate donors that bought electoral bonds more than once



All bonds bought by a company on a single day for donation to a particular party were counted as one purchase. (Every additional party benefited through purchases on the same day was counted as an additional purchase.) This chart does not mark 499 companies that bought electoral bonds only once.

Major electoral bond buyers whose bonds were encashed by five or more distinct parties

	No. of parties	Total bought (₹ cr)	BJP's share (%)
Megha Engg & Infra	9	966	60.5
Future Gaming & Hotel	7	1,365	7.3
MKJ Enterprises	7	192.4	14
Torrent Pharma	6	77.5	78.7
Vedanta	5	400.4	57.5
Magnificent Foodpark	5	195	74.1
Yashoda Hospitals	5	162	1.2
Avees Trading & Finance	5	112.5	0.9
Torrent Power	5	106.5	71.4
IFB Agro Industries	5	92.3	0

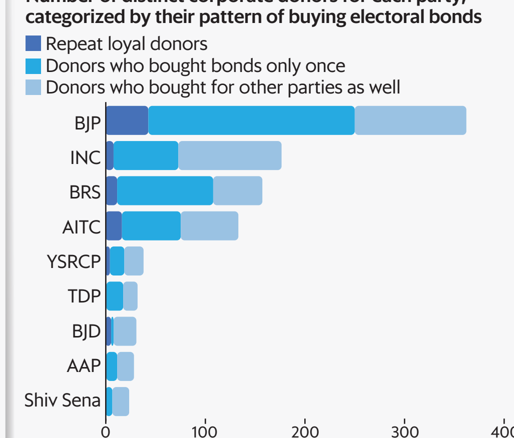
The most 'loyal' donors, by the number of purchases

	No. of purchases	Total donations (₹ crore)
Ripley & Co. Stevedoring & Handling **(AITC)**	7	11.5
Penguin Trading & Agencies **(BJD)**	5	30.5
DLF Commercial Developers **(BJP)**	5	130
Rashmi Metaliks **(BJD)**	4	27
Michigan Engineers **(BJP)**	4	9
JK Lakshmi Cement **(INC)**	4	14
Hardesh Ores **(BJP)**	4	9

BJP's large kitty

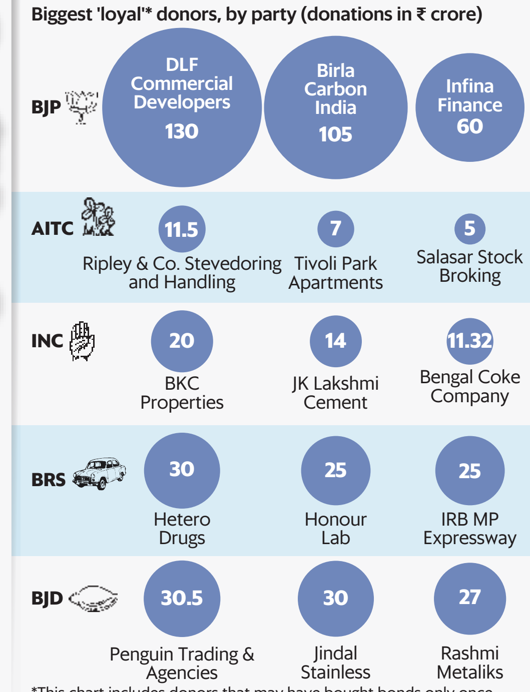
The BJP, the biggest beneficiary of all, had at least 362 distinct corporate donors, with 43 of them being repeat loyal donors (the biggest being Gurugram-based DLF Commercial Developers). The Congress came next, with at least 177 donors, but just eight of them were loyal. The Dravida Munnetra Kazhagam, the ruling party of Tamil Nadu, was able to become the sixth biggest beneficiary with just 12 donors, none of them being repeat loyal donors.

Number of distinct corporate donors for each party, categorized by their pattern of buying electoral bonds



The actual number may be higher since this analysis only counts those 762 donors that could conclusively be identified in the companies' database. A donor is said to be 'loyal' if it bought bonds more than once, always for the same party.

Biggest 'loyal'* donors, by party (donations in ₹ crore)

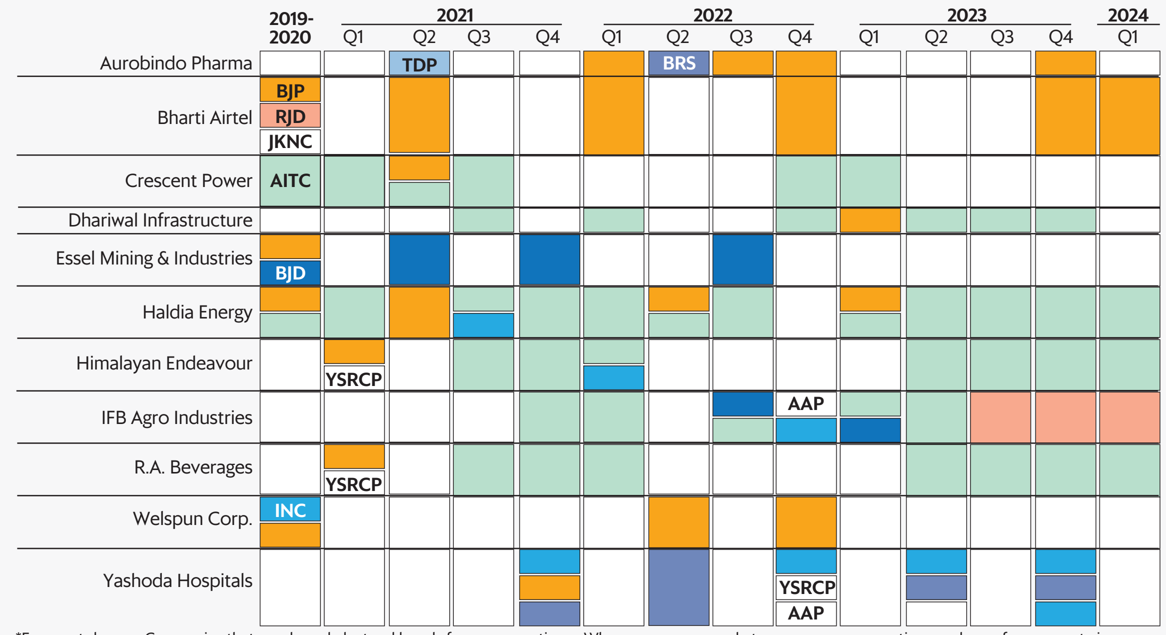


*This chart includes donors that may have bought bonds only once.

Timing the switch

Did companies also change tack in favour of one party after first experimenting with others? Our analysis found 11 companies that have donated to the same party in at least their last three purchases after earlier donating to others as well. One of them is Aurobindo Pharma, whose electoral bond switch towards the BJP following the arrest of one of its directors in 2022 has come under scrutiny in recent days. In five of these 11 cases, the AITC was the beneficiary of the switch, and the BJP in only three cases. Here's a look at the funding timeline.

Frequent donors that have been loyal to one party in at least their last three bond purchases after having donated to others



*Frequent donors: Companies that purchased electoral bonds four or more times. When a company made two or more consecutive purchases for one party in a quarter, it is marked only once in this table. E.g. Yashoda Hospitals' purchases for INC, BRS and INC in 2023 Q4 refers to five purchases: INC, BRS, INC, INC, INC.

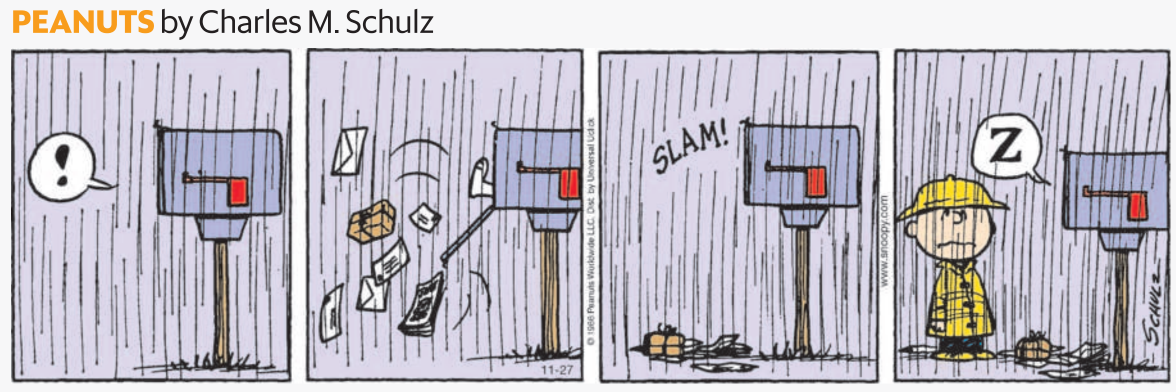
The analysis does not imply quid pro quo between companies and parties. BJP: Bharatiya Janata Party, AITC: All India Trinamool Congress, INC: Indian National Congress, BRS: Bharat Rashtra Samithi, BJD: Biju Janata Dal, YSRCP: YSR Congress Party, TDP: Telugu Desam Party, RJD: Rashtriya Janata Dal, AAP: Aam Aadmi Party, JKNC: Jammu and Kashmir National Conference.

The mapping of the data with the MCA database was done by our partners at howindialives.com. Scan the QR code to see interactive visualizations showing full data.

Source: Election Commission of India, ministry of corporate affairs, Mint analysis and calculations

PARAS JAIN/MINT

PEANUTS by Charles M. Schulz



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Inside ShareChat's inbox of hope and despair ▶P10

Mid-caps' correction largely over: HDFC Sec's Relli ▶P4

SENSEX 73,651.38 ↔ 0.00 NIFTY 22,326.9 ↔ 0.00 DOLLAR ₹83.40 ↔ ₹0.00 EURO ₹89.87 ↔ ₹0.00 OIL $86.84 ↑ $0.07 POUND ₹105.03 ↔ ₹0.00

PSBs level up, need pros at the top: FM

No need for capital infusion; PSBs seeking outside talent: FM

Shayan Ghosh
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MUMBAI

The government is nudging state-owned banks to be more professional in their functioning, Union minister for finance and corporate affairs Nirmala Sitharaman said, pointing out that these lenders are no longer reliant on capital infusion from the Centre.

The government has already split the role of chairman and managing director in public sector banks (PSBs) into a non-executive chairman, and a managing director and chief executive officer. It has also created the Financial Services Institutions Bureau—recast from the earlier Banks Board Bureau—to recommend appointments as whole-time directors and non-executive chairpersons on the boards of financial services institutions.

"The (public sector) banks have now come to stand on their own; they are able to go to market to raise funds for the developmental activities and they are no longer looking at the government to infuse capital every year," Sitharaman said at the Mint India Investment Summit on Saturday.

In May, Reserve Bank of India (RBI) governor Shaktikanta Das had told directors of state-owned banks to further strengthen the governance and assurance functions of risk management, compliance and inter-

TURN TO PAGE 6

mint INDIA INVESTMENT SUMMIT & AWARDS
Rise of the Indian spring
Powered By HUBTOWN

BANKING WITH THE BEST

ACCOUNT CHECK

PSBs have requested to allow them to recruit from the mkt

NPA levels of PSBs have fallen, and they will decline further

PVT sector is investing in areas offering new opportunities

'Private investment is picking up in sunrise sectors' > P2

Sebi may clear the air on currency derivatives today

Ram Sahgal
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MUMBAI

Clarity is on cards for exchange-traded currency derivatives (ETCD), after a central bank circular limiting their use to hedging sparked panic. The Securities and Exchange Board of India (Sebi) is examining representations from broker associations, and a clarificatory circular from either Sebi or stock exchanges is expected as early as Monday, two people familiar with the development said.

The Reserve Bank of India's (RBI) 5 January circular said that users can take exposure up to $100 million across all contracts involving the rupee, without any existing underlying exposure. However, it adds that exchanges have to inform users that if required, they have to establish the existence of a "valid underlying contracted exposure", which has not been hedged using any other derivatives contract. Currency derivatives are offered by NSE, BSE and the Metropolitan Stock Exchange. The new rule takes effect on 5 April.

Representations from broker associations are being examined by Sebi. REUTERS

Brokers are confused by the term "valid underlying contracted exposure", as participants like proprietary traders and individual investors use the product to speculate, rather than hedge. Since the introduction of currency derivatives in 2008, retail and proprietary traders have speculated without either underlying or contracted exposure.

"Clarity is required by Sebi or exchanges on the circular, with only three days being left for it to take effect," said Anindya Banerjee, vice-president (currencies and commodities research), Kotak Securities. Banerjee said most brokerages will discuss the issue with their compliance

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Ice creams, drinks, ACs top summer shopping list

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Forecasts of a warm summer this year bode well for beverage, ice cream, and cooling appliance manufacturers. Following last summer's demand disruptions due to unexpected rains, companies are now increasing capacity and distribution network to meet the anticipated surge in demand, buoyed by the positive outlook.

"While the summer is just about setting in, it may be too early to predict the extent of growth," said Mohit Khattar, chief executive officer at Graviss Foods Pvt. Ltd, which operates Baskin Robbins India. "It is clear is that the initial signs are looking good and, in general, we expect the market, and Baskin Robbins to continue their upward growth trajectory."

However, Khattar cautioned against high input costs, with cocoa breaching record prices globally. "Fortunately, dairy ingredient prices have been reasonably stable. Our call, therefore, is to hold prices for now and absorb fluctuations at least for the next couple of months, before we reassess the

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DON'T MISS

AFP

How India could become an Asian tiger

Is India achieving its potential? In the year to the third quarter of 2023, the country grew at a blistering rate of 8.4%. Over the next half-decade it is expected to expand at 6.5% a year, which would make it the world's fastest-growing big economy. >P6

Coal ministry eyes ₹55,000 cr asset monetization in FY25

The Union ministry of coal is targeting monetization of assets worth ₹54,721 crore in FY25, about 9% higher than the ₹50,118 crore target set in FY24. In the 11 months to February, the ministry had surpassed its FY24 target. >P9

UK set to pick first female high commissioner to India

Former chief of the UK's National Cyber Security Centre, Lindy Cameron, is tipped to become the country's new high commissioner to India. If cleared, Cameron will be the first woman to serve as the British high commissioner in New Delhi. >P2

Indian Oil, Panasonic Energy to tie up for lithium ion venture

Indian Oil Corp. Ltd (IOCL) has announced a joint venture with Japan's Panasonic Energy Co. Ltd to produce cylindrical lithium-ion (Li-ion) cells in India. The companies have signed a binding term sheet to establish the framework for the JV. >P7

Silver screens dull as stars blink out

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Films released across languages fared poorly at the Indian box office in January-March, hurt by an absence of star-studded movies, with only a handful of titles managing to pull audiences to the theatres.

This muted show is in sharp contrast to last year, when star vehicles saw movie-goers streaming into the cinemas, setting the cash registers ringing. Domestic box-office revenues have plummeted by an estimated 20-30% year-on-year in the three months through March, trade experts said. The quarter saw few star vehicles arriving in cinemas in the first place, and those that did—like *Fighter* (₹199.96 crore), *Teri Baaton Mein Aisa Uljha Jiya* (₹81.61 crore) and *Yodha* (₹30.70 crore)—performed well below par.

In Jan-Mar of 2023, *Pathaan* was a blockbuster success. PTI

By contrast, in January-March of 2023, Shah Rukh Khan's *Pathaan* was a blockbuster success, becoming the first Hindi language film to cross the ₹500-crore mark at the domestic box office. Two

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Building boom eases pressure on NREGA

Gireesh Chandra Prasad & Rhik Kundu
NEW DELHI

Construction turned out to be the proverbial white knight for rural jobs in the financial year ended 31 March, when agriculture output growth sagged following patchy rains. The result: Little pressure on guaranteed rural jobs, the usual refuge in the countryside when farm sector slumps, official data showed.

Despite the slowdown in the farm sector, only 27.72 million persons demanded work every month on average in FY24 under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), barely changed from 27.63 million in FY23.

Agriculture, which accounts for about 15% of India's GDP, is forecast to grow only 0.7% in FY24 due to El Nino, a weather phenomenon that weakens monsoon winds and hurts precipitation, compared to an upwardly revised 4.7% output growth in FY23, according to the government's second advance estimates.

In FY24, the total spending for rural jobs is projected to be ₹86,000 crore. MINT

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Snapchat's feature adds to teen anxiety

Julie Jargon
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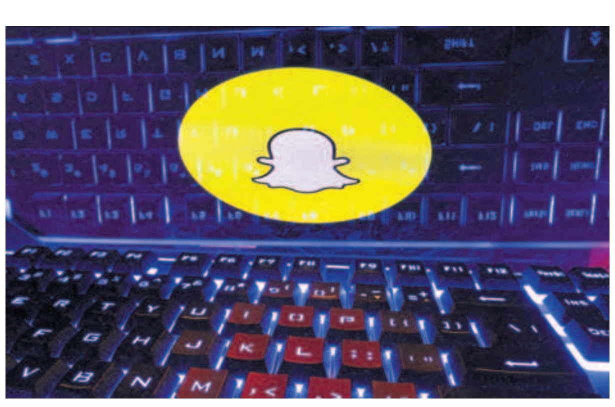
A Snapchat feature lets paying users see their position in their friends' digital orbits. For some teens, whose friends are everything, it's adding to their anxiety.

Snapchat+ is the app's $4-a-month subscription service. Subscribers can check where they rank with a particular friend based on how often that friend communicates with them. The result is automatically rendered in a solar-system metaphor: Are you Mercury, the planet closest to your friend? Great! Uranus? Bad sign.

"A lot of kids my age have trouble differentiating best friends on Snapchat from actual best friends in real life," says Callie Schietinger, a 15-year-old in Yorktown, N.Y.

She said she had her own problems when a boyfriend noticed that he was Neptune in her solar system. He asked who held the Mercury position and when she told him it was a guy friend, he got mad.



More than 20 million U.S. teens use the app, though most don't pay for Snapchat+. REUTERS

THE WALL STREET JOURNAL.

More than 20 million U.S. teens use the app, though most don't pay for Snapchat+. The young adults I spoke to with those paid accounts said they've seen friendships splinter and young love wither due to the knowledge that someone else ranks higher on the app. Some say teens have signed up for Snapchat+ just to check their status with a crush.

Like other social-media features, Snapchat's solar system was created to get people to engage more with the app. And while it can be turned off, it's on by default. Now, lawmakers, doctors and parents are giving fuller attention to these apps and how they broadly affect kids' mental health. New legislation and lawsuits have pressed tech companies to better protect minors on social media, if not block them from it outright.

Callie and her boyfriend have since broken up, for other reasons. But that stress and the misunderstandings she has seen other friends experience have soured her on the feature. She says she won't renew her Snapchat+ subscription when it expires in May.

"It's everyone's biggest fear put onto an app," Callie says. "Ranking is never good for anyone's head."

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STRAIGHT FORWARD

SHASHI SHEKHAR

Respond to this column at
feedback@livemint.com

THIS BATTLE OF THE BALLOT IS ALSO ONE FOR FRESH VALUES

The coming general election will not only determine the victory or defeat of political titans but will also serve as a referendum on the introduction of new values into Indian politics. One can draw parallels between the upcoming election and India's first general election of 1952. It had been just five years since Independence. The wounds of Partition were still fresh. Kings, princely states, landlords, and landowners held enormous power in rural areas. Also, four years had passed since Gandhiji's death. And, except for a few territories, such as Goa, the country's unification had proceeded smoothly under Sardar Vallabhbhai Patel's leadership.

Against such a backdrop, Jawaharlal Nehru was attempting to create a shining example of idealistic socialism. The first general election would determine how much trust we had in democracy and how long we could maintain our democratic character. Winston Churchill, who served as prime minister of United Kingdom twice, had predicted: "The Indian political parties and political classes do not represent the Indian masses. It is a delusion to believe that they do...In handing over the Government of India to these so-called political classes we are handing over to men of straw, of whom, in a few years, no trace will remain."

How could he have been so wrong?

Following the election, it was decided that kings and emperors would be consigned to history. Dalits and other disadvantaged groups will gradually overcome their historical disadvantages, while minorities will be accorded equal rights. Despite major barriers, our country has followed Nehru's path for nearly 70 years, but it has faced logical challenges in the last 10 years.

Yesterday's alluring coexistence is now referred to as appeasement. Some may call it majoritarianism, but they should remember that the entire world has already taken this route. If the Bharatiya Janata Party gets a majority in this election, it will be apparent that the new colour on ancient values has been extensively adopted by the decisive voters.

Implementing welfare policies, Modi has created a new class of beneficiaries

What are these new values?

Pandit Jawaharlal Nehru once declined to attend the inauguration of the Somnath temple. He argued that the prime minister of a secular country should be cautious about displaying his religious beliefs. Prime Minister Narendra Modi treads a different path. He takes care to pause his speech as soon as he hears an *azan* (Islamic call to prayer), but also has no hesitation about becoming the main *jajman* (the person who institutes the performance of a ritual) at the Ram Temple's consecration. When the Opposition objects to this, BJP spokespersons ask: "How can following one's own faith harm the faith of others?"

Further, by concretely implementing welfare policies, Modi has created a new class of beneficiaries. He has made considerable gains among women and young voters. According to a CSDS survey, three out of every 10 Bharatiya Janata Party voters vote entirely for Prime Minister Modi. If he wins again this time, he will be the second prime minister to win three consecutive terms. If Gujarat's stint in power is included, it will serve as a benchmark for other politicians in any democratic country to aspire for.

The questions now are: Why is this shift in values happening? And, why has the Opposition failed to create a counter-narrative?

The fundamental reason is that regional parties have consistently betrayed voters' trust. After coming to power, leaders of these parties founded in the name of socialism, regionalism, and opposition to class discrimination became casteist and dynasts. As a result, those who joined these parties for noble reasons were alienated. These parties also often split when their leader's family split either after the retirement of the leader from politics or her or his death. Examples include the Thackeray and Pawar families of Maharashtra, the Paswan family of Bihar, and the Patel family of Uttar Pradesh. Dravida Munnetra Kazhagam in Tamil Nadu is an exception as the party remains true to its values.

When S. Siddaramaiah's popularity in Karnataka dwindled in the face of the BJP's fervent nationalism, he whipped up Kannadiga pride. His decision that Kannada should be the dominant language of signboards in Bengaluru has sparked a big debate. It harks back to the cultural transition that began with the renaming of Faizabad, Allahabad, Ahmed Nagar, etc.

The hints are clear: The 2024 general election will deliver a mandate to elevate the country as the third superpower, while introducing fresh values that will shape policy directions for Indian politics and society in the foreseeable future.

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

'Private investment is picking up in the country's sunrise sectors'

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NEW DELHI

INTERVIEW

While the Centre is propelling the country's growth engines through a capital expenditure push, private investments are also picking up in key sunrise sectors, Union minister for finance and corporate affairs **Nirmala Sitharaman** told *Mint's* editor-in-chief Ravi Krishnan at the Mint India Investment Summit 2024. In a freewheeling fireside chat, Sitharaman also said though Centre-state relationship has been politicized recently, it hasn't deteriorated. *Edited excerpts:*

You said the next set of reforms will be related to Panchayati Raj and urban bodies. Can you elaborate?

Sitharaman: I think in the last 20-30 years or even since 1991, whether it is urged by the IMF or whether the country (India) itself has been working towards reforming its economy, this topic has always been addressed to the Centre. We have been working with the states on reforms. Many states have enthusiastically come forward and are in a position to say that these (reforms) have helped them. It's also the time to take it further because eventually when businesses start or investments come in, they have to be grounded at the level of some village, or some periphery in a city. And in those places, if elected bodies are not aware or are not ready to be open, transparent, and welcoming, everything that we do will be on paper and not on the ground.

Some suggestions have been made on the next generation of reforms in direct tax reforms.

I take your point on direct taxation reforms, but on the question of amounts being pending, and cases lingering in the courts, we have very clearly indicated that we are looking at it by introducing the faceless system. And in fact, there was a taxpayers' charter, which was introduced during one of the budgets—2021 if I remember correctly. So, I'm not closing anything to do with the reforms, but the question of monies being held there or in the courts has been partly addressed by the fact that we said cases cannot be opened beyond six years. Every time through the year when notices are sent so that the assessment year doesn't get time-barred, by which time the CBDT sends the notice to the person asking for an explanation, if the explanation is fine, it is anyway dealt with by a faceless officer, and if it is fine, the matter ends there or else somebody else comes into the picture again. Faceless appeal happens, so an assessee doesn't have to keep records for 10 years, but only six years.

You touched upon the North-South divide. One area where we can see that is fiscal federalism, which is increasingly becoming a contested area. After the Planning Commission, it now rests on only one pillar, the Finance Commission.

I would want journalists to put the facts out. The Planning Commission was not even a statutory body. It was a body just like that—dispensing huge sums of money, saying this state should get this kind of a project, and states came begging for it. Prime Minister Modi hated that. We are elected governments. Why should we go begging to the Planning Commission? Because it was not even an authority. Therefore, when the true purpose of that kind of planning body was brought back with the Niti Aayog, a think-tank for the government, it gave us the advantage of deciding which project to do regionally or which projects should be taken up because of a concept; or the ways to attract new businesses; which are the states that have new leverages that they can use up; and which are the states that have to be reached out to because they have inherent challenges. And I think it is right that it's been changed. I don't think it adversely affects the fiscal federalism of the country.

Because of deteriorating Centre-state relations, do you think it kind of takes away from the efficiency of the capital expenditure projects in terms of implementation?

Deteriorating Centre-state relationship? I'm sorry, not at all. It's completely politicizing the Centre-state relationship, and some states do it unabatedly. And they also approach the courts. And I take such opportunity to go to the court with a document to tell them where what has been done, where has the discrimination been, if at all, I explain it in the court. So deteriorating is not a language I want a fair-minded journalist to use. Politicizing Centre-state, yes, you may want to say it. I'll also join you on it.

The government has been pushing the pedal on capital expenditure. At the same time, you've also been signalling to the private sector to be more proactive in making fresh investments.

I think we are losing out in terms of seeing where it is happening by seeing where it is not happening. The private sector is going in a big way in the new renewable energy sector. The private sector is also taking high risks. They are looking at hydrogen, green hydrogen, ammonia, semiconductors, etc. So I think India's private sector is investing in areas which are giving newer investment opportunities.

Which are these sectors seeing private sector participation?

I should say semiconductors, green hydrogen, solar, renewables, rare earth, genomics, AI, medical, diagnostic equipment, etc. They are bringing back API into this country, which we lost out on.

Private consumption growth has been kind of suppressed in the last few quarters. What is your view?

Do you think 8% GDP growth would have been possible for three consecutive quarters if there was no consumption happening? I am afraid we are becoming lazy while looking at the data. We want to look at month-on-month for something which is already printed in red, but we are not willing to see the overall yearly picture.

What do you think will be the next big driver? I mean, let's not look only at the next financial year, but over the next five years.

I have fairly elaborated on those issues. If you're going to empower the women of this country, the youth of this country and the farmers, you have to strengthen agriculture and develop rural areas. And let us not forget the numbers here. By 2030, we are going to have 70 crore (700 million) Indians in the middle class, meaning a large middle-income group with purchasing power in their hand, which will touch 100 crore (1 billion) by 2047.

The Indian capital market has done well in recent times. But, regulators have cautioned about froth in certain parts of the market.

I, for one, would not say any further than saying that the Indian markets, even during great volatility outside, have held their own. Where there is a need for course correction, they have done it on their own... How they handle it has also been very unique to India. The regulators will have to do their job. I am not undermining that.

Indian markets have been lot more saner. Problems of overvaluation, is it short duration or is it froth or is it a bubble, all that debate can go on and silently I am sure the regulators will handle it.

Banks cautioned over NBFC s

Gopika Gopakumar & Sashind Ningthoukhongjam
MUMBAI

Banks must ensure that their growing reliance on fintech companies does not result in poor underwriting standards and improper pricing of risk, cautioned M. Rajeshwar Rao, deputy governor, Reserve Bank of India (RBI).

"The increased reliance of banks and non-banking financial companies to identify and onboard customers through fintech partners should not mean lowering underwriting standards and improper pricing of risks," Rao said at the Mint India Investment Summit 2024 on Saturday.

The deputy governor said the central bank is actively reviewing existing models to ascertain how fintech collaborations with other lenders can enhance credit delivery without compromising risk management or prudential underwriting standards.

"As a regulator and supervisors, we are examining the prevailing models and practices to see how best we can leverage for effective credit delivery without compromising on risk management and prudential credit underwriting standards," he added.

In recent months, the RBI has intensified its oversight of bank-fintech partnerships. Paytm Payments Bank was directed to stop accepting deposits after the central bank found inter-related party transactions with its parent entity One97 Communications. Federal Bank and South Indian Bank were asked to cease issuing co-branded credit cards after it was discovered that the process of customer acquisition via their fintech partners failed to adhere to RBI standards.

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Oppn unites over Kejriwal

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NEW DELHI

Opposition parties united on Sunday to protest against the arrest of Delhi chief minister Arvind Kejriwal before the national elections, accusing Prime Minister Narendra Modi and his party of seeking to rig the vote and harassing them with large tax demands.

"Narendra Modi is trying match-fixing in this election," Congress party leader Rahul Gandhi told a New Delhi rally as the crowd chanted "Shame!"

Delhi chief minister Arvind Kejriwal. HT

Kejriwal, a staunch Modi critic, was arrested on 21 March for alleged graft over granting liquor licences, less than a month before voting starts in a general election widely expected to solidify Modi's mandate with a rare third term.

Kejriwal's Aam Aadmi Party says the case is fabricated and politically motivated. Modi's government and his Bharatiya Janata Party (BJP) deny political interference and say law enforcement agencies are doing their job.

"If BJP wins this match-fixing election and changes the Constitution, it will light the country on fire," said Gandhi. "This is not an ordinary election. This election is to save the country, protect our Constitution."

Sharing the stage with Gandhi at the popular Ramlila Maidan gathering site were opposition leaders including regional party heads who have overcome differences over which party would contest which seats.

Modi said his fight against corruption has rattled the opposition and this election is a fight between his party and its allies who want to remove the corrupt, compared with the opposition that wants to protect the corrupt.

UK set to pick first female envoy to India, 70 years after India sent one

Shashank Mattoo
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NEW DELHI

Former chief of the UK's National Cyber Security Centre, Lindy Cameron, is tipped to become the country's new high commissioner to India.

Should her appointment be confirmed, Cameron will be the first woman to serve as the British high commissioner in New Delhi.

Alex Ellis, who served as high commissioner until this month, will move on to Spain for his next posting. In the interim, senior diplomat Christina Scott is currently serving as acting high commissioner.

If Cameron is picked, the appointment will come a full 70 years after India first sent a woman as its high commissioner to the UK.

New Delhi appointed Vijaya Lakshmi Pandit to head its high commission in London back in 1954. She remained in the job until 1961.

Cameron has previously held numerous positions within the UK's international development department, including as director general for country programmes. An Oxford graduate, Cameron served in Iraq and Afghanistan.

Lindy Cameron, likely to be next UK envoy. X@LINDY_CAMERON

In recent years, a number of senior women diplomats have come to hold Britain's top diplomatic positions abroad. These include envoys to Washington, Beijing, Paris, Tokyo and Berlin.

The British high commission did not provide a formal comment in response to a *Mint* query. Cameron's appointment is expected at a time of growing closeness in the India-UK relationship.

"Total trade in goods and services (exports plus imports) between the UK and India was £38.1 billion in the four quarters to the end of Q3 2023, an increase of 8.7% or £3.0 billion in current prices from the four quarters to the end of Q3 2022," reported the UK's department for business and trade.

India is now the UK's 12th largest trade partner. India and the UK are also negotiating a free trade agreement that could be signed this year.

Alex Ellis, who served as high commissioner until this month, will move on to Spain for his next posting

The two countries are also working to strengthen their partnership in defence.

During defence minister Rajnath Singh's visit to London earlier this year, the two sides opened up new possibilities on security. His counterpart Grant Shapps announced plans to send the country's Littoral Response Group to the Indian Ocean and its Carrier Strike Group in 2025.

London also launched a bespoke office focused on India to boost defence ties. Despite the UK being a major defence supplier to India in the years after Independence in 1947, the relationship weakened after the Soviet Union emerged as India's preferred defence partner.

As New Delhi moves to diversify its defence purchases, the UK has thus far not featured as a key supplier in recent years. With an eye on the future, New Delhi and London agreed a deal that will boost research and development into next-generation defence capabilities.

The two countries will also look to solidify an agreement on logistical support that is expected to make joint operations and exercises easier between the armed forces of the two countries.

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THE MONDAY QUIZ

1) WHAT is the name of the app being shut down by Google, which is promoting YouTube Music?

2) WHICH former crypto mogul has been sentenced to 25 years in prison?

3) WHICH collaboration between Microsoft and OpenAI does involve a $100 billion supercomputer?

4) WHERE will Elon Musk's latest Grok-1.5 chatbot from his AI startup xAI be available?

5) WHO has been appointed as the chief of Microsoft Windows and Surface?

GLOSSARY

Burn-in testing: It is the process of enhancing product quality by testing its parts under normal and accelerated conditions before use. This helps identify faulty parts that may need replacement before reaching the consumer. Not all products require burn-in testing, but failure data is key to determine its necessity.

Composite AI: It involves combining many AI techniques to enhance learning efficiency, accuracy, and knowledge representation. The approach aims to address different business challenges and boost supply chain performance by integrating AI techniques tailored to the specific use case, rather than depending on a universal approach.

Prompt chaining: It is an AI technique that uses the output from one prompt as the input for another, directing large language models through intricate tasks. Through having these models execute modifications or supplementary procedures on produced responses, prompt chaining aids AI in comprehending and responding to complex questions or tasks more effectively.

Semantic space: It is a computational technique to study emotions, which uses natural stimuli and statistical methods to capture shift in emotion-related behaviours. By categorizing emotion-related behaviours into specific patterned responses in a particular emotional domain, semantic analysis enables businesses to acquire valuable insights into customer sentiment and preferences.

THE MONDAY QUIZ ANSWERS:
1) Podcast App 2) Sam Bankman-Fried 3) Stargate
4) X (Twitter) 5) Pavan Davuluri

US tech cos skip China AI gear

Taiwan-based contract manufacturers step up investment south of the US border for American clients

Yang Jie
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Some of the biggest US companies in artificial intelligence have asked their Taiwanese manufacturing partners to step up production of AI-related hardware in Mexico, seeking to diminish reliance on China.

Taiwan-based Foxconn, the world's largest contract electronics manufacturer, and other Taiwanese companies are heeding the call and investing more in Mexico, according to industry executives and analysts.

They are taking advantage of the US-Mexico-Canada Agreement, the free-trade deal that took effect in 2020. It has attracted billions of dollars from manufacturers aiming to move operations from China to Mexico, a process known as nearshoring.

The North American nations "hope to replace products imported from Asia as much as possible," said James Huang, chairman of the Taiwan External Trade Development Council. "Based on this consensus, Mexico is poised to become the most important manufacturing base for the USMCA."

In February, Foxconn said it spent about $27 million to acquire land in western Mexico's Jalisco state, in what people familiar with the plan described as a major expansion of the company's AI server production. Foxconn said it had invested about $690 million in Mexico over the past four years.

Foxconn's Mexico facilities manufacture AI servers for U.S. giants such as Amazon .com, Google, Microsoft and Nvidia, said people familiar with the operations. The U.S. companies either declined to confirm whether they have servers made in Mexico by Foxconn or didn't respond to requests for comment.

Foxconn and other Taiwanese companies are investing more in Mexico for AI-related hardware production.

The rising presence of Taiwanese firms in Mexico is part of a process that will "dramatically modify the industrial structure of Mexico in the next 10 years," said Francisco Cervantes, head of Mexico's largest private-sector organization, last year.

The hardware used in AI applications consists of powerful computers called servers, storage systems, cooling units, connectors and other equipment. From the outside, the machines look similar to those that handle non-AI tasks. Under the hood, they are designed to tackle the complex calculations needed in AI programs and often incorporate cutting-edge processing units.

THE WALL STREET JOURNAL.

As production of such gear increases, US companies are looking to avoid repeating the history of the smartphone after it took off some 15 years ago. Much of the core manufacturing of smartphones and their parts ended up in China, in particular at the factories run by Foxconn and others to assemble iPhones.

Mexico presents its own risks as a production hub, including crime, insufficient water and electricity supply, and intense wage competition for workers skilled at assembling high-tech goods.

Some Taiwanese managers said they rely on private security to keep local gangs from robbing plants of chips or other valuable equipment. They also said Mexican workers tend to be less willing than those in China to log long overtime hours. Mexican workers are unionized, and factories are required to comply with USMCA labor provisions.

Taiwan-based Inventec, which manufactures servers for AI and other functions for major US tech companies, is one company expanding its footprint in Mexico.

Arch Chen, Inventec's regional manager in Mexico, told a conference in Taiwan in December that one of his clients, a top American brand involved in AI development, initially said it wanted its equipment produced in the US After inspecting facilities in Mexico, the client was impressed by the technology and opted to produce there instead, Chen said.

It is getting harder to make cutting-edge equipment in China because the US bans the export to China of advanced chips for AI applications such as those designed by Nvidia.

Major US server manufacturers such as Dell and Hewlett Packard Enterprise have asked their suppliers to move some server and cloud computing production to Southeast Asia and Mexico, reducing reliance on China, people familiar with the matter said. HPE and Dell both said they wanted to strengthen and diversify supply chains, and HPE said its supply chain includes robust sourcing from China.

Rising presence of Taiwan's firms is expected to dramatically modify industrial structure of Mexico in 10 years

AI-related equipment is one of several advanced manufacturing fields in which Mexico is taking a growing role as US-China tensions rise. The country has 14 free-trade agreements with 50 countries, more than any other nation in the world. Those pacts have attracted car manufacturers from Asia, Europe and the US, and turned Mexico into the world's No. 5 car exporter.

Some electric vehicle manufacturers, including Tesla, are looking to open plants in Mexico. Taiwanese firms have also invested in the central and southern parts of Mexico to supply the automotive industry.

Taiwan officials estimate there are about 300 Taiwanese firms in Mexico that employ 70,000 people. Two-way trade last year surpassed $15 billion, according to Mexican government data.

Taiwanese contract manufacturers have concentrated in a few hubs near Texas, such as Ciudad Juárez neighboring El Paso, Texas, and Monterrey. These locations host facilities of companies known in Taiwan as the "six brothers of electronics"—Foxconn, Pegatron, Wistron, Quanta, Compal and Inventec.

Led by those six, Taiwanese manufacturers account for around 90% of global production of server motherboards, the heart of a server containing the principal components, according to Mark Liu of market research firm TrendForce.

Foxconn alone accounts for more than 70% of the upstream work for graphics-processing units, which refers to manufacturing the building blocks of the circuits that power AI servers, Foxconn Chairman Young Liu said last August.

Chinese-made products accounted for 13.9% of US goods imports last year, down from 21.5% in 2015, according to Census Bureau data. Meanwhile, Mexico took over first place, with its share rising 2 percentage points to 15.4%.

During a visit by a Taiwanese delegation to Mexico last year, Mexican Economy Minister Raquel Buenrostro said the country was ready to work with more Taiwanese suppliers, especially in the manufacture of products such as semiconductors.

"We cannot forget that Mexico is the country in the Americas that has invested the most in infrastructure projects in the last five years: airports, trains, highways, and more," she said.

Discord to start showing ads for gamers to boost revenue

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Social-media startup Discord plans to start showing advertisements on its free platform in the coming week after long dismissing them, becoming the latest tech company to turn to ads to try to boost revenue.

The paid promotions are from video game makers and will offer users gifts for completing in-game tasks while their friends watch on Discord.

Discord is looking to hire more than a dozen people for ad-sales positions, according to people familiar with its plans.

The introduction of ads on Discord represents a pivot for the closely held company, whose chief executive, Jason Citron, has repeatedly said it would not depend on ads the way Facebook, Instagram, TikTok and others do.

Ads can intrude on the user experience and raise privacy concerns. Still, Uber Technologies, Lyft, Instacart, DoorDash, Netflix, Reddit have all embraced ads in recent years as have streaming services by Disney and Amazon.com.

Discord's decision to join the crowd could alienate users, said Meghana Dhar, a former Snap and Instagram executive who is now a tech adviser and investor.

THE WALL STREET JOURNAL.

Discord "has famously promoted itself as committed to being ad-free, so this step-change could impact user trust and potentially have them looking for alternative platforms," she said.

Discord said users will be able to turn off the ads in their settings.

Discord's move speaks to a common challenge for consumer-tech companies. They must work to balance the interests of users with the need to generate revenue and, eventually, a profit.


Chat platform Discord, which has long avoided advertising, is latest tech company to lean into paid promotions

Launched in 2015, Discord was designed to make it easy for video game enthusiasts to chat while playing games online together. It expanded its appeal amid the 2020 pandemic lockdowns to a broader range of users including retail stock investors, students seeking help with homework and friends who want to watch movies together. In March, Discord said it had more than 200 million monthly active users.

The company has been trying to turn its popularity into a big payday for years. In 2021, Discord was in talks to sell itself to Microsoft for at least $10 billion. Later that year, it raised $500 million at a $15 billion valuation.

Since then, many on Wall Street have been expecting an initial public offering from the San Francisco startup. Citron told *Bloomberg* recently that the company would probably go public at some point.

The company has long relied on its Nitro subscription service, which offers the ability to upload large files and other perks, to boost revenue since its introduction in 2016. Prices range from $2.99 to $9.99 a month. Discord's revenue has reached $600 million on an annualized basis, quadruple from what it made in 2020, according to a person familiar with the matter. In January, the company laid off 17% of its workforce.

Discord in March announced plans to launch the new ads, which it calls Sponsored Quests, and they will become part of the platform beginning in the coming week. The ads will be targeted to users based on their gameplay, age and geographic location data, and they will appear in the bottom left corner of users' screens, said Peter Sellis, Discord's senior vice president of product, in an interview.

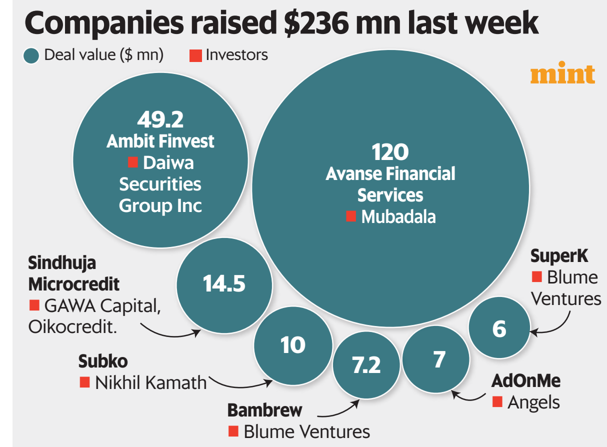
To earn rewards, users must stream themselves, completing an in-game task from the advertiser while at least one friend is watching. Users who watch their friends can then set off on quests of their own.

"We'll get you in front of players," reads a slide in a presentation Discord is using to show Sponsored Quests to game developers. "And those players will get you into their friend groups."

Some users who were given descriptions of the ads said they seem minimally intrusive and the need for them is understandable given the platform is mostly free. Others worried the ads would make people pressure their friends to watch them.

"I don't want my friendships to be monetized or productized in any way," said Zack Mohsen, 32, a longtime Discord user and computer hardware engineer in the Seattle area. "I think this risks pushing people away from it, myself included."

Companies raised $236 mn last week



Source: VCCEdge, VCCircle, Media Reports

SARVESH KUMAR SHARMA/MINT

Funding activity slows further in shorter week

Malvika Maloo & Priyal Mahtta
BENGALURU

Capital raised by private equity (PE) and venture capital (VC)-backed startups slipped for the second straight week, as overall activity was subdued due to a three-day week on account of Holi and Good Friday.

VCCiRCLE

Funding raised by startups and companies backed by alternative investors nearly halved last week to $236 million, even with a large-ticket transaction valued at over $100 million.

Funding volume was also tepid in the week gone by, declining to 17 from the preceding week's 22. Similarly, mergers and acquisitions activity, too, remained weak.

Funding raised by startups, cos backed by alternative investors nearly halved last week to $236 million

Financial services firms stood at the forefront of receiving investor capital.

The largest deal of the week saw education-focused non-bank finance player Avanse Financial Services raise ₹1,000 crore in a round led by Abu Dhabi-based institutional investor Mubadala Investment Co. Avendus PE, Kedaara Capital, IFC and Warburg Pincus participated in the round.

In the next largest deal by size, Ambit Finvest, the NBFC arm of Ambit Group, received a primary infusion of ₹410 crore from Japanese investor Daiwa Securities Group Inc., along with additional capital from existing investors, taking total fundraise to ₹690 crore.

The lending space saw another key transaction, as rural-focused microfinance institution Sindhuja Microcredit secured $14.5 million in its Series C funding round led by Spanish impact investor Gawa Capital, via its vehicle Huruma Fund and the social impact investor Oikocredit.

Digital lending platform KreditBee, which provides personal loans to salaried and self-employed individuals, also topped up its Series D fundraise last week by securing $9.4 million capital from existing investors including PremjiInvest, and Mirae Asset.

The week, which was dominated by small-sized transactions valued at up to $10 million, also saw Kalaari Capital and Foundamental back former OxfordCaps-founder Priyanka Gera's latest proptech venture, Aeria, which raised $1.8 millon in the round.

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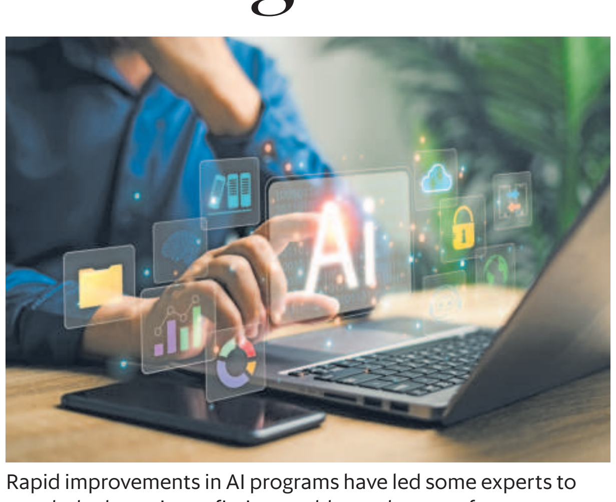
How to define artificial general intelligence

The Economist

The idea of machines outsmarting humans has long been the subject of science fiction. Rapid improvements in artificial-intelligence (AI) programs over the past decade have led some experts to conclude that science fiction could soon become fact. On March 19th Jensen Huang, the chief executive of Nvidia, the world's biggest manufacturer of computer chips and its third most valuable publicly traded company, said he believed today's models could advance to the point of so-called artificial general intelligence (AGI) within five years. What exactly is AGI—and how can we judge when it has arrived?

Mr Huang's words should be taken with a pinch of salt: Nvidia's profits have soared because of the growing demand for its high-tech chips, which are used to train AI models. Promoting AI is thus good for business. But Mr Huang did set out a clear definition of what he believes would constitute AGI: a program that can do 8% better than most people at certain tests, such as bar exams for lawyers or logic quizzes.

This proposal is the latest in a long line of definitions. In the 1950s Alan Turing, a British mathematician, said that talking to a model that had achieved AGI would be indistinguishable from talking to a human. Arguably the most advanced large language models already pass the Turing test. But in recent years tech leaders have moved the goalposts by suggesting a host of new definitions. Mustafa Suleyman, co-founder of DeepMind, an AI-research firm, and chief executive of a newly established AI division within Microsoft, believes that what he calls "artificial capable intelligence"—a "modern Turing test"—will have been reached when a model is given $100,000 and turns it into $1m without instruction. (Mr Suleyman is a board member of The Economist's parent company.) Steve Wozniak, a co-founder of Apple, has a more prosaic vision of AGI: a machine that can enter an average home and make a cup of coffee.



Rapid improvements in AI programs have led some experts to conclude that science fiction could soon become fact. ISTOCKPHOTO

Some researchers reject the concept of AGI altogether. Mike Cook, of King's College London, says the term has no scientific basis and means different things to different people. Few definitions of AGI attract consensus, admits Harry Law, of the University of Cambridge, but most are based on the idea of a model that can outperform humans at most tasks—whether making coffee or making millions. In January researchers at DeepMind proposed six levels of AGI, ranked by the proportion of skilled adults that a model can outperform: they say the technology has reached only the lowest level, with AI tools equal to or slightly better than an unskilled human.

The question of what happens when we reach AGI obsesses some researchers. Eliezer Yudkowsky, a computer scientist who has been fretting about AI for 20 years, worries that by the time people recognise that models have become sentient, it will be too late to stop them and humans will become enslaved. But few researchers share his views. Most believe that AI is simply following human inputs, often poorly.

There may be no consensus about what constitutes AGI among academics or businessmen—but a definition could soon be agreed on in court. As part of a lawsuit lodged in February against OpenAI, a company he co-founded, Elon Musk is asking a court in California to decide whether the firm's GPT-4 model shows signs of AGI. If it does, Mr Musk claims, OpenAI has gone against its founding principle that it will license only pre-AGI technology. The company denies that it has done so. Through his lawyers, Mr Musk is seeking a jury trial. Should his wish be granted, a handful of non-experts could decide a question that has vexed AI experts for decades.

	S&P BSE Sensex	Nifty 50	Nifty 500	Nifty Next 50	Nifty 100	S&P BSE Mid-cap	S&P BSE Small Cap
CLOSE	73651.35	22326.90	20255.15	60624.30	22920.70	39322.12	43166.34
1-WEEK CHANGE (%)	1.13	1.04	1.30	2.43	1.27	1.34	0.92
1-MONTH CHANGE (%)	1.86	1.71	1.17	3.83	2.06	0.78	-4.07
3-MONTH CHANGE (%)	1.71	2.52	4.41	14.46	4.51	7.65	1.85
6-MONTH CHANGE (%)	12.43	14.36	17.97	36.09	17.83	23.17	15.58
1-YEAR CHANGE (%)	27.84	31.71	45.52	63.93	36.47	67.71	65.02

MINT SHORTS

Hedge funds bet on Europe in hunt for next leg of stock rally

Investors are betting that Europe will drive the next leg of the global equity rally, broadening their playbooks as a more expensive US market evokes memories of the dot-com bubble. Hedge funds are now the most exposed they have ever been to European stocks relative to a global benchmark, according to Goldman Sachs Group Inc. data. Mutual funds have also amped up allocations to the region's equities by the most since June 2020, a recent survey by Bank of America Corp. showed. The prospect of "Europe's outperformance against US stocks certainly has legs," Paul Brain, deputy chief investment officer of multi-asset at Newton Investment Management, said . "US big tech seems fully priced and may run into headwinds from competition and regulation after the recent rally." Euro area shares have risen by around 4% in March, outpacing their US peers, and investors expect them to keep climbing. BLOOMBERG

The official manufacturing purchasing managers index rose to 50.8 from 49.1 in February. BLOOMBERG

China factory activity expands for first time in six months

China's manufacturing activity expanded in March for the first time since September, a further sign that the world's second-largest economy is stabilizing. The official manufacturing purchasing managers index rose to 50.8 from 49.1 in February, the National Bureau of Statistics said in a statement Sunday. That beat the median forecast of 50.1 by economists in a *Bloomberg* survey and was the best reading since March last year. A gauge of non-manufacturing activity climbed from the previous month to 53, compared with an estimate of 51.5. A reading above 50 suggests an expansion from the previous month, while a figure below that denotes contraction. The PMI figures are the first official data available each month to provide a snapshot of the health of the Chinese economy. The readings suggest that the country's growth recovery has maintained traction after a solid start to the year. They may give policymakers more time to assess the impact of previous stimulus measures before taking further easing action. The better-than-expected manufacturing PMI "reflects signs that the economy is stabilizing" despite seasonal factors and a low base of comparison from the Lunar New Year, Bruce Pang, chief economist for Greater China at Jones Lang LaSalle Inc., said. BLOOMBERG

Shilling's rally drives Kenya's inflation to two-year low

Kenya's annual inflation eased to a two-year low after the currency's world-beating streak helped rein in import prices. Consumer prices rose 5.7% in March, against 6.3% the month before, Kenya National Bureau of Statistics said Friday in an emailed statement. The median estimate of three economists in a *Bloomberg* survey was 6.1%. The shilling, which has depreciated against the dollar over the past four years, started reversing declines last month to make it the world's best performing currency in 2024 among those tracked by *Bloomberg*. The currency has gained almost 19%, aided by a mix of factors, including a new eurobond issue and two successive interest-rate hikes in December and February of a combined 250 basis points. The slowdown and continued rally in the shilling may persuade monetary policymakers to maintain the key rate at a near 12-year high of 13% when they meet April 3 with the aim of ensuring inflation eases to the 5% midpoint of its target range. BLOOMBERG

Hope to turn earnings Page soon

Harsha Jethmalani
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Patience is a virtue, but that may not be the case if you are an investor in Page Industries Ltd's stock. This is because the wait for an earnings turnaround is getting longer. Weak demand, more competition and an inferior product mix is feared to keep its realizations muted in the March quarter (Q4FY24) as well as FY25.

Declining cotton prices have helped competitors give discounts and unwind inventory. But Page's firm realizations indicate it isn't following suit and this can be a problem. Page stays away from discounting, but persistent high levels of inventory (+70 days) in the market may make it either face volume pressure or cut price, thus impacting realizations, said an Kotak Institutional Equities report on 26 March.

Page has the exclusive license to make, market and distribute the Jockey brand in some countries like India. It also holds the sole license of Speedo brand in India. "Page's performance in Q4FY24 is likely to be muted with subdued revenue growth," said Varun Singh, ICICI Securities analyst, adding that athleisure is a pain point for Page, and contributes over 30% to revenues.

In Q3, Page's revenue grew marginally by 2.4% year-on-year, after staying flat to negative for four quarters. Volume growth of 5% was driven by the innerwear segment, while athleisure was a laggard. If excessive inventory persists in athleisure, it could delay a meaningful earnings recovery.

So, from Q4 management commentary, investors will wait for the industry demand trend, how Page's software implementation is going and if inventory-led issues have bottomed out.

Page's recent earnings performance suggests it is feeling more pressure of the overall weakness in consumption demand for innerwear products than those having exposure to the mass segment. Note that there is no like-to-like comparison for Page with Dollar Industries Ltd and Lux Industries Ltd as the other two companies offer innerwear products at lower prices. As the chart shows, revenues of other value-focused listed peers like Dollar and Lux have grown faster than Page in the recent four quarters. This is because demand for entry-price products is better than for Page's.

This could be a fallout of consumers opting to downtrade in muted demand. As such, Page is not looking to tweak prices any time soon.

In other words, favourable product mix and price hikes, which fuelled Page's realization growth, may be fading in FY25, leaving room for further earnings downgrades.

The stock's dismal performance shows investor nervousness. On 20 March, Page's shares slid to a new 52-week low of ₹33,070.05. So far in 2024, the stock declined by 11%, lagging Nifty50's gain of about 3%.

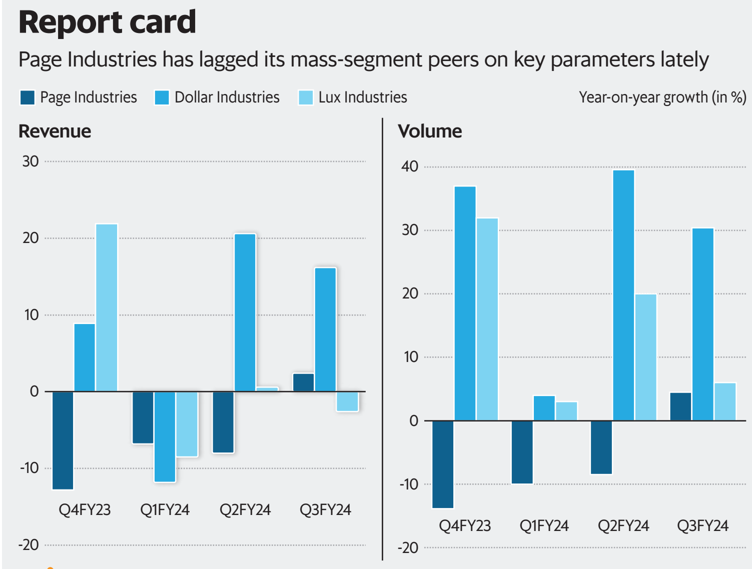
Owing to the lacklustre earnings, Page's valuations have cooled from a peak of over 70 times. it now trades at FY25 price-to-earnings (P/E) multiple of 52 times, *Bloomberg* data shows.

While the company's cost control measures are positive, the road isn't smooth in the near term. Its athleisure segment which benefited in covid, needs to make a comeback. Hereon, a crucial re-rating factor for Page would be the initiatives to increase channel presence via more exclusive brand outlets (EBOs) and higher online exposure. In the Q3FY24 earnings call, the management had said that non-traditional outlets opened in the pandemic were closed, but it continues to focus on expansion and is on track to open 150-200 EBOs in FY24, as it had guided.

Still, investors may not give brownie points soon. While valuations seem to be at a reasonable level, the stock is unlikely to perform for the next two-three quarters as "we don't see meaningful upside triggers," Singh says.

Report card

Page Industries has lagged its mass-segment peers on key parameters lately



Source: Company, Kotak Institutional Equities

PRANAY BHARDWAJ/MINT

MARKET PRESSURE

WEAK demand and competition are likely to keep its realizations muted in Q4FY24 and FY25

THE dismal returns from the stock so far in 2024 only shows that investors are edgy

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

'Correction in mid- and small-cap largely behind, froth cleared'

Dipti Sharma
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MUMBAI

While a section of market participants suggest large caps are a safer choice at present, Dhiraj Relli, chief executive and managing director of HDFC Securities, contends that the excess speculation has been tempered, and the correction necessary for mid- and small-caps has largely over. *Edited excerpts:*

INTERVIEW

The brokerage industry has undergone significant evolution with machine learning and algorithms. HDFC Securities also launched Sky last year. How is it faring?

We are still in the early stages with Sky. We have onboarded nearly 500,000 customers, and the platform is stabilizing. We are adding more features, and focussing on serving an underserved segment. We identified a need for a platform that caters to new-age investors who prefer transparent and simple pricing, and prefer to do things digitally.

How is Sky faring vis-a-vis Zerodha and Groww?

We launched in October, just about five months ago. We are acquiring 100,000 accounts every month, and are satisfied with the progress so far. The real test will be in the next fiscal year when we expect to see significant growth and scalability.

How do you expect the broking industry to develop?

In the past, broking industry was primarily made up of small, independent businesses without many entry barriers. However, today, digital technology and compliance requirements act as significant entry barriers. Developing necessary technology and digital products, such as various order types and algorithm, is challenging for smaller brokerages. Customers demand features like bracket orders and basket orders, and the industry is evolving rapidly with changes like T+0 settlement and expansion of product offerings into commodities. As a result, small brokers struggle to keep up with heavy investments required in digital technology and talent acquisition. Challenges of compliance, technological innovation, talent acquisition, and product development make it increasingly difficult for smaller players to compete effectively in the industry.

Which investor groups are showing higher traction—retail investors or HNIs?

In our earlier platform, Invest Right, we had attracted mostly mature investors, aged 35 and above, who had serious investment needs and valued advice. Whereas in Sky, we see customers who are younger, under 25 or 30, and are more interested in speculative activities such as derivatives trading. They tend to have small amounts to invest, so charges matter more to them. However, serious investors tend to prioritise advice more.

Considering the recent regulatory action from Sebi and the Reserve Bank of India , is there a bubble waiting to burst or is there potential for growth despite the noise?

In the mid-cap and small-cap segments, limited liquidity and free float and similar constraints in public sector undertakings, have created a situation, where domestic inflows are driving up demand without enough sellers. This imbalance led to exuberance in the market due to high demand and limited supply. While foreign portfolio investors (FPIs) have not participated significantly in this trend inflows primarily come from systematic investment plans in mutual funds, and incremental investments in mid- and small-cap schemes, and direct equity investments in the mid-cap and small-cap space. This imbalance in demand and supply has resulted in a correction in the past 15-20 days, with stocks experiencing declines of 20-40%. HDFC Securities highlighted in December that there was froth in mid- and small-cap space.

How do you interpret Sebi's statements?

Sebi's recent statement suggests concerns over froth in the market. They've taken steps to limit fund flows in response to these concerns. This aligns with the cautionary approach many intermediaries, including us, have been advocating. Over the past three months, professionals consistently warned investors about it, with stocks trading at high P-E ratios, indicating high risk. Additionally, investors typically consider booking profits and rebalancing portfolios before the end of the fiscal.

> Smaller brokers struggle to keep up with investments required in digital technology and talent acquisition
>
> **Dhiraj Relli**
> MD & CEO of HDFC Securities

Who is the winner in large-cap versus mid-cap debate?

Many would advise large caps are a better bet at this stage, but froth has been removed and correction that had to happen in mid- and small-caps has largely occurred, with potential for further 5-10% downside.

But there are some good quality companies in the broader market with strong business models that are poised to thrive amid India's growth and rising financialization. Whether large-, mid- or small-cap, companies with value and solid business models will likely excel. Certain new-age businesses such as Zomato and Delhivery demonstrated potential for profitability and unique market position, making them attractive investments despite challenges in replicating their success.

Which sectors are you bullish or bearish about in this market?

Consumer staples are facing challenges with volume growth despite premiumization efforts. Rural demand, which plays significant role, is yet to pick up. Consequently, we are cautious about consumer staples and oil marketing companies. We are bullish on financials, particularly large-cap banks like Kotak Mahindra Bank, besides industrial sector, including construction and railway infrastructure.

DEATH OF A GURU: A FAN'S TRIBUTE TO NOBEL-WINNING LITERARY ICON KAHNEMAN

EXPERT VIEW

DEVINA MEHRA

Respond to this column at
feedback@livemint.com

Sad to hear about the demise of my favourite author, Daniel Kahneman—the closest thing I have had to a Pin-up! Both his books, *Thinking Fast And Slow*, and *Noise*, that he co-wrote, are among my top five of all time.

Nobel Laureate. Best-selling author. Psychologist who never taught an economics class, but had a tremendous impact on the study of economics and finance. That's not all. His influence was far wider, in fields ranging from sports to organ donation.

There have been obituaries from people who knew him and worked with him. But this is a fan's tribute.

His writings introduced me to new worlds.

His work was about fallacies in human thinking and judgement. And that covers just about every area of human endeavour. It is nearly impossible to summarize even a few points from his work in this piece.

The short point: we are far less rational than we think we are.

Human evolution has ensured that our brains are wired for efficiency in survival, not necessarily for truth and rationality. We take many sub-conscious short-cuts to reduce cognitive load, and end up thinking 'fast', using System 1, as Kahneman calls it, most of the time. Thinking 'slow' when we look at data, and analyzing it properly before coming to conclusions is done, but rarely.

This results in many systematic biases. For example, once an incident has happened, or known—say, a poll result—we tell ourselves that we always knew how this would turn out. This is hindsight bias.

Most of us think that we are above average in almost every field, which is a statistical impossibility. This is why we refuse to look at, or ignore, statistical probability or averages, when undertaking any new venture. Explains why, however many times the Securities and Exchange Board of India (Sebi) points out that less than 10% of options and derivative traders make any money at all, there are enough people jumping in, thinking they will defy the odds.

He also writes about how anything that dominates the media will become more salient in people's minds. The human mind cannot distinguish between familiarity and truth. Lies repeated multiple times will start to appear true.

There are dozens of other biases he explains: Survivorship bias, where we remember only the successes, for example, stocks that have done well, and forget the rest; Sunk cost fallacy, where we invest more time and money on anything from a business to a relationship, simply because we have invested in the past; Halo effect, Anchoring effect, Framing fallacies and many more.

It is fascinating to learn about these biases. But, as Kahneman himself warned in several interviews and in his books, intellectually understanding them does little to change how we really operate in the world. He said that in spite of a lifetime's work in this area, his own decision-making had barely changed, and he continued to make the same mistakes as everyone else.

The reason is that many of these thinking fallacies are hardwired into our brain because they served a purpose during human evolution. In our hunter-gatherer days, if there was something that looked like a sabre-toothed tiger in the bushes, it was better to take pre-emptive action even if it later turned out that there was no tiger there.

In today's world, it translates into tendencies such as the reluctance to book losses in the market.

> His work was about fallacies in human thinking and judgement

What I love about his books is that each chapter has as much substance as most other non-fiction books. The latter often have just a few ideas stretched out to book length.

While *Thinking Fast And Slow* speaks about systemic biases, *Noise*, which he co-wrote with Cass R. Sunstein and Olivier Sibony, is about the random element in human decision-making.

One key takeaway: a well designed algorithm, or rule-based system, will almost always beat a so-called experienced expert in any area of human enterprise that requires judgement.

The reason is simple—human beings are prone not just to biases, but also to noise.

Equally experienced experts in areas like judicial sentencing, insurance or investing, will differ dramatically in making a judgement on the same issue, and with the same facts or information.

This variability is noise, which can be reduced by having a proper system.

You can easily visualize this: give the same company information to an array of stock market experts, analysts, or fund managers, and each will have their own take on it.

That, in short, is noise.

In a sense, this book is an endorsement of the path which we chose at First Global to put all our years of research expertise into an artificial intelligence and machine learning system, which could then be applied on a bias-free, noise-free basis across the whole universe of stocks.

A few other fascinating tidbits

For example, we have all the Nifty forecasts for end-2024 from every stock market expert and securities house.

The truth? It's in a category called 'objective ignorance' in the book. Nifty predictions are only one example of humans forecasting things which cannot be known—that too with huge conviction and confidence.

If systems work better, why don't we outsource many such functions to machine- or computer-led systems? The anomaly lies in how we judge the competing systems. We intuitively know that human beings will make errors, but consciously or not, expect a machine-led system to be totally error-free.

I could go on...

As I said, this is at best, a small glimpse of Kahneman's work, but the windows it unlocked in our minds will hopefully remain open.

Rest in peace, my last Guru.

(Devina Mehra is the founder, chairperson and managing director of First Global, an Indian and global asset management company)

Promoters of India Cements increase debt against shares

The promoters had 45.5% of their shares pledged with banks at the end of December 2023

Nehal Chaliawala & Varun Sood
MUMBAI/BENGALURU

Promoters of India Cements Ltd have continued to borrow against their shares with the latest debt raised as recently as last month, at a time the country's tenth largest cement maker fights working capital shortages.

The cement industry has seen intense price competition after the entry of Adani group in 2022 with the acquisition of Ambuja Cements Ltd and ACC Ltd.

Promoters led by managing director N. Srinivasan had 45.5% of their shares pledged with banks at the end of December 2023, as against 16.8% at the end of September 2022. The latest share pledge data is yet to be updated on the bourses.

EWS Finance and Investment, which owns three-fourths of the 28.42% promoter stake in the company, said on 15 March that the promoter had raised more money by creating new pledges. *Mint* could not independently ascertain the quantum of the new share pledges, or the money raised.

In an analyst call on 1 February, the India Cements management said that several company assets remained idle in the December quarter thanks to working capital shortages, curtailing production. Meanwhile, balance sheets remain stretched, with debt six times its operating profit.

To tide over the crisis, India Cements is also looking to sell some non-core assets including land parcels to bring down debt and pump working capital into the company. The working capital woes have primarily been caused by the price competition after Adani's entry into the sector, experts said.


India Cements is also looking to sell some non-core assets including land parcels to bring down debt and pump working capital into the company. HT

"Since the recent entry of a large conglomerate into the cement market, there has been a strong push towards capacity consolidation in the industry," said Snehdeep Bohra, director, Fitch Ratings. "There has been intense price competition in the market over the past 18 months, leading to margin erosion."

In May 2022, Adani spent $10.5 billion to buy Ambuja Cements Ltd and ACC Ltd from Switzerland's Holcim, becoming the country's second-largest cement manufacturer, behind Aditya Birla's UltraTech. After completing the buyout in September, the Ahmedabad-headquartered conglomerate exited the Cement Manufacturers' Association, which was followed by rising price competition in the sector.

This hurt the profitability of smaller cement manufacturers like India Cements, which faced a double whammy of lower prices for cement

UNDER STRESS

MANY company assets remained idle in Q3FY24 as a result of working capital shortages

BALANCE sheets of the firm also remain stretched, with debt six times its operating profit

WORKING capital woes are the result of price competition caused by Adani's entry into cements

INDIA Cements is looking to raise ₹250 crore to improve its liquidity situation

Prices of cement in the south Indian market, for instance, have dipped 11% between March 2022 and March 2024 to about ₹375 per bag, as per a recent report by ICICI Securities. This, even as input costs in terms of energy saw an uptick during this period.

they made and a fall in volumes hurting their unit economics. India Cements has an installed capacity of 15.5 million tonnes per annum (mtpa) versus 143.8 mtpa of market leader UltraTech, and over 70 mtpa of the Ambuja-ACC combine.

"The selling price of cement was lower during the quarter under review due to severe competition caused by supply overhang," India Cements told investors in a press release dated 7 August last year.

"Our volume was low because of working capital constraints, we could not sell, for example, we had planned 11 lakh tonnes. (But) we did less than 7 lakh tonnes," Srinivasan told analysts in a post-earnings call on 1 February this year. "Going forward, we have made arrangements for the working capital. We have sold some of the land which is of no use for us and the performance of the company has been much better and leading to an expectation that next quarter onwards, we will shine like before." To be sure, it is unclear if promoters infused the debt raised against pledged shares to mitigate working capital concerns.

Srinivasan told analysts that India Cements had hired Boston Consulting Group (BCG) to suggest ways to improve the way it conducts business. The company's efficiency continues to lag its larger peers. As per data shared by Fisdom, its operating cost per tonne of ₹6,116 during the December quarter was significantly higher than an average of ₹4,624 of larger peers.

The company is looking to raise ₹250 crore to improve its liquidity situation. Its total debt could be ₹3,300 crore at the end of 31 March, as against ₹3,426 crore last year, as per Care Ratings.

India Cements did not respond to *Mint*'s queries.

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HDFC Bank to sell entire education arm stake

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MUMBAI

HDFC Bank Ltd, India's largest private lender, has decided to sell its entire stake in HDFC Education and Development Services Pvt Ltd, a wholly-owned subsidiary catering to schools within the group.

According to annual report of erstwhile Housing Development Finance Corp for FY23, the company provides services to HDFC Schools across Gurugram, Pune and Bengaluru.

The schools had over 3,300 students in FY23, and HDFC Ltd had infused ₹32 crore into it. Following the merger of the mortgage lender with HDFC Bank in July, the subsidiaries are now part of the bank.

On Saturday, the bank said it signed a binding term sheet with an interested party, that will serve as the anchor bid to seek counter offers from other bidders through a Swiss Challenge process. HDFC Bank will finalize the purchaser on the basis of the completion of the bidding process, and then the buyer and the bank will enter into definitive documentation, the lender said.

Under the Swiss Challenge method, a seller publicly calls for counter bids to match the initial offer. If it does not get a better offer, the first bid is finalized. However, if counter bids exceed the initial bid, the original bidder has the option to match the improved offer.

In April 2023, the bank said that the Reserve Bank of India had allowed it to own erstwhile HDFC's stake in HDFC Edu for two years from the effective date of the merger.

EXPERT VIEW

UPASNA BHARDWAJ

Respond to this column at feedback@livemint.com

APRIL POLICY SET FOR STATUS QUO AMID UNCERTAINTY

A status quo decision on rates and stance is a clear given in the Reserve Bank of India's upcoming Monetary Policy Committee's April 2024 policy meet. Global environment remains unsurprisingly uncertain, as most central banks continue to shy away from providing clear guidance and asserting their data-dependent, wait-and-watch approach.

To be fair, the world is no more as stable as it used to be in the pre-pandemic era, as persistent geopolitical tensions, erratic weather conditions, and surprisingly resilient demand continue to keep the central banks on tenterhooks.

While the US Federal Reserve has been dismissing any scope for early monetary easing, the recent Federal Open Market Committee (FOMC)'s decision can best be described as a reluctant-hawkish one. Markets for now, appear to be drawing comfort from the continued projection of 75 basis points rate cuts in 2024 by the FOMC. However, the nuanced shift in tone and projections by the Fed (higher gross domestic product (GDP), core inflation and longer run policy rate) seems to be telling a slightly different story.

Of the 19 members, nine members expect two rate cuts or fewer (compared with seven members in the December FOMC)—nearly halfway the number needed towards causing a swing in decision.

Any further data signalling stickiness in inflation or persistence of a robust labour market poses material risk for rates staying on hold for longer—a risk which is increasingly becoming a reality, and something for which global markets may not be prepared just yet.

On the domestic front, meanwhile, the inflation trajectory seems to be trending lower in line with expectations. However, the food-led upside risks to inflation remain. The recent surge in crude oil prices would further make the MPC members wary, and may continue to keep their focus on the last leg of disinflationary trends intact.

> The tone of the MPC statement will need to be watched, given the uncertain global backdrop

The robust domestic growth further provides room for the MPC to hold on to the restrictive policy stance, unless confident on the durability of disinflation.

Having said that, RBI has allowed a gradual easing in financial conditions over the last five to six weeks. Recall, that the weighted average call rate (WACR) had persisted 20–30 basis points higher than the repo rate between mid-September 2023 and January 2024, deviating from the monetary policy framework requirement (WACR being closer to the repo rate).

RBI allowed the tightness to persist without providing much liquidity support. However, since February 2024, RBI has frequently been fine-tuning liquidity operations and, hence, has reversed the stealth tightness of nearly 25bps.

Of course, the liquidity conditions have eased since then, amid aggressive government spending and foreign exchange (FX) intervention, but RBI's regular use of variable rate repo (VRR) and variable reverse repo rate (VRRR) to balance the downside and upside to overnight rates has comforted the markets.

While RBI in its February policy explicitly delinked the liquidity stance from the policy stance, we believe the central bank will continue to manage the two suitably to ensure a smooth monetary policy transmission.

The recent fine-tuning of liquidity operations by RBI to align overnight rates closer to the repo rate is a soft signal for the same, allowing the markets to discount the timing of change to the current stance of "withdrawal of accommodation".

Although, the frequent reference to stance being interpreted in terms of policy rates (both in the minutes and the post-February policy press conference) does provide more vagueness in terms of timing of the policy stance, we still see scope for change of stance to neutral in the June-August policy.

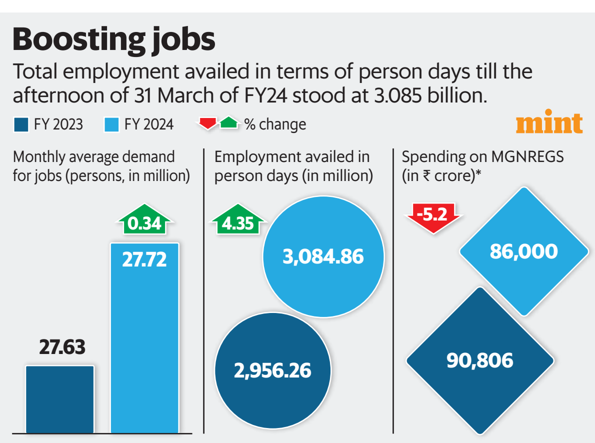
However, repo rate cuts may still have to wait till later in FY25 (or even longer), given the uncertain domestic food inflation trajectory, uptick in crude oil prices and the risk of delayed global monetary easing.

Overall, while the April policy is likely to maintain status quo, the tone of the statement will need to be carefully watched out given the uncertain global backdrop.

Moreover, it will be interesting to see any further split in the voting patterns as members dissect the evolving macroeconomic conditions amid elevated ex-ante real rates.

The author is chief economist, Kotak Mahindra Bank.

The views and opinion expressed in the column are personal and do not necessarily reflect the opinion of the organisation or the Kotak Group.



PRANAY BHARDWAJ/MINT

Construction boom eases pressure on rural jobs scheme

FROM PAGE 1

Sachchidanand Shukla, group chief economist at Larsen & Toubro Ltd, said it is clear that a lot of construction activities and the pick-up in the real estate sector have been extremely supportive of job growth, including for semi-skilled and unskilled work.

"Historically, construction has been the biggest job creator in rural areas. Besides, elections usually coincide with buoyant capital and revenue spending at both state and central level, giving a boost to job creation. We have seen five state elections last year in the run-up to the forthcoming national election. The initial forecasts of monsoon in FY25 are promising. Also, the programmes and other measures to be announced in the full budget to be presented after the elections are expected to further support consumption," Shukla added.

The finance ministry's monthly economic review for February, too, said that the forecast for a normal monsoon in FY25 will likely boost rural consumption demand. MGNREGA guarantees at least one hundred days of wage employment every financial year to every rural household whose adult members volunteer for unskilled manual work, a crucial safety net for rural households when no better employment opportunity is available.

Total employment availed in terms of person days till the afternoon of 31 March of FY24 stood at 3.085 billion, a little more than 4% increase over 2.956 billion in FY23, data from the rural development ministry showed. Person days are the total days of work availed by all persons who volunteered for it.

What coincided with the farm output decline in FY24 is a robust 10.7% growth in the construction sector, following a 9.4% expansion the year before, bolstered by the government's generous capital expenditure (capex) for infrastructure creation. After raising effective capex by about 25% in FY23 and by more than 28% in FY24, the Centre has further increased it by 17% to ₹11.1 trillion in FY25, budget documents showed.

Emails sent to the finance ministry and the rural development ministry seeking their comments remained unanswered till press time.

In FY24, the total spending for rural jobs is projected to be ₹86,000 crore, slightly below ₹90,806 crore spent in FY23. For FY25, the government has allocated ₹86,000 crore for the rural jobs scheme. The allocation is typically recalibrated depending on the actual demand for such jobs.

Experts said the social security net offered by the scheme for the rural poor and the unemployed played a critical role after the pandemic.

Will imported shoes bear ISI mark from Aug?

Dhirendra Kumar & Puja Das
NEW DELHI

Norms mandating foreign luxury shoemakers and popular athleisure brands such as Nike and Adidas to stamp their shoes with the ISI mark—ubiquitous in India but not so elsewhere—will come into force in August, two officials said, outlining a move that is set to be resisted by these footwear firms.

Currently, foreign shoemakers, including well-known French luxury brands such as Louis Vuitton, Dior and Christian Louboutin, are able to export their shoes to India without such restrictions and this exemption has been extended till August.

Come 1 August, these products will come under a Quality Control Order (QCO) to be issued by the Bureau of Indian Standards (BIS), which includes embossing the shoes with the rectangular ISI mark.

As per the norms of BIS, no firm can manufacture, import, distribute, sell, hire, lease, store, or exhibit any product


From 1 August, foreign luxury shoemakers and popular athleisure brands will need the ISI mark of approval to sell in India. HT

covered under the QCO without the ISI standard mark.

Representatives of French shoemakers said anonymously that they are opposed to the idea of embossing the ISI mark on their shoes. Indian officials have suggested that foreign shoemakers may also be asked to source components from India and set up factories in India.

The government feels a concerted effort to enhance quality control measures will help curb an influx of substandard goods and boost India's standing in global manufacturing and supply chains. The government has set a target to include more than 2,000 products under QCOs in the years to come.

Mint had earlier reported about footwear imports by these brands and others facing hurdles after the government's quality rules mandating the application of BIS standards for imported footwear, including embossing ISI marks on all footwear sold in India since July 2023.

Queries emailed to secretaries of consumer affairs, DPIIT, director general of BIS, Indo-French Chamber of Commerce & Industry and spokespersons of consumer affairs, BIS, Nike, and Adidas remained unanswered till press time.

"The new notification to extend the QCO has been issued in adherence to the revision of standards by the BIS. Most categories of shoes have undergone changes in their standards. Therefore, we must supersede the earlier notification," the first official said.

"Importers were facing challenges in importing shoes from foreign destinations due to BIS standards. The interim relief applies to all premium shoemakers. However, after 1 August, everyone will have to comply with the BIS standards in full," the second official said.

Among other things, French firms are worried that luxury footwear products exported to India will be subjected to cumbersome testing and certification requirements by Indian regulatory authorities.

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Billions flood active ETFs in hunt for cheap developing stocks

Bloomberg
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As investors scour the globe for undervalued stocks, one increasingly popular destination is actively managed exchange-traded funds that focus on emerging markets.

In the $348 billion market for ETFs that invest in developing-nation assets, the holdings of only about 5% of funds are actively managed—rather than pinned directly to an underlying index, according to data compiled by *Bloomberg*. But those actively managed funds have lured in more than a third of new cash that's flowed into the asset class over the past year and more than 50% in the past month.

"If ever there was a compelling case for a more systematic approach to active management, it's now," said Donald Calcagni, chief investment officer of Mercer Advisors Investment Management and a buyer of active emerging-market ETFs. "Look at all the dislocations that are happening globally, at valuations, at how concentrated markets have become."

The reasons for the shift towards emerging-market shares are plenty. Developing-nation stocks are trading at a discount of about 43% compared to their peers in the US, just shy of the biggest valuation gap on record, data compiled by *Bloomberg* show.

That chasm is a signal to some on Wall Street—including those with very few overseas investments—that developing-nation stocks are undervalued, offering an ideal moment to load up on the assets.


Developing-nation stocks are trading at a discount of about 43% compared with US peers, signalling undervaluation. BLOOMBERG

Investors have been pouring cash into ETFs that wager on emerging assets in a bid to take advantage of lower fees and avoid the logistics of cross-border trading, reigniting the debate over whether active strategies can offer stronger returns versus passive ones beholden to a benchmark.

That momentum is reigniting the debate over whether investors can eke out stronger returns in nimble, active strategies compared with passive ones that are beholden to a benchmark.

Patrick Maynor, head of equities and portfolio manager at Trusted Capital Group, made his first foray into emerging-market funds by buying shares in the Avantis Emerging Markets Equity ETF, or AVEM, in April 2023. The ETF has posted a total return of nearly 13% since then, beating its benchmark by 3 percentage points.

> Investors have been pouring cash into ETFs that wager on EM assets to take advantage of lower fees, etc.

It was a decision that hinged on the potential for value hidden in developing equity markets. Not only do the stocks trade at far cheaper prices than mature-economy peers, he said, but they also offer a way to diversify his firm's $7 billion of assets under management. Maynor currently targets an allocation of 15% of his global equity strategy portfolio to AVEM, with the ability to "tactically increase over time".

"Knowing my limitations on EM investing, it makes sense to partner with someone who does have expertise in that area," he said. "I just know how hard it is investing in that landscape, and it's certainly an investment space where you do need to have that active-type management."

More than 95% of cash destined for actively managed EM ETFs in the past year has gone into strategies managed by Avantis Investors, a $40 billion investment offering from global asset manager American Century Investments, and Dimensional Fund Advisors, according to *Bloomberg*-compiled data.

Sebi may clear the air on currency derivatives today

FROM PAGE 1

teams on Monday, though the over-the-counter (OTC) currency market will remain shut.

Broker associations such as Association of National Exchanges Members of India (ANMI) and Commodity Participants Association of India (CPAI) reached out to Sebi for a clarification last week as the import of the circular began to sink in.

Queries sent to Sebi, NSE and BSE remained unanswered.

If the RBI rule stays, it could spell the end of the ETCD segment, according to brokers who spoke on condition of anonymity.

“Speculators act as counterparties to hedgers, providing depth to the market and reducing the impact cost (how quickly an asset can be liquidated for cash),” said a director from a leading brokerage. “A market remains vibrant if it has a cross section of participants. A hedgers-only market will literally mean the end of the ETCD segment.”

While actual users including importers, exporters, SMEs, corporates and FPIs can hedge their currency risk on the OTC currency market which is dominated by banks, the smaller ones hedge their forex risk on ETCD, as banks tend to give relatively more attractive bids (buy)-ask (sell) quotes to larger hedgers. He added that a circular from Sebi or the exchanges was expected on Monday.

To trade a derivatives contract, a user must put up a margin at a fraction of the contract cost. If a company imports raw material and needs dollar at a future date, it can buy a dollar-rupee futures contract on the exchange if it feels the USD can appreciate. The counterparty, a retail investor or prop trader, believes the dollar will depreciate and sells the dollar to the company.

NSE is the market leader in ETCD, with almost 99% share of turnover. PTI

If the dollar falls at the end of the contract tenure, the company's loss on the exchange is offset by buying the dollar for fewer rupees on the OTC spot market. If the dollar rises as it expects, the gain on the exchange is used to buy the more expensive dollar on the spot market. In the above instances, the speculator loses or gains from the company.

Broker associations such as ANMI and CPAI reached out to Sebi for a clarification last week

Jay Prakash Gupta, national vice-president-designate of CPAI, said that brokers were expecting a Sebi or exchange circular on Monday.

NSE is the market leader in ETCD, with almost 99% share of turnover. In FY24, average daily turnover on NSE currency derivatives was ₹1.46 trillion, down 5.8% from FY23.

Apart from equities cash and derivatives segments, exchanges offer currency, commodity and interest rate derivatives.

How India could become an Asian tiger

Personnel, data, and federalism reforms could work wonders for India's governance, growth

The Economist

Is India achieving its potential? In the year to the third quarter of 2023, the country grew at a blistering rate of 8.4%. Over the next half-decade it is expected to expand at 6.5% a year, which would make it the world's fastest-growing big economy. So far, so good. The problem, as critics point out, is that China, Japan and South Korea all expanded at 10% or so a year during their periods of rapid growth. Part of the reason for India's less impressive figures is a slowdown in globalisation. But a new book by Karthik Muralidharan of the University of California, San Diego, called “Accelerating India's Development”, argues that the crucial barrier to faster development is a lack of “state capacity”.

Mr Muralidharan describes this concept as the “effectiveness” of government. Throwing money at a state lacking capacity is like adding fuel to a car near a breakdown: it won't get you very far. Currently, the Indian state succeeds when on “mission mode”, achieving clearly defined goals. In April it should pull off the largest democratic exercise in history, as voters pick a prime minister. At the same time, it struggles with mundane, everyday aspects of governance, such as education and health. Three in five rural children in the fifth year of school cannot read at a second-year level—and in the past five years the failure rate has only worsened.

Part of the issue is the precociousness of Indian democracy. The franchise became universal in 1950, when the country was mostly impoverished. Citizens demanded that the state met their basic needs well before it had the money or capacity to do so. India launched its food-security programme in the 1960s, for instance, when it was a fifteenth as rich per person as America was when it launched its own such programme in the 1930s. This set a pattern: the Indian state does a lot, but little well.

Just 3% of state spending happens at a local level, compared with 51% in China. AFP

In his 800-page tome, Mr Muralidharan lays out fixes. The book is crammed with details about how the Indian system works and could be improved. Three ideas stand out. They concern how the state should manage people, use technology and improve its federal system. And they hold lessons for other governments.

Since 2002, when Mr Muralidharan was a graduate student, he has been conducting surveys on absentee rates. It turns out that teachers skip school perhaps as often as pupils: they are absent 20-30% of the time. The problem is not pay. In 2017 a study by Rohini Pande of Yale University found that across 33 countries, India offered the second-highest wage premium to public-sector employees. Rather, the problem appears to be governance. School supervisory positions have ultra-high vacancy rates of 20-40%. Mr Muralidharan calculates that filling such roles would be ten times more cost-effective than hiring more teachers.

Such problems reflect a strange approach to civil-service management. About 1m Indians apply each year for about 1,000 slots, making it one of the most selective bureaucracies in history. Yet India has just 16 public employees per 1,000 people, one of the lowest ratios in the world. Indian officials also hop from position to position across various different tiers of government, moving every 15 months on average. As a recent retiree notes, this means that they have far too little time to develop proper expertise in any one area. Therefore problems go unresolved.

Better data would help. It should not take an academic survey to ascertain rates of teacher absenteeism. Official numbers on educational outcomes paint a far rosier picture than those collected by independent organisations. Schools and low-level bureaucrats have incentives to cheat. As such, Mr Muralidharan suggests digital data collection, audits and stiffer accountability.

A running theme throughout the book is the need to pay attention to India's federal structure. The country has 28 hugely diverse states, 15 of which are big enough to be in the top fifth of the world's countries by population. Historically, Indian politicians have fallen prey to cycles of corruption in which companies bribe leaders in exchange for favours, with leaders then using the money to fund expensive campaigns that involve, in effect, bribing voters. In some states, this cycle is starting to break down. Campaigns promising to get stuff done are what propelled Narendra Modi, India's prime minister, to fame when he ran the state of Gujarat.

Progress in the “third tier” of government, which is made up of villages, towns and cities, has been less impressive, however. Deng Xiaoping, China's leader from 1978 to 1989, introduced reforms that rewarded local officials for their economic performance. India could use something similar, especially if states granted their local authorities more resources and power. Of the 18 similar countries looked at by Mr Muralidharan, India was the least decentralised when it came to fiscal affairs. Just 3% of state spending happens at a local level, compared with 51% in China. In 2000 three Indian states—Bihar, Madhya Pradesh and Uttar Pradesh—were split in two. So was Andhra Pradesh in 2014. All four splits have led to faster economic growth.

Go-faster stripes

There is much else in Mr Muralidharan's book. But changes to personnel, data and federalism would together represent the beginnings of a reform package that could do wonders for India's governance, and therefore its growth. Indeed, the sheer variation in performance across India's cities and states demonstrates the potential benefits. Karnataka, a large and reasonably well-run state, is six times richer per person than Bihar, the country's poorest state—making India one of the world's most geographically unequal countries. Internal migration is relatively rare, which means that for incomes to grow faster, poor states will have to get their act together. The changes outlined by Mr Muralidharan will be tough to enact, but not impossible. And if some states make the leap, they may inspire others to follow their example.

Ajay Devgn's horror film *Shaitaan* earned ₹137.72 crore this year. X/@ADFFILMS

Film industry had a muted Jan-March

FROM PAGE 1

Tamil films—Vijay's *Varisu* and Ajith-starrer *Thunivu*—were also big hits, each earning over ₹170 crore. Ranbir Kapoor's *Tu Jhoothi Main Makkaar* collected a cool ₹150 crore.

“The Hindi film business has encountered challenges, particularly due to the absence of major star-driven titles. The impact is evident in both footfalls and box-office earnings. Among the top 10 films of the year so far, only four Hindi films have managed to secure a spot. This scarcity of blockbuster Hindi releases (in January-March of 2024) has led to a decline in Hindi cinema's contribution to the domestic box office, dropping from 44% in 2023 to 36% in the current period,” said Devang Sampat, managing director, Cinepolis India.

Sampat estimated box-office collections for the January-March quarter across languages to come in at ₹1,500 crore. Of this, trade experts expect Hindi films to bring in ₹550-600 crore. In the same quarter last year, Hindi cinema alone accounted for ₹850 crore.

To be sure, there have been a few notable exceptions in terms of commercial success. Ajay Devgn's horror film *Shaitaan* earned ₹137.72 crore, political drama *Article 370* made ₹81.02 crore and Malayalam film *Manjummel Boys* collected ₹124.45 crore.

The Hollywood slate, however, remained impacted by the writers and actors' strike last year over fair compensation, with only science-fiction film *Dune: Part Two* (₹26.71 crore) and animation comedy *Kung Fu Panda 4* (₹25.57 crore) standing out, to some extent.

Conceding that no film so far has managed to match the euphoria of last year, independent exhibitor (single screen owner) Vishek Chauhan said the disappointment also arises from the fact that ₹500 crore is now the new benchmark. “It will be good news if theatres can manage to break even this quarter,” he said. The other cause of concern is the dip in Hollywood box office, particularly the performance of superhero films and those belonging to the Marvel universe that continue to see diminishing returns, Chauhan added.

Last year, Shah Rukh Khan's *Pathaan* and *Jawan* both earned over ₹500 crore each in domestic box office, besides Sunny Deol's *Gadar 2* and Ranbir Kapoor-starrer *Animal*.

‘PSBs level up, need good hands at top’

FROM PAGE 1

nal audit, so that they are able to identify and mitigate risks at an early stage.

Sitharaman said that PSBs have requested the Centre to let them to recruit from the market. The government, she said, wants high-quality professionals running the banks. Even today, PSBs are laterally hiring from the market but these are for specialized roles, such as digital banking and wealth management, besides others. With digital banking becoming more integral to business, PSU banks are hiring specialists even for mid- and junior level roles from IT companies and private lenders. Lateral hiring is the process of recruiting an expert for a specific role from another organization.

The health of the banking sector has improved, and state-owned banks are now providing rich dividends to the government, Sitharaman added. “Their NPA levels are coming down and they are only going to further come down in the next few months,” she said.

Nirmala Sitharaman at the Mint summit on Saturday. MINT

As per RBI data, gross non-performing assets (NPA) as a percentage of gross loans stood at 5% for public sector banks and 2.3% for private sector banks as on 31 March, 2023, as compared to 7.3% and 3.8% respectively in FY22. The overall gross NPA ratio of banks improved from 5.8% in FY22, to 3.9% in FY23, and further to 3.2% as on 30 September.

That apart, following several amalgamations, India now has 12 public sector banks. While a majority of these used to be dependent on the government for capital infusion, the last few years have been different as they have tapped the public markets for funds. Between FY18 and FY22, the government put in ₹2.86 trillion into public sector banks, as per data presented in the Parliament by junior finance minister Bhagwat Karad in March 2023. The cleanup of legacy bad loans and stronger underwriting decisions have played a role in the improvement of their health.

Asked about the trends in private capex, the minister said the private sector is investing significantly in areas offering new opportunities. “They are looking at hydrogen, green hydrogen, ammonia, semiconductors, etc. Imagine three semiconductor investments with investments of over ₹1 lakh crore. That's not government investment. So actually, all of us will have to now be ready to look at these sectors where the private sector has already invested and shown that appetite to take high risks.”

The economy, the finance minister said, is expected to expand 8% or above in the last quarter of the current financial year, leading to an equivalent growth for the whole of FY24.

“Hopefully, the fourth quarter (of FY24) which ends tomorrow will also have it in the range of 8% or above 8%, resulting in 2023-24 having an average GDP growth of 8% or over 8% is what my expectation is,” Sitharaman said.

India witnessed a GDP growth of 7.8% in Q1, 7.6% in Q2 and 8.4% in Q3 of 2023-24. “Three quarters of consistent growth over 8% is really good news, and I thank the people of India for being so energetic, and coming out to make sure that India remains the fastest growing economy,” she said.

Chill out: Ice creams, drinks, ACs top sizzling summer list

FROM PAGE 1

situation based on the prevailing ground realities then. We have built additional capacity over the last couple of years,” he said. The firm runs nearly 1,000 ice cream parlours in India.

During the summer months of 2023, beverage and soft drink companies faced challenges as demand remained subdued due to unseasonal rains and a mild summer, following a robust performance in 2022. Consequently, several companies reported muted results for the June quarter.

Dairy cooperative Gujarat Cooperative Milk Marketing Federation , which markets dairy products under the Amul brand, said the summer has started well after tepid demand for ice creams during the previous year.

“We are already seeing very strong demand for our beverage portfolio,” said Jayen Mehta, managing director. “We have been expanding our range as well as ramping up capacity.” Mehta said the upcoming general election, coupled with a strong summer, will lead to increasing demand for low-price beverages, such as shakes, lassi, and even ice creams.

IMD predicted above normal maximum temperatures for most parts of the country. HT

Likewise, Havmor ice-cream expects to grow 20-25% year-on-year during the summer months. “To cater to the growing demand, we have increased production capacity in existing factories and will be ready to service more demand through our upcoming factory in Pune starting July-August, Komal Anand managing director Havmor Ice Cream, said.

Typically, summer sees a surge in demand for both cold drinks and ice creams. However, erratic rainfall in parts of North India last year, coupled with an early monsoon onset, dampened demand for such products. The India Meteorological Department, earlier this month, said India is likely to witness warmer start to the summer season this year, and predicted above normal maximum temperatures for most parts of the country.

Amul expects it beverages and ice-creams portfolio to grow 30-40% this year compared to the year-ago period.

Consumer electronics manufacturer Thompson recently announced a ₹75 crore investment in an air cooler manufacturing plant, prioritizing the segment amid stiff competition in air conditioners and subdued demand.

A Snapchat feature is feeding teens' deepest insecurities

FROM PAGE 1

‘Buried in those devices’

U.S. Surgeon General Vivek Murthy issued an advisory last June on the effects of social media on youth mental health. Adolescents are susceptible to peer pressure, opinions and comparison, he said.

Florida Gov. Ron DeSantis signed a bill earlier this week that, if upheld, would prohibit kids under the age of 14 from having social-media accounts. He explained, “Being buried in those devices all day is not the best way to grow up.”

And on Thursday, four school boards in major cities in Canada sued the owners of Snapchat, Facebook, Instagram and TikTok for about $3 billion, alleging the platforms have contributed to a mental-health crisis and left schools to clean up the mess. About 200 U.S. school districts have also joined litigation against social-media companies.

The social hierarchy that's playing out on Snapchat has parents vexed. “You have to wonder if all this fear of being left out is part of the mental-health problems kids are facing,” says Callie's mother, Erica Bates.

A Snap spokeswoman says the friend solar system is one of more than 30 features on Snapchat+. Most are intended to help users customize the app, and all can be easily turned off.

A friend's solar-system ranking isn't visible to others—users can only see their position in relation to a friend, and can't see who is closer or farther away. Snapchat+ subscribers can pin friends they want to appear closer.

The company has no plans to turn off the feature, but the spokeswoman says it is always open to feedback. “We always prioritize our community's well-being,” she says, adding that the majority of the seven million Snapchat+ subscribers worldwide are over 18.

‘Do we really need external validation?’

Even without Snapchat+, the app can show teens where they stand with friends via emojis.

Four school boards in major cities in Canada sued the owners of Snapchat, Facebook, Instagram for about $3 billion. ISTOCKPHOTO

This occurs if two people are on each other's private eight-person best-friend lists. A yellow heart indicates “Besties” status—these two have sent the most snaps to each other. If they're besties for at least two consecutive months, they graduate to “Super BFF,” indicated by two red hearts.

Maximilian Milovidov, a 17-year-old in London and a youth digital-safety advocate, says his friends often use the old-fashioned approach: swapping phones and peeking at the activity in each other's social-media accounts.

The company has no plans to turn off the feature, but the spokeswoman says it is always open to feedback

Maximilian says his feelings have been hurt when he's discovered that he's lower on a friend's list than he thinks he should be. This has discouraged him from getting Snapchat+. The ability to get more granular information about his social standing would only create more anxiety, he says.

“Me and my best friend recently got ‘Besties’ status on Snapchat and we celebrated,” he says. “But then we were like, ‘Do we really need that external validation from a platform to tell us we're best friends?’”

Isabelle da Costa, a 20-year-old college student in Atlanta, says Snapchat's solar system reminds her of the app's old days, when anyone could see who their friends' top three friends were—and whether they made the list. Isabelle says she saw many relationships implode over that publicly visible disclosure. Snap ended it in 2015.

That said, she credits her current relationship to Snapchat's friend rankings. In early 2020, she messaged a boy she was interested in, starting with a flirty remark about their “bestie” standing. The romance has already lasted four years.

While it worked out for her, she says the ability for teens to see where they stand with others is usually not constructive.

“There's something about the teenage brain that thrives on drama,” Isabelle says, “and Snapchat facilitates it well.”

'Beer poised to grow in India'

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United Breweries Limited (UBL), the maker of Kingfisher beer, displayed a remarkable turnaround in Q3FY24. Revenue grew 12.28% year-on-year in the three months through December. It recorded ₹85.34 crore in profits, against a small loss in the same period last year. In an exclusive interview with *Mint*, Dolf van den Brink, chairman of the executive board and CEO of Heineken, UBL's Dutch parent, said India escaped a major impact from geopolitical issues such as raw material cost inflation because of its local sourcing. Van den Brink said the company plans to expand the Heineken brand further nationally. While some markets such as Delhi and Kerala faced temporary setbacks, UBL's performance remained strong, with an overall volume growth of 8% and revenue growth of nearly 20% in Q3. *Edited excerpts*:

INTERVIEW

Geopolitical tensions disrupted the beer market for over two years, mainly because most parts of the world relied on barley from Ukraine. Has that issue gone away now?

The worst of the effects is behind us...Barley prices, our main ingredient, were an issue...We have worked our way through it now and the main impact of that was in 2022 and 2023. In 2024, we see a normalization in our cost structure and consequently, a normalization in the category with more healthy volumes and top line growth. However, India was less affected by some of the issues in Europe.

Do you mean you were less impacted in terms of the raw materials or consumption of beer?

On the consumption side, we didn't see a slowdown in India like we saw in a couple of other places. Also, we are sourcing almost all our ingredients and inputs locally in India. We are working with farmers in India and procuring huge amounts of locally-grown barley and rice for our ingredients. We are also procuring glass bottles and cans from local suppliers and that has insulated us here somewhat.

How has the beer business changed from before the pandemic to now in India?

It's hard to see one consistent theme. There has been a lot of disruption due to the pandemic, war and inflation. But in India, I really believe that the overall developments of recent years are pushing us towards an inflection point of an acceleration in the category. We are putting massive investments into the Indian market and have already invested over ₹8,000 crore in the recent past to build more capacity. While I cannot give an exact capacity size, I can say that on a global scale, the Indian market is still very underdeveloped.

India is on a strong growth path, but beer still has a perception problem as a category. Its growth has been nearly stagnant for the last decade and most consumption has only been in the strong category. Is this an issue Heineken faces as well?

It's notable—the difference in the country from when I used to visit earlier to now. The growth momentum the country is having right now is something I read about in the international press, but to really see how the country is building, reforming, raising standards, and investing in person is another thing. We see a lot of growth in our industry and many other industries, too.

Does it translate into any immediate positive impact on your company's sales in any way or is it still some time in the making?

Yes, we have observed that historically in different markets. With all the growth and development happening at the local level, hundreds of millions of people are getting added into the middle class. There is higher disposable income and new social habits are formed. We see a huge inflection point for the industry right now and it is already transforming, upgrading and becoming more premium so there is also more moderation now.

Higher-quality consumption also means people want more premium experiences and drinking is also becoming more multi-gendered in India. We really believe we are at the beginning of an era of growth for the category here.

A quick look at the beer numbers in India will tell you that from, say, a decade ago to now, the beer market universe hasn't grown tremendously at all—stagnating around the under 350 million cases a year mark. Your views?

There have been historical reasons for that, including regulation and state-to-state duty problems. But again, I think the biggest thing that will drive a future growth is the development of the Indian middle class in the big metropolitan areas. There are also a lot of smaller entrepreneurs launching local craft brands which is a very good thing. This is going to really propel the category.

> We're kind of in the early stages of a big momentum wave for premium beer and we're participating with different brands.
>
> **Dolf van den Brink**
> Chairman of the executive board & CEO, Heineken

Is Kingfisher ever going to be an out-of-India brand or will it always remain a local brand for you?

When beer is talked about in India, Kingfisher is always mentioned—it's iconic and legendary...The bulk of our revenues are generated by local brands in their respective countries, like Kingfisher in India, Tecate in Mexico, and Tiger in Vietnam. Beer should be locally relevant and in a country the size of a continent (India), we are really excited about giving more opportunity to this brand in our global footprint as well. However, at the same time we also see that in India itself, we're just scratching the surface and there's so much potential for the brand.

Is Heineken being left behind in some ways, then?

We're kind of in the early stages of a big momentum wave for premium beer and we're participating with different brands. Our biggest, most important global premier brand is, of course, the Heineken brand, which is already available in certain states in India, but it's far from being a national brand. So we're really investing now in making that possible. We have other premium propositions such as Amstel, Ultra and Ultra Max, too.

Overall, across the globe, our most important markets are large countries such as Mexico, Brazil, South Africa, Vietnam, or developing countries with large growing populations where disposable income levels are rising. These are places where beer typically tends to do very well.

Some of the local markets you operate in, such as Tamil Nadu, Telangana, Odisha, and Maharashtra, did well till Q3FY24 but there was a decline in business in Delhi and Kerala. What caused this disruption?

Delhi as we know is going through a lot of change in policy and so is a bit stagnant because the number of outlets has gone down. We are still working through things like launching the right portfolio or getting the right value proposition. In Kerala, we are looking to expand our portfolio as well. In Q3, we actually had growth and almost 20% revenue growth.

How will the beer category, and your overall business, look like in the next 3–5 years in India?

I think it's safe to say that we would expect that the Indian market and our UBL company here will outpace global beer market growth. That's what we're setting ourselves up for. And we're putting our money where our mouth is in terms of investment levels to enable that kind of growth.

How is your non-alcoholic beer category doing in India?

That's a pretty hot category, but has a very low penetration in India. So, Heineken 0.0 is the largest 0% beer on the planet and this category is a very big global trend.

Outside of this, we are also investing in a broader flavour and taste profile and also sweeter, more flavorful propositions globally in our "beyond beer" category.

FY25 is expected to be very robust as companies will continue to garner capital for capex post-election results. ISTOCKPHOTO

Mkt sentiments aid QIP fund-raising to hit ₹78K cr in FY24

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Fuelled by improved market sentiments and robust underlying demand, fund-raising by issuing shares/units to institutional investors soared to ₹78,000 crore in 2023-24, a more than seven-fold surge year-on-year.

The 2024-25 fiscal could be very robust as companies will keep garnering capital for capex post-poll results.

> Of ₹78,089 crore collected in FY24, ₹68,933 crore was raised by 55 firms via QIPs, the rest mopped up by a reit, and 2 InvITs

"In an unprecedented era of economic development aided by pro-business reforms and macroeconomic stability, India is set to become the third largest economy globally by 2027 and will keep seeing strong flows. Against this backdrop, we expect FY25 to also be a strong year from a primary capital perspective as companies will continue to look to raise capital for capex post-election results," Neha Agarwal, MD & head of equity capital markets at JM Financial Ltd, told *PTI*.

According to data compiled by Prime Database, fund-raising through the QIP route reached ₹78,089 crore in 2023-24, which was way higher than ₹10,235 crore mopped up in the preceding financial year. This included fund mobilization by reits and infrastructure investment trusts (InVITs) through the QIP mode.

Before that, ₹28,532 crore was mobilized through the QIP route in 2021-22 and an all-time high of ₹81,731 crore in 2020-21. Of ₹78,089 crore collected in FY24, a total of ₹68,933 crore was raised by 55 companies through the route, remaining ₹9,156 crore was mopped up by one reit and two InvITs. Brookfield India Real Estate Trust garnered ₹2,305 crore through QIP, National Highways Infra Trust mopped up ₹6,181 crore and Grid Trust collected ₹669 crore through the route.

Market experts attributed the primary reason for the increase in QIP fund-raising to the market and investor sentiments that play an important role in their success.

Budget revised estimates had pegged dividend receipts from CPSEs at ₹50,000 crore for the current fiscal. MINT

Dividend receipts from CPSEs beat revised estimates

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The central government's dividend receipts from Central Public Sector Enterprises (CPSEs) have exceeded the revised budget estimate by 26% to about ₹63,000 crore, with public sector undertaking (PSU) behemoths such as Coal India Ltd, Oil and Natural Gas Corp. Ltd (ONGC), Power Grid Corporation of India Ltd and GAIL (India) Ltd making handsome payouts in FY24. The revised estimates of the budget presented in Parliament on 1 February pegged dividend receipts from CPSEs at ₹50,000 crore for the current fiscal.

The actual dividend collections have been about 26% higher at ₹62,929.27 crore in 2023-24, as per the Department of Investment and Public Asset Management (Dipam) website.

In March, the government received hefty dividend tranches from ONGC (₹2,964 crore), Coal India (₹2,043 crore), Power Grid Corporation of India (₹2,149 crore), NMDC Ltd (₹1,024 crore), Hindustan Aeronautics Ltd (HAL) (₹1,054 crore) and GAIL (₹1,863 crore).

In FY23, dividend receipts stood at ₹59,952.84 crore.

> The combined m-cap of CPSEs, banks and insurance firms has grown 500% in the past three years

Higher dividend is a reflection of the robust financial performance of CPSEs during 2023-24. The payouts by CPSEs also benefit retail and institutional shareholders and will help generate interest in PSU shares.

As per Dipam's capital restructuring guidelines, CPSEs that do not have plans to deploy their capital optimally for business purposes should have a professional look at the surplus funds available to them. The CPSEs sitting on cash piles are required to pay dividends, which will, in turn, help keep investors interested in the stock. The combined market capitalisation of CPSEs, banks and insurance companies has grown 500% in the past three years from ₹15 trillion to ₹58 trillion.

Also, the government's equity holding has risen 4 times to ₹38 trillion from ₹9.5 trilling in January 2021.

Infosys to receive ₹6,329 crore I-T refund

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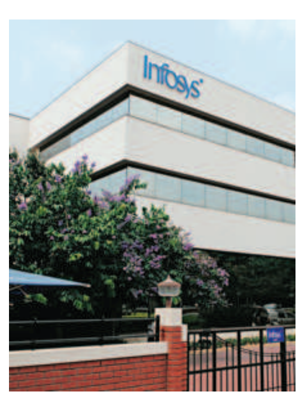
Infosys expects a refund of ₹6,329 crore from the income tax department, the country's second largest IT services company said. It also informed the stock exchanges about tax demand to the tune of ₹2,763 crore, citing various assessment orders.

Infosys Ltd said it has received orders from the income tax department for assessment years 2007-08 to 2015-16, 2017-18, and 2018-19 during the quarter.

"As per the orders, the company expects a refund of ₹6,329 crore (including interest). The company is in the process of evaluating the implications of these orders on the financial statements for the quarter and year ending March 31, 2024," Infosys said in a BSE filing.



Infosys is set to announce its Q4 results on 18 April. MINT

Infosys, which competes with TCS and Wipro and others in the market for IT services contracts, is scheduled to declare its financial results for the fourth quarter of the current fiscal year as well as the full FY24 on 18 April.

The Bengaluru-headquartered IT company also said it has received an order for assessment year 2022-23 with a tax demand of ₹2,763 crore, including interest, and for assessment year 2011-12 with a tax demand of ₹4 crore, interest included. Infosys has received assessment orders for subsidiaries as well, totalling ₹277 crore. These include assessment orders for assessment years 2021-22 and 2018-19, respectively, with total tax demand of ₹145 crore; order for assessment year 22-23 with a tax demand of ₹127 crore; and for assessment year 2022-23 entailing tax demand of ₹5 crore—all of them inclusive of interest.

> Infosys has also received an order for assessment year 2022-23 with a tax demand of ₹2,763 crore, including interest

"The company is in the process of evaluating the implications of these orders on the financial statements for the quarter and year ending March 31, 2024 and also evaluating filing appeals against these orders," Infosys said.

Further, a subsidiary of the company has received refund orders under Section 254 for assessment years 2007-08 and 2008-09 and under Section 154 for assessment year 16-17, it said, adding that the refund amount as per these orders is ₹14 crore.

"The company is in the process of evaluating the implications of these orders on the financial statements for the quarter and year ending March 31, 2024," Infosys said.

IOCL, Panasonic to form Li-ion cell JV

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Indian Oil Corp. Ltd (IOCL) has announced a joint venture with Japan's Panasonic Energy Co. Ltd to produce cylindrical lithium-ion (Li-ion) cells in India. The companies have signed a binding term sheet to establish the framework for the JV, following the signing of a heads of agreement on 21 January.

A heads of agreement is a non-binding document that specifies the primary issues related to a potential sale, partnership, or other agreements.

The firms are currently conducting a feasibility study on using battery technology to facilitate India's transition to clean energy. According to a stock exchange filing the firms aim to finalise the details of the collaboration by this summer.

The development comes as lithium-ion cell manufacturing in India is gaining momentum with robust demand from both electric vehicles and battery energy storage systems.

Indian Oil Corporation and Panasonic Energy aim to finalize the details of the collaboration by this summer.

On Sunday, IOCL said in the filing: "Aiming to empower the transition to clean energy in India, IOCL and Panasonic Energy have signed a binding term sheet to draw framework for formation of a JV for manufacturing cylindrical lithium-ion cells in anticipation of expanding demand for batteries for two-and three-wheelers and energy storage systems in the Indian market."

"Besides meeting domestic requirements, investments in local manufacturing will set up a complete supply chain ecosystem improving India's self-reliance and fortify its position in global energy landscape," it added.

IOCL said the JV will create demand for sourcing raw-material sourcing in the country, enhancing value addition, and encouraging more companies to enter the market.

The oil marketing company has been looking to diversify operations as it aims to achieve net-zero carbon emissions in operations by 2046.

IOCL is increasingly looking to develop clean energy sources, including solar power, biofuels and hydrogen.

"Leveraging Panasonic Energy's expertise in battery development and manufacturing, both companies will strive to contribute to the growth of the lithium-ion battery industry and to India's energy transition, while pursuing its mission of helping to build a sustainable society," according to the filing.

Panasonic Energy, established in April 2022 as part of the Panasonic Group's switch to an operating company system, provides battery technology-based products and solutions globally.

Shares of IOCL closed at ₹167.75 on the BSE on Thursday, up 0.90% from their previous close.

Chinese debt trap: It only takes $7,000

With exit bans, foreign executives can be stuck in the country for years due to small business disputes

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The Wall Street Journal conducted a search of an online court database that included millions of documents and turned up 37 cases of foreign nationals hit with exit bans. REUTERS

An American executive who lives in China went to Shanghai Pudong airport six years ago for a routine business trip to San Francisco. When he tried to cross the border, he was told he wasn't permitted to leave China.

"You know what you did," the border officer told him. He tried another airport and got a similar response.

The executive has been stuck in China ever since. He was the target of an exit ban, a legal tool used by Chinese courts that has left numerous foreign executives trapped inside the country—often with no idea when they will be allowed to leave.

The vast majority of exit bans aren't applied to people accused of a crime but to those involved in civil litigation, usually business disputes. Even foreign nationals who aren't personally liable or who left a company years before it got involved in a dispute have been subject to these bans.

China's government is in the midst of a charm offensive to attract foreign companies and businesspeople after a series of company raids and detentions last year scared off executives and raised serious questions about the risks of doing business in the country.

But Beijing hasn't attempted to address one of the big risks facing foreigners working in China: the chance they might not be allowed to leave.

The American executive's story was a textbook case: He had been the general manager of the Shanghai subsidiary of a European company. In 2016, the company's headquarters stopped sending money to its Shanghai unit, making it unable to pay monthly salaries. The executive tried and failed to raise money from inside China. Many of the company's employees sued; at least one asked the court to impose an exit ban on him.

China has been using exit bans for years, leading to high-profile cases involving senior bankers, lawyers and business owners. But the details of how widespread these bans are—and how little it takes to fall afoul of Chinese courts—are murky.

The Wall Street Journal conducted a search of an online court database that included millions of documents and turned up 37 cases of foreign nationals hit with exit bans. Lawyers say the real number is much higher, and academics have found more than 150 cases.

The cases in the court database include Americans stuck in China for missed payments or failed debts, a Taiwanese restaurant owner who got into a disagreement about share ownership with his German co-owner, and an Iranian businessman unable to leave the country for months because he owed an employee $7,000.

Those contacted by the Journal declined to comment or even confirm their experience—even those who eventually managed to leave China.

Business disputes

Harry Clifford Villers appeared to time his move to China perfectly.

In 2001, the country became a full member of the World Trade Organization, cementing its place as a global trading giant and ushering in decades of economic growth.

Villers, an American citizen, moved to China the same year, according to his LinkedIn profile.

He ended up at SureHeat Manufacturing Suzhou, a manufacturer of ovens and fireplaces. In 2014, the company went bankrupt and, two years later, Villers was hit with an exit ban.

China's legal system allows the plaintiff in any standard civil or business dispute to ask the court to impose an exit ban on the defendant. This is usually after a verdict has been reached, but not always. If the defendant is a company, the exit ban can be placed on the company's legal representative, a responsible person or a senior manager.

Those subject to an exit ban have their names added to a national database that police check at every airport and train station. They often don't know about an exit ban until they travel—and sometimes aren't told why they aren't allowed to proceed.

In civil disputes with foreigners in China, exit bans shift the balance of power so that one party holds all the cards, said Jack Wroldsen, a business-law and public-policy professor at California Polytechnic State University, San Luis Obispo.

Sometimes exit bans are imposed on highflying executives or those who have borrowed large sums. Charles Wang Zhonghe, a senior executive at Japanese bank Nomura , was unable to leave China after a business trip last year and was cooperating with an investigation, according to people familiar with the matter.

Michael Chan, a Kroll executive, was also the subject of an exit ban last year, the Journal reported.

Hu Xiaobei, a U.S. passport holder, faced an exit ban after she and her husband borrowed more than $450,000 from a friend that they were unable to repay, according to the court documents seen by the Journal.

Hu argued in court that the ban put her in a Catch-22 situation: She needed to earn the money to pay off their debt, but she wasn't allowed to work. She asked the court to let her go back to the U.S. to raise the money. Her request was denied.

Just as often, the bans are imposed on owners of relatively small businesses or those involved in personal disputes.

Wu Jun, an American citizen in his late 50s, was given an exit ban in 2017. The problem: He had been the legal representative of an electronics company five years earlier. When a court ruled that the company owed $8,150 in salary and other payments in March 2016, Wu was still listed in the corporate register

Wu claimed he didn't know that the company hadn't updated the name of its legal representative until he was stopped at the border. He was told he couldn't leave the country until he provided financial guarantees or until this dispute was settled. He appealed and lost.

People facing exit bans often exist in a legal limbo. The American executive who was stopped at Shanghai Pudong airport can't get a job. His lack of paperwork meant he couldn't get a vaccination during the Covid-19 pandemic. He has long overstayed his visa and carries a court letter with him everywhere to explain why.

Renewed fear

Exit bans show how corporate and personal liabilities can become muddled in China's legal system, said Dan Harris, a partner at Harris Sliwoski who specializes in international law and has written about the use of exit bans and debt hostages in China.

The vast majority of exit bans aren't applied to people accused of a crime but to those involved in civil litigation

Although China allows businesses to operate as limited liability companies, when it comes to exit bans corporate liabilities can quickly become personal ones.

China's use of exit bans has become a headache for U.S. diplomats, adding to the long list of disputes between China and the U.S. But Washington has limited options to challenge exit bans, even when they involve American citizens with relatively meager debts.

"There's basically nothing that can be done about exit bans, because they are legal in China," Harris said. "The amount owed does not matter. It could be really small."

The U.S. Embassy in Beijing wrote a letter to China's Foreign Ministry in 2017 expressing concern about the numerous cases of Americans being subject to exit bans, according to a copy released in 2022 under a Freedom of Information Act request made for a study by Wroldsen and Chris Carr, another professor at Cal Poly.

The U.S. government has disclosed some data related to exit bans in China under the FOIA request. The State Department revealed 30 cases of exit bans between 2010 and 2019, citing information from the U.S. Embassy in Beijing.

One ban was imposed in June 2017 on a managing director of Citadel Securities and the board chairman of its Shanghai affiliate. The executive, a citizen of both the U.S. and China, was unable to leave the country for 35 days. Another businessman was told in December 2019 that he couldn't leave China until his prior company had been dissolved.

Once an exit ban is imposed it can be automatically renewed as long as the debt is unpaid or the case is still outstanding, said Li Shu, a partner at Yunting, a Beijing-based law firm.

There is no limit to how long an exit ban can last, he said.

Three years ago, Sen. Edward Markey (D., Mass.) and other lawmakers introduced legislation to deny visas to any Chinese officials involved in formulating or executing the exit ban policy. The bill didn't become law.

In a statement to the Journal, China's Foreign Ministry said it welcomes citizens of all countries to visit for tourism and business purposes, and safeguards their safety and their legitimate rights and interests, including freedom of entry and exit.

"At the same time, China is governed by the rule of law, and the judicial organs handle cases in strict accordance with the law, restricting the exit of foreigners with pending civil cases or suspected of having committed crimes," it said.

China's Ministry of Public Security and the National Immigration Administration didn't respond to queries.

UK Prime Minister Rishi Sunak. REUTERS

PM Rishi Sunak's seat at risk: Survey

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A new so-called mega poll released by a civil society campaign organization indicates that the governing Conservative Party is in for a major drubbing in the general election expected later this year, with even British Prime Minister Rishi Sunak's seat in North Yorkshire hanging in the balance.

The 15,029-person MRP poll conducted by Survation on behalf of Best for Britain puts the Opposition Labour Party on 45% of the vote share with a 19-point lead over the Conservatives, up three points from the group's previous poll at the end of last year.

The 15,029-person MRP poll by Survation on behalf of Best for Britain puts the Labour Party on 45% of vote share

'The Sunday Times' analysis of the major seat-by-seat survey claims Tory prospects have hit a record low, which means they are on track for their worst election result, winning fewer than 100 seats. Labour could win 468, giving Opposition leader Sir Keir Starmer's party a whopping 286-seat majority. "Our MRP forecast shows that, if the election were held tomorrow, Sunak's Conservatives would lose 250 MPs across the country and the Labour Party would win with 468 seats. This would be the worst ever result for the Conservatives at a General Election," claims the Best for Britain analysis.

"The extent of the damage to the Conservative Party doesn't stop there either. Prime Minister Rishi Sunak's seat of Richmond and Northallerton becomes a hyper-marginal, with the Labour Party just 2.4% behind him. The same is true in Chancellor Jeremy Hunt's new seat of Godalming and Ash in which the Liberal Democrats trail by just 1%," it adds.

The analysis claims that of the estimated 28 sitting Cabinet members expected to contest the polls, only 13 of them would be re-elected should they decide to stand again.

While undecided voters were not accounted for in the survey, they represented about 15% of those asked and the Tories will be pinning their hopes on winning them over when the country finally goes to the polls.

Why Tavares remains all-in on EVs as others retrench

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Stellantis Chief Executive Carlos Tavares in February made an intriguing announcement: The Chrysler-parent company would remain all-in on electric vehicles , even as competitors scale back and sales growth slows.

"We're going flat out," he told analysts on the company's earnings call.

The 65-year-old's view on battery-powered vehicles is a drastic change from just a year ago, when he sounded the alarm on the high cost of EVs . Now, Tavares is more bullish, driven by the company's flexible vehicle platforms and that Stellantis's EVs are already profitable.

Tavares says the company is staying the course with an ambitious goal it staked out two years ago: to make 50% of Stellantis's U.S. sales volume all-electric by 2030 , buoyed by its popular Jeep SUV and Ram pickup brands.

A part-time race car driver, Tavares has always stood out among his peers as an executive who moves to the beat of his own drum.

While Stellantis has sold electric models in Europe the past few years, the U.S. was put on the back burner for some time. Company executives have said the delay gave them time to better understand what U.S. customers want—an advantage when competitors have spent billions of dollars to quickly introduce their first electric models to catch up to market leader Tesla , even as some drivers remain skeptical of the technology .

Stellantis, born in 2021 through the merger of Fiat Chrysler Automobiles and PSA Group, has 14 brands worldwide, including well-known American names such as Jeep and Ram as well as European makes Opel and Peugeot.

The company is executing an aggressive plan to capture a chunk of the electric-vehicle market: Sell 48 EV models globally by the end of 2024, including eight in the U.S.

Among those are the Fiat 500e subcompact vehicle, which is currently available, and the muscle car Dodge Charger Daytona and Ram 1500 REV pickup, expected to hit dealerships later this year.

New advantages

Tavares is betting big on his company's new flexible vehicle platforms. They will give Stellantis an edge, allowing the company to switch between building gas-powered vehicles and EVs based on consumer demand.

These platforms are in essence common structural foundations on which different types of vehicles can be built.

"We are launching at the right time with the right technology and the right products covering several segments of the market," a company spokesperson said.

But Tavares said he has more than one reason to be more optimistic—raw material costs are falling and the electric-only models Stellantis sells around the world are already profitable. At a time when many automakers are losing money on EVs, launching profit-generating electric vehicles as soon as they come to market is a core tenant at the company, he said.

"People do things if they believe it is going to be profitable," Tavares said in an interview. "If not, they just drop it."

Not your typical CEO

Tavares, who ran Peugeot after several years at Nissan Motor , has developed a reputation for maintaining sharp metrics to track progress and being hyper-focused on costs. He sometimes flies budget airlines over the private jets favored by other auto executives.

Stellantis chief executive officer Carlos Tavares.

That focus on restraining costs has continued into his tenure at Stellantis, which has maintained double-digit profit margins since its inception in 2021, among the highest in the industry.

The company achieved those marks under Tavares' watch by reducing its U.S. salaried head count through buyouts and layoffs , and by making moves to sell off some of Stellantis's biggest real estate holdings, such as its North American headquarters .

Tim Kuniskis , chief executive of Dodge and Ram, recently said Tavares instructed the company's American brands to not buy any regulatory credits allowed under U.S. law to meet tailpipe emission standards. Fiat Chrysler had relied upon the credit-buying system for years to meet the requirements.

"My guys may think, 'Carlos is crazy'," Tavares said, "and that is OK." But he said buying credits from other automakers only helps competitors and puts Stellantis in a position of weakness.

So far, some automakers have struggled to make money on their EVs . Ford last year lost nearly $5 billion on its electric-car business and projects even bigger losses this year. General Motors has delayed a $4 billion overhaul of a Detroit factory to build electric pickups as well as a self-imposed goal of producing 400,000 EVs over a two-year period through mid-2024.

Tavares, meanwhile, told analysts in the February call that Stellantis's EVs in Europe are profitable, including a new hatchback offered by the company's Citroën brand, the e-C3, which is being sold in Europe at 23,300 euros, equivalent to about $25,000.

Sell at a profit

For years, Tavares said consumers wouldn't make a switch to electric models without substantial government subsidies and lower costs, and he routinely chastised regulators for requiring companies to sell more battery-powered cars.

Now, the CEO says the company's core U.S. brands—Dodge, Jeep and Ram—are expected to make money on their first retail EVs that go on sale later this year.

Stellantis's new global vehicle platforms have been touted by executives as a business advantage in recent months. Up to two million vehicles alone can be built on one of Stellantis's new platforms, called STLA Medium, equal to one-third of the automaker's total sales in 2023.

These platforms, which contain the basic mechanical components that underpin a car, can be used to not only make battery-only models but also hybrids and those with internal combustion engines.

Kuniskis said at a recent conference that one of the company's four new vehicle platforms will support a midsize SUV for Jeep, a two-door muscle coupe for Dodge and a new vehicle for Chrysler—including those powered by gas engines and battery motors.

Tavares says the firm is staying the course with an aim to make 50% of its U.S. sales all-electric by 2030

"That one platform underpins in the short term, eight different, completely, radically different cars for radically different customer profiles," Kuniskis said. "And in the longer term, it will do even more."

Tavares said the setup is particularly advantageous as the U.S. and Europe face political elections this year that could upend the regulatory environment for electric vehicles.

If regulators after those elections want fewer EVs, Stellantis can slow down until consumer demand increases, he said. If they want more, it can speed production up.

"I will be in a better position to face that market than if I start to slow down now," he said.

Growing confidence

Other executives have taken a different view, saying a flexible arrangement such as Stellantis's isn't the right approach. Developing an EV system from scratch allows for a larger battery—thus providing a longer driving range—and a roomier interior relative to an electric vehicle that was retrofitted from a gas-engine layout, supporters such as General Motors and Volkswagen have said.

Still, Tavares is confident his strategy will be fruitful.

The CEO said the company has enough battery supply secured to support its U.S. ambitions. And the carmaker is benefiting from its long-game approach because of the slowdown in consumer interest, as the continuing narrative has resulted in decreasing total costs to make an EV, Tavares said.

"That has an impact on the raw material price, which means the raw material price is going down," he said. As a result, affordability for customers should continue to increase, he said.

Pain points persist, Tavares said, and the industry won't have success selling EVs unless companies continue to drive down costs, increase affordability and build out a robust charging network for drivers.

But even if there are some bumps in the road, he said he believes the electric transition is inevitable. In the coming years, though, Tavares believes the competition will be intense and only a handful of global automakers might survive.

"There will be only five," he said. "Among those, there will be Stellantis."

NEWS IN NUMBERS

56,858
THE NUMBER of jobs that were cut in 2024 in the tech industry, as it corrected for over-hiring during the pandemic, according to layoffs.fyi

₹23.26 cr
THE GST demand order received by the online food delivery platform Zomato from Karnataka tax authorities for availing excess input tax credit for FY19

$100 bn
THE COST of a data centre project that Microsoft and OpenAI plan to build, including an AI supercomputer called Stargate set to launch in 2028

3
THE NUMBER of rockets NASA plans to launch on 8 April, during the solar eclipse, to study its impact on satellite signals and radio frequencies

₹18.85 cr
THE DOMESTIC box office collection of Crew, a Bollywood movie starring Tabu, Kareena Kapoor Khan and Kriti Sanon in two days since its release

HOWINDIALIVES.COM

MSME payments: new norm applies

The income tax rule disallowing businesses from claiming tax deductions for payments beyond 45 days to MSMEs for supply of goods and services will come into effect form today. According to Section 43B(h) of the Income Tax Act, introduced through Finance Act 2023, if a larger company does not pay an MSME on time—within 45 days in case of written agreements—it cannot deduct that expense from its taxable income, leading to potentially higher taxes.

Some industry bodies have urged the government to postpone implementation of the new payment rules, the Federation of Indian Micro and Small & Medium Enterprises (FISME) is of the opinion that the new rule has the potential to be a game-changer for MSMEs. MSMEs fear that due to this rule, large buyers could cold-shoulder MSME suppliers and start buying either from those MSMEs that are not registered with Udyam or from non-MSMEs. **PTI**

Pharma and solar modules account for nearly half of the total investments made. BLOOMBERG

PLI schemes drew over ₹1.06 tn till Dec

Production-linked incentive (PLI) schemes for 14 sectors have attracted over ₹1.06 trillion investments till December 2023 with pharma and solar modules accounting for nearly half of the total, according to government data.

The response to the schemes was tepid in sectors like IT hardware, auto, and auto components, textiles, and ACC battery storage till December last year. The government in 2021 announced PLI schemes for 14 sectors such as telecommunication, white goods, textiles, manufacturing of medical devices, automobiles, speciality steel, food products, high-efficiency solar PV modules, advanced chemistry cell battery, drones, and pharma with an outlay of ₹1.97 trillion.

According to the data, pharmaceuticals and drugs sector attracted ₹25,813 crore till December last year, exceeding the expected investments of ₹17,275 crore.

The major beneficiary in this sector include Dr Reddy's Laboratories, Cipla, Glenmark Pharma, Biocon and Wockhardt Ltd. **PTI**

WHEAT SEASON

Farmers thresh harvested wheat crop at a village on the outskirts of Ajmer, Rajasthan, on Sunday. Last week, the government asked traders, wholesalers, and retailers, to report their wheat stocks every Friday to ensure food security, and curb hoarding and speculative activities that could harm market stability. PTI

Coal ministry eyes ₹54,721 cr asset monetization in FY25

Till Feb, the ministry had monetized assets worth ₹55,148 cr, surpassing its FY24 target

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The Union ministry of coal is targeting monetization of assets worth ₹54,721 crore in FY25, about 9% higher than the ₹50,118 crore target set in FY24. In the 11 months to February, the ministry had surpassed its FY24 target, having monetized assets worth ₹55,148 crore.

"The projected target with reference to asset monetization plan for FY25 is ₹54,721.06 crore. ₹55,148 crore of asset monetization has been done in FY24 till February 2024 against NITI Aayog target of ₹50,118 crore," the coal ministry said in response to a mailed query.

A person aware of the development said commercial auction of mines and development of mines through the 'mining developers and operators' (MDO) model would be primary routes to asset monetization for the ministry. The ministry engages third-party MDOs including private players in coal mines through global tenders.

"The target would be higher than FY24. In FY25 too, it is likely to be achieved comfortably as in the case of this fiscal (FY24). Auctions and MDOs, (in which mines of public sector companies are given to an MDO for development, would be the primary ways of monetization," the person said.

> In February, the ministry announced that it has received 33 bids for 13 coal mines out of 27 mines put on the block in the ninth round of auctions

In 2020, the government opened up coal for commercial mining by private players and has so far auctioned 91 mines.

However, over the years the interest in mines among private firms has seen a saturation with the captive requirement of several companies largely being met. The government has made efforts to make coal mining and the auction process more lucrative.

The Centre has kept the requirements flexible with no restriction on utilization of coal, whether for captive consumption or commercial purposes, and has reduced the upfront payable amount among other relaxations. The government also gives a 50% rebate on the final offer if the quantity of coal under the terms of purchase is produced earlier than the scheduled date.

In February, the ministry announced that it has received 33 bids for 13 coal mines out of 27 mines put on the block in the ninth round of auctions.

Cong gets fresh I-T notice for ₹1,745 cr

In mounting trouble for the Congress, people in the party said it has received fresh notices from the income tax department, raising a tax demand of ₹1,745 crore for the assessment years 2014-15 to 2016-17.

With this latest notice, the income tax department has raised a total demand of ₹3,567 crore from the Congress.

According to people with direct knowledge about the matter, the fresh tax notices relate to 2014-15 (₹663 crore), 2015-16 (around ₹664 crore) and 2016-17 (around ₹417 crore).

The authorities have ended the tax exemption available to political parties and have taxed the party for the entire collections, they added.

The Congress has also been taxed for "third-party entries" made in diaries seized from some of its leaders by probe agencies during raids, the people cited above said. **PTI**

AS per MoSPI out of 1,902 projects 764 projects were delayed. MINT

443 projects hit by cost overrun in Feb

As many as 443 infrastructure projects, each entailing an investment of ₹150 crore or above, were hit by a cost overrun of more than ₹4.92 lakh crore in February 2024, an official report stated. According to the ministry of statistics and programme implementation (MoSPI), which monitors infrastructure projects worth ₹150 crore and above, out of 1,902 projects, 443 reported cost overruns and 764 projects were delayed.

"Total original cost of implementation of the 1,902 projects was ₹27,08,030.44 crore, and their anticipated completion cost is likely to be ₹32,00,507.55 crore, which reflects overall cost overruns of ₹4,92,477.11 crore (18.19% of original cost)," the ministry's latest report for February 2024 said. As per the report, the expenditure incurred on these projects till February 2024 is ₹16,76,739 crore, which is 52.39% of the anticipated cost of the projects. **PTI**

RBI to set up DIGITA to curb cyber fraud

As part of its efforts to curb growing cyber fraud, the Reserve Bank of India (RBI) is considering establishing a Digital India Trust Agency (DIGITA) to stop the mushrooming of illegal lending apps.

The proposed agency will enable verification of digital lending apps and maintain a public register of verified apps, people with direct knowledge about the development said.

Apps not carrying the 'verified' signature of DIGITA should be considered unauthorized for the purpose of law enforcement, the people said, adding that this will serve as a pivotal checkpoint in the fight against financial crimes in the digital realm.

Digital India Trust Agency or DIGITA, once in place, would be entrusted with the responsibility of vetting digital lending apps, they noted. **PTI**

President Murmu confers Bharat Ratna on L.K. Advani

President Droupadi Murmu conferred Bharat Ratna, the country's highest civilian honour, on BJP stalwart and former deputy prime minister L. K. Advani at his residence here on Sunday.

The ceremony was attended by vice president Jagdeep Dhankhar, Prime Minister Narendra Modi, defence minister Rajnath Singh, home minister Amit Shah and the family members of Advani, the Rashtrapati Bhavan said in a post on X. Prime Minister Modi sat next to Advani as the President honoured the veteran leader with Bharat Ratna.

Modi said on X that it was very special to witness the conferring of the Bharat Ratna on Advani and this honour is a recognition of his enduring contributions to the nation's progress.

"His dedication to public service and his pivotal role in shaping modern India have left an indelible mark on our history. I am proud to have got the opportunity to work with him very closely over the last several decades," the prime minister said. **PTI**

PM Modi sat next to Advani as the President honoured BJP stalwart and former deputy prime minister L. K. Advani with Bharat Ratna. PTI

'Prices in India are very competitive'

There is healthy and tough competition in the Indian market, which is also price sensitive, the country's largest airline IndiGo's chief executive Pieter Elbers said and emphasized that there is an enormous demand for travel.

At the helm of the airline having a domestic market share of little over 60% and more than 360 aircraft in its fleet, Elbers also mentioned that overall price levels in India are "very very competitive", something that he thinks one should take "as part of the change in India itself and the diversity of India". **PTI**

One way to stay young forever: turn off auto-caps, type in lowercase

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THE WALL STREET JOURNAL.

Morgan Rae Playle was 27 when she crossed the threshold into adulthood. She started texting with uppercase letters.

Just like getting a driver's license or going off to college, turning on auto-capitalization for text messages has become a milestone of adulting. Even smartphone natives who have been thumb-typing since diapers know that true adults start sentences with capital letters, and that names and other proper nouns deserve the same.

The question for many 20-somethings now is: When will society expect me to adhere to the laws of grammar? Some realize it's time to turn on auto-capitalization when they begin texting with bosses and colleagues for work, given lowercase letters can be susceptible to misinterpretation. This is especially the case when communicating with older generations who didn't grow up DMing their BFFs.

But shunning the Shift key helps others cling to their youth. To them, a lowercase letter isn't just a lowercase letter. Instead, it's a way to forever remain cool and casual in texts. Even some CEOs do it.

Lexicographers agree. They say lowercase typing isn't laziness. It actually takes effort, since auto-capitalization is generally on by default. Like emojis and exclamation points, this is one of the many ways in which people try to get their humanness to shine through cold technical interfaces.

Morgan typed in lowercase throughout her 20s, feeling it gave off a kind of carefree mimosa-brunch vibe. In her previous role as social-media strategist, she occasionally tweeted in lowercase.

She started a new job last November in Dallas where she works on events and coordinates with clients and vendors. She didn't want them to see messages in all lowercase and think an intern was texting them. So she turned on auto-capitalization.

Capital letters are more sophisticated and buttoned-up—attributes she thinks are important to convey as she develops in the new role. The shift away from all lowercase might seem minor or silly to some people, but it's significant for Morgan. It represents a decade of her life that's now over.

"I've grown out of the all-lowercase era," she says.

silly or friendly?

Emilie Mosner, an 18-year-old high-school senior in Lancaster, Pa., turned off auto-capitalization on her phone when she hit ninth grade and joined her school's swarm of Snapchatters.

As she started applying to part-time jobs and talking to college recruiters a year ago, she decided it was time to turn capitalization back on. A few friends immediately asked why her tone became so formal. When Emilie explained her motivation, they too realized they'd soon be ditching the lowercase life. "I just feel like it would be silly because I'm trying to look presentable," she says. "We're going into the next phases of our life."

Shunning the Shift key helps others cling to their youth. REUTERS

Some people might consider writing in all lowercase letters to be slacking. But it shouldn't be interpreted that way, says Grant Barrett, head of lexicography at Dictionary.com. It's meant to signal familiarity.

Much like using italics, writing in all lowercase is a way to recreate spoken language, he says. "There's always something else happening there, and usually the message is something important like, 'I see you as a friend that I can be informal with.'" The poet E.E. Cummings famously wrote in lowercase. These days, popular young performers such as Olivia Rodrigo and Billie Eilish have lowercase song titles. Spotify jumped on the bandwagon with playlists labeled "teen beats" and "my life is a movie."

never grow up

Caitlin Kurzman, a graduate student studying digital social media at University of Southern California in Los Angeles, generally uses only lowercase with her friends. She sees it as a more relaxed, low-pressure way of texting.

The 23-year-old likes to think she'll never turn on auto-capitalization, even after she graduates and gets a demanding job. "Honestly, I don't want to," she says. "I like the informality."

But Caitlin says she can't always avoid uppercase—particularly in email. She has to remember to use the Shift key when responding to professors.

Many millennial adults, well into their 30s, refuse to use capitalization. Sam Altman, chief executive of OpenAI, is known for mostly tweeting in lowercase. His capital-letter avoidance hasn't prevented him from running one of the most powerful companies in the world.

Drew Coffman, a 35-year-old social-media strategist in Los Angeles, stopped using proper capitalization around 2021. During the pandemic, people quarantined at home and gravitated toward being online. Drew realized he didn't have to be so proper anymore, he says. He felt that capitalizing his tweets made them seem too formal, more like LinkedIn posts.

"It just became clear there were a lot of benefits in being a human being online and not trying to be overly polished," he says.

INSIDE SHARECHAT'S INBOX OF HOPE AND DESPAIR

Growth in advertising revenue has moderated while losses are mounting. Can the business be fixed?

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BENGALURU

When this person joined ShareChat nearly six years ago, employee perks were a dream. Food coupons were on offer daily; annual hikes were in excess of 40%. For the employees of this vernacular social media platform, life couldn't be better.

That good life peaked in 2022.

Mohalla Tech Pvt. Ltd, which operates ShareChat, was valued at $5 billion when it raised $300 million in funding in May 2022 from Alphabet Inc's Google and Singapore's Temasek Holdings, among other investors.

But early in 2023, two of the company's co-founders—Bhanu Pratap Singh and Farid Ahsan—quit. The third founder, Ankush Sachdeva, continues to run the company as its chief executive officer (CEO).

Over the next one year, the company resorted to three rounds of layoffs, as it could no longer afford the burgeoning monthly payslips.

"The growth at all costs strategy made cracks in the business more visible," the person cited above said, refusing to be identified. He was asked to leave the company recently.

When he joined six years ago, ShareChat had 2,000 employees. At one point during the pandemic, the headcount totalled 2,700. Currently, the employee count has more than halved, to about 1,000.

ShareChat started in 2015 with the aim of offering users content in regional languages. Moj, Mohalla Tech's short video platform, began five years later and was right away touted as India's answer to TikTok, the popular Chinese video hosting service, banned in India since June 2020. Clearly, it is struggling to live up to that expectation.

Mohalla raised over $1.7 billion across 13 equity rounds and a debt round. Last week, it raised $48.8 million via convertible debentures from its existing investors such as Lightspeed and Temasek, *Inc42*, a media organization, reported. According to various media reports, investors are willing to value the company at only $1.5 billion now. In other words, a steep 70% cut from its valuation in 2022.

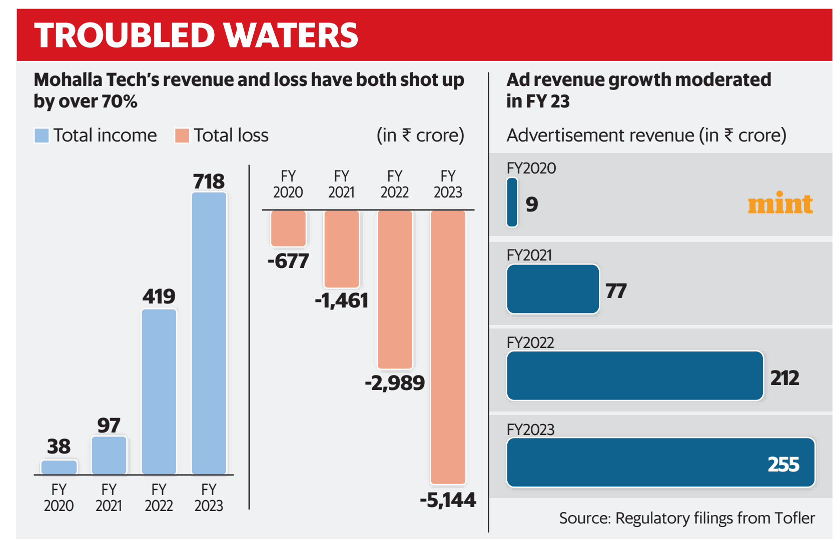
What went wrong?

With over a billion dollars in its armoury, Mohalla went for the kill, acquiring companies to consolidate the market. One big one—*Times Internet*-backed MX Takatak, bought in 2021 for an equity value of about $600-650 million—didn't quite work. The company, now, is sitting on a pile of mounting losses. In 2022-23, Mohalla's losses surged 72% to ₹5,144 crore, as per the company's latest filings sourced from Tofler.

While the company grew its total income 71% to ₹718 crore during the year, the growth in advertising—a key revenue stream—appears to be slowing down.

To understand the way forward for the company, and if it can survive, we spoke to former and current employees, investors, market watchers and ShareChat's current bosses—Sachdeva and Manohar Charan, the chief financial officer (CFO).

ShareChat chief executive officer Ankush Sachdeva. TARUN KUMAR SAHU/MINT



Source: Regulatory filings from Tofler
SATISH KUMAR/MINT

mint SHORT STORY

WHAT

Mohalla Tech, which operates ShareChat and Moj, is sitting on a mountain of losses. In FY23, losses jumped 72% to ₹5,144 crore. Ad revenue growth has moderated.

WHY

For years, the company pressed ahead with a growth at all costs strategy. It acquired companies, big and small. MX Takatak, bought in 2021, didn't quite work.

NOW

To boost profitability, the firm has slashed people costs—it announced multiple rounds of layoffs in the last one year. Besides, it is focused on live streaming and growing ARPU.

AD WOES

First, let's look at Mohalla's revenue. The company has two monetization models—advertising and live streaming by influencers and celebrities. The pace of growth in advertising revenue is what concerns investors and market watchers.

Mohalla saw nearly a threefold rise in advertising revenue in 2021-22 to ₹212 crore. However, in the following year, the company grew revenue from this stream by a moderate 20% to ₹255 crore.

Customer mix is partly responsible for the sluggish growth. Real money gaming companies, who now have to pay hefty goods and services tax (GST), have cut back on marketing from the platform.

Currently, gaming customers contribute to about 10-15% of the company's monthly revenue, a ShareChat spokesperson said, adding that the number can drop below 10% in some months. When the Indian Premier League (IPL), the popular T20 cricket tournament, is on, the revenue share jumps.

But then, there is another problem. Some gaming advertisers said they don't see enough return from the platform.

"We've used the ShareChat platform several times for our clients and it did not translate into any substantial business as their engagement and performance was quite shallow," a top executive at a marketing company said, asking not to be named. Particularly, the platform did not deliver on 'cost per deposit', the executive added. Cost per deposit is a metric used to evaluate the conversion rates for gaming companies that advertise on the platform.

For advertising dollars, ShareChat competes with Big Tech firms like Meta. That's never an easy task. It is hard for a home-grown social media platform to sustain despite offering discounts or cheaper alternatives compared to other big tech companies, an industry consultant, who also didn't want to be identified, said. Advertisers and users get a better differential value in Meta-backed platforms as they generate highly sophisticated content better suited to one's preferences, the consultant added.

When we asked CFO Manohar Charan the tough questions, he did not refute the claims made by industry watchers. But he also added that finding value on the platform is a function of multiple parameters. Brands that are willing to adapt to different formats and create advertisements specific to the regional audience they are targeting have been successful in getting the desired conversation rates, he said, citing the example of Truecaller, the caller identification app.

"Truecaller, which already has 200 million daily active users in India, is able to find a significant volume of new users every month on our platform despite already being deeply penetrated in the country," Charan said. Similarly, Hindustan Unilever, India's fast-moving consumer goods giant (FMCG), is also an advertiser.

Mint spoke to some non-gaming advertisers on the social media platform and their response was more positive.

Deewanshu Gupta, marketing manager for the food category at DS Group, a leading FMCG conglomerate, has run campaigns for the group's brands such as Catch, Pulse and Pass Pass.

When the brands initially used ShareChat and Moj in 2022, campaign metrics such as click-through and engagement rates were strictly average, he said. But over time, these metrics improved with more targeted campaigns. Some of the campaigns also exceeded the expected targets.

"However, we would like ShareChat to share more audience insights with us, like what influences the purchase of products," he said.

Hitesh Poojary, Truecaller's global performance marketing manager, agreed. "Improving transparency with a real-time dashboard for tracking metrics would be beneficial," he said, adding that Truecaller is satisfied with the campaign outcomes owing to ShareChat's substantial user base in tier 2-tier-3 regions.

Currently, Mohalla has more than 325 million monthly active users across all its platforms.

The other headwind facing many advertising-dependent businesses, including ShareChat, is a slowdown in marketing budgets due to geo-political and economic headwinds globally and the funding winter when it comes to tech startups.

Advertising expenditure in India is expected to grow at 10.2% in 2024 to ₹1.5 trillion, slower than last year's 11.3%, according to media investment company GroupM, *Mint* had earlier reported. Last year, GroupM had to lower its advertising growth forecast twice—it had initially projected a growth of 15.5%.

"We have seen clients drop their customer acquisition costs requirement by a fourth," CEO Sachdeva acknowledged.

TAKATAK CHALLENGE

One common thread runs across most troubled unicorns, or companies valued at over a billion dollars, today. When times were good and the venture tap was free flowing, they all resorted to aggressive inorganic growth, gobbling up rivals big and small. ShareChat was no exception.

While MX Takatak was its most expensive buy, the social media firm made a string of smaller purchases. It acquired short-video app Clip (less than $10 million); fashion peer-to-peer marketplace Elanic (less than $10 million); meme-sharing app Memer and artists and brands distribution platform HPF Films.

In 2020, Mohalla launched Moj after TikTok was banned in India because of data privacy and national security concerns. Moj emulates TikTok's features and operates in the short video segment. It subsequently acquired MX Takatak in 2021. This was the company's biggest buy—like we mentioned earlier, it was for an equity value of about $600-650 million. The acquisition has contributed to most of the company's costs, a person in the know, who didn't want to be identified, said.

In 2022-23, Mohalla reported ₹816 crore as impairment costs for its investment in Takatak, regulatory filings show.

However, CFO Charan believes that the acquisition isn't a failure. "Impairment is not the right way to look at this—after this acquisition, the valuation of shareholders has gone up. It consolidated the market and our customer acquisition costs went down significantly," he explained. All acquisitions, thus far, have been instrumental in filling gaps in the company's business, he added.

PEOPLE AND SERVERS

So, what's the company's game plan, going ahead?

Mohalla wants to bring down its losses but to do that, it has to reign in costs. People and server costs are its two big expense lines.

Multiple rounds of layoffs have already slashed employee costs substantially—the company claims to have cut cash burn by 80% in calendar year 2023.

In December 2023, the company announced that it had laid off 15% of its workforce in a bid to achieve profitability in four-six quarters. Sachdeva noted that the startup "overestimated the market growth in the highs of 2021 and underestimated the duration and intensity of the global liquidity squeeze", during a round of layoffs earlier in the year.

"This is the most efficient we have been," the CFO said, talking about the company's headcount now.

Server costs, an integral part of hosting content and regulating traffic, is a beast when it comes to social media platforms. Sachdeva said that Mohalla is one of the largest cloud spenders in India and that "this is the single largest cost item for the company". He didn't share further details.

Reigning in this cost will, therefore, be the next big challenge for ShareChat and Moj, considering that the businesses will need to both increase their user base and the content they would carry.

GROWING ARPU

When it comes to revenue, Mohalla's big hope is the live streaming service, more prominent in Moj than ShareChat. It has, and is growing faster than the advertisement business, the company stated.

Through this segment, consumers can buy virtual items and gift those to their favourite creators or influencers as a token of appreciation.

Nonetheless, the company continues to work on building the advertising business. It is working on artificial intelligence (AI)-driven ad targeting algorithms. "These algorithms should drive time spent on the platforms and increase ad opportunity," the CEO said.

Sachdeva added that improving the average revenue per user (ARPU) is a top priority now to achieve overall profitability. Currently, the company has an ARPU of just over $1 per daily active user. The company claims that the ARPU has expanded by nearly 50% in the last four quarters.

While competition is fierce in the short video format—Moj competes with Youtube and Instagram Reels—investors view this as a growth market. "The short video-driven ad revenue is still in the early stages of monetization in India and we believe that the company will have good market share in the future," an investor who didn't want to be identified, said.

For now, the company is busy trying to convince advertisers to try out the short video format—a tough task in times when marketing budgets are under pressure.

The company needs to do more to improve engagement, several people *Mint* spoke to said. "They need to build engagement and bring in better influencers to attract the right kind of audience...that's how Instagram has become successful. Brands are essentially paying for impressions," a former employee, who didn't want to be identified either, said.

Both Sachdeva and Charan have their work cut out.

Why HDFC Ergo Optima Secure features in Mint-Beshak ratings

This health policy, ranked second in the study, offers all-inclusive unique benefits for its subscribers

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Health insurance is critical to meet the rising costs of healthcare, particularly where it concerns unplanned exigencies. But how do you choose the right health insurance product from among the various policies currently available in the market? To help you decide, *Mint* has curated a list of top five health insurance plans. This story, second in a *Mint* series, provides a detailed understanding of HDFC Ergo Optima Secure that secured the second spot based on ratings decided by *Mint*-Beshak.org. (*ICICI Lombard Health AdvantEdge topped the list and was featured in January. For our coverage on this policy, go to www.livemint.com*). Here are the reasons why HDFC Ergo Optima Secure deserves your attention:

Age-point premium

Most health insurance products in India follow the slab-based premium pricing. It means the premium remains the same for those in 31-35 years age group and changes when the policyholder turns 36 years old. The sudden premium hike in most plans may appear steep to policyholders. What is unique about Optima Secure is that the product has an age-point premium pricing. It means the premium increases by a small percentage every year so that it does not burden your pockets. "This increases affordability especially for senior citizens" says Parthanil Ghosh, president-retail business at HDFC ERGO General Insurance.

Extensive coverage

The product is designed in a way that your coverage is four times the base policy cover in two years and five times if you pay the premium for three years in one go. For example, if you buy a base cover of ₹10 lakh in Optima Secure, its 'secure benefit' will provide you coverage of ₹20 lakh the very same day. So if you get hospitalized in the first policy year, even as the base cover is ₹10 lakh, you will still be entitled to make a claim of up to ₹20 lakh. When you renew the plan the second year and the third year, the base coverage will increase by 50% and 100%, respectively, with the 'plus benefit'. It means, in the example cited above, the Plus Benefit and Secure Benefit together will take the total coverage to ₹25 lakh in the second year and ₹30 lakh in the third year. "This increase is irrespective of any claims made," says Ghosh.

The policy also has a 'restore benefit', which says that if a claim, partial or total, is made any time during the year, then 100% of the base cover gets restored in the policy cover automatically at no additional cost. This is how the coverage becomes four times the base cover together with secure and plus benefit.

All-inclusive policy

Most health plans come with a hospital room rent limit of, say, ₹5,000. So, If you get hospitalized in a room costing ₹10,000 a day, the insurer will only approve the claim as per the defined room rent limit. Other costs such as doctor's visit, consultation fees are also linked to the type of room. That said, buying a policy without any room rent limit is important. Optima Secure is one such policy. Policyholders can stay in a shared, single, deluxe or any room that's available in the hospital.

Early discharge benefit of the policy lets policyholders inform about doctor's informal discharge notice

Optima Secure has an additional advantage called protect benefit. Notably, even comprehensive health plans do not cover non-medical items (also called consumables) such as gloves, hand sanitizers, masks, nebulizer and personal protection equipment, among others. "Non-medical expenses during hospitalization add up to 10-20% of the total bill amount. The coverage for the same is in-built in Optima Secure at no extra charge," says Ghosh.

The policy does not have any disease specific limit either. Besides, it covers the pre-and-post hospitalization bills of 60 and 180 days, respectively.

Additional benefits

The policy offers preventive health check-up coverage as well. In a ₹10 lakh base cover policy, it is ₹2,000 for an individual policy and ₹5,000 for a family floater policy (cumulatively for all insured persons).

While most comprehensive policies offer free preventive health check-up, the take-up, or sales, rate is too low across the industry. This is probably because policyholders feel that in case health parameters are not up to the mark, the insurer may hike the premium on renewal or cancel the policy altogether. "Regulations don't allow insurers for any mid-term changes to policy terms for individual policyholders if the policyholder had disclosed all their pre-existing diseases. I encourage policyholders to opt for health check-ups so that they stay fit and can undertake timely treatment if any disease/ailment is detected," says Ghosh.

The cost of expert opinion is covered in the base cover. This cover provides consultation for 51 major illnesses which include cancer, heart attack, kidney failure, etc.

Optima Secure comes with an 'early discharge' service feature which has been launched with multiple hospitals in which a policyholder can inform the insurance company right after the doctor gives an informal intimation about a planned discharge. "If Optima Secure policyholders intimate us about their planned discharge from the hospital in time, they will not have to wait for the bill settlement and they can go back home as soon as the doctor signs the discharge advise" he says.

Another service benefit is giving approval for chronic disease treatment in one go. For example, if a policyholder has to go for dialysis multiple times in a year, in a general scenario, they will have to initiate the insurance procedure for each visit separately. "We now provide onetime pre-approved cashless facility for these policyholders to cover all the sessions of these chronic disease treatment sessions," says Ghosh.

Should you buy it?

Beshak.org says this is a good plan if someone wants a comprehensive coverage as well as a variety of unique benefits and features. "From the first day of coverage, your base sum insured is doubled. It allows you to pay your premiums monthly and covers several costs, including the cost of consumables as well as dental treatment," says Mahavir Chopra, founder, beshak.org.

On the flip side, however, Optima Secure is more expensive in comparison to the other plans in the market, he adds. "So far as complaints data is concerned, the insurer has received fewer claim settlement complaints but a higher number of policy purchase complaints."

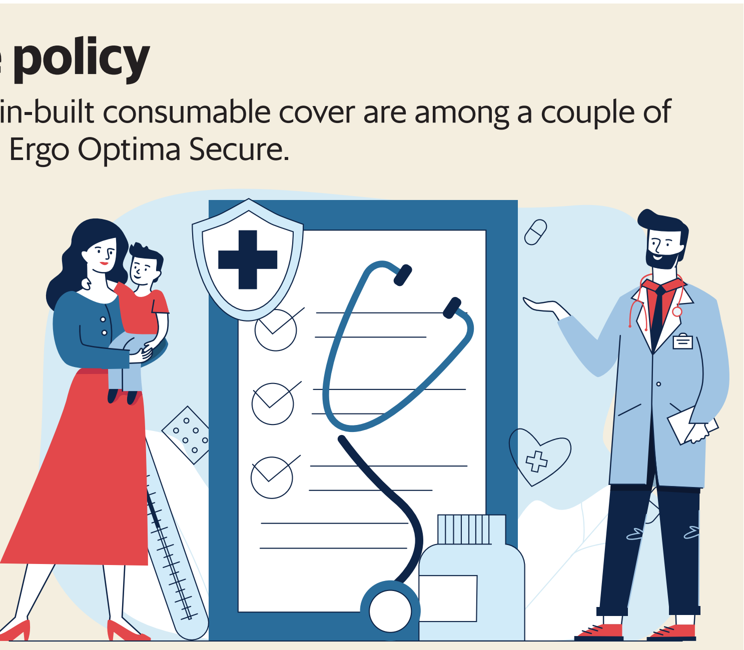
To make the premium affordable, one can opt for deductibles in the policy. A deductible is an amount you agree to pay at the time of claim once in a policy year, post which its coverage kicks in. For example, if you opt for a deductible of ₹25,000, you get a discount of 25% in premium if the base cover is less than or equal to ₹20 lakh and 15% if it is more than ₹20 lakh.

There are discounts if you opt for a policy period of more than one year. You will be entitled to receive a discount of 7.5% and 10% if the policy is for a 2-year and 3-year tenure, respectively.

(For details about Mint-Beshak Insurance Ratings, scan the QR code.)

An all-inclusive policy

Age-point premium and in-built consumable cover are among a couple of unique benefits in HDFC Ergo Optima Secure.



Pros

- **Age-point** premium to smoothen the inflation impact.
- **2x** of the base cover from day one.*
- **4x** of the base cover after two years irrespective of the claims so far.
- **No** room rent or disease specific limits.
- **Non-medical** items such as masks, gloves are covered.
- **Preventive** health check-ups, e-opinion, day-care procedures are covered.
- **Quick** discharge from the hospital after doctor's approval; no need to wait for bill settlement.
- **Approval** for 8-10 sessions in one go for procedures such as dialysis and radiotherapy.
- **Fewer** complaints on claim settlement compared to other insurers.

*Benefits such as restore and health check-ups are linked to the base cover even as total coverage is higher.

Cons

- **More** expensive than other similar products.
- **Higher** number of complaints during policy purchase compared to other insurers.

Add-on coverage

- Critical illness.
- Daily hospital cash benefit.
- Unlimited restore benefit in a year.
- Individual personal accident rider.

How to reduce premium burden

Opt for deductible*

Deductible amount (₹)	Discount in premium: Base SI# <= ₹20 lakh	Base SI > ₹20 lakh
25,000	25%	15%
50,000	40%	30%
1,00,000	50%	40%
2,00,000	55%	45%
3,00,000	65%	55%

*Deductible is an amount that you agree to pay once in a policy year before the coverage kicks in.
#Sum insured

Claim complaints

	Count	% against number of claims filed
FY23	132	0.32%
FY24 (Till Feb)	504	0.50%

Policy complaints

	Count	% against total number of policies sold
FY23	52	0.02%
FY24 (Till Feb)	88	0.02%

Data extracted as per product code of Optima Secure, based on customer inputs and selection of complaint type and policy number on the Irdai portal.

Discount in long-term policies

7.50% — 2-year policy period
10% — 3-year policy period

₹2,300 crore
GWP* in Optima Secure since inception (19 July 2021).

21 lakh
Number of lives covered.

74%
Per cent growth in number of policies in FY24.

85%
Growth in premium in FY24.

*Gross Written Premium
Data as on February 2024

Source: HDFC Ergo

mint

PRANAY BHARDWAJ/MINT

POWER POINT

GANESH MOHAN

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

RETAIL INVESTORS AND THE FIXATION WITH EQUITY MFs

Retail investors predominantly invest in equity mutual funds and, as per data put out by the Association of Mutual Funds in India in December, over 95% of the assets under management (AUM) in debt mutual funds (MFs) comes from corporate entities, while over 90% of equity AUM comes from retail and HNI (high net worth individuals) investors. This dichotomy is puzzling on two fronts. First, if you consider overall fixed deposit (FD) volumes, it outstrips the MF industry itself. Further, if you add PF balance, post office savings and the like, it is clear that retail investors do consider investing in fixed income instruments. However, they have not really participated in debt MFs. Retail investment in liquid and overnight funds is less than ₹55,000 crore compared to over ₹23 trillion (as per central bank data) held in current and savings accounts (CASA) in the country.

Second, as a category, debt MFs provide significant benefits to investors, whether retail or corporate. Today, retail investors typically park their money in savings accounts which earn around 3-4% per annum. However, MFs offer many solutions to parking funds which have potential to deliver better returns to investors. There are overnight funds for immediately liquidity purposes, there are liquid funds which allow you to park money for up to 3 months, and there are money market funds that help you deploy money for up to 12 months. These products are extensively used by corporates to deploy their surplus funds. So why should retail investors not use these funds to generate better returns on their money? Let's examine these reasons in some depth.

For many investors, the individual comfort of a bank branch or a relationship manager is very important. Particularly for senior citizens, the experience of walking into a branch and having a conversation with their branch manager is an important ritual. For others, there is a lack of knowledge of debt MFs because many financial advisers also do not focus on these products given their lower margins. And in some cases, it is simply inertia. The money that comes in as a salary in the bank account each month simply stays there and earns whatever it does simply because most people ignore it.

Over 90% of equity AUM comes from retail and HNI investors, as per Amfi data

Here's a simple test for you. When you next check your bank account statement, see how much surplus money you had each month (after paying all your expenses and EMIs) for the past 12 months. Then calculate the extra returns you would have made by deploying this surplus in liquid funds. As a simple proxy, you can use 6.5% as the return liquid funds have made in the last year (Note: Past performance may or may not be sustained in future). Compare that with the interest rate your bank provides you in your savings account. I am certain you will be surprised at the amount of extra money you could have made. I certainly was, and once I had figured out the difference, I switched to debt funds at once. And, by deploying ₹23 trillion in CASA in India, investors are foregoing almost ₹60,000 crore of additional return potential each year!

Of course, switching to debt MFs does involve a change in behaviour. It also probably can't compete with the warmth of a cup of tea and conversation with a branch manager. However, the process of investing in MFs has become simpler and more streamlined than before and even redemptions of up to ₹50,000 can be done in liquid funds and overnight funds in a matter of seconds. There is no difference in rate of taxation of returns between a savings account or a liquid and overnight MFs—both are taxable at marginal rate. Overnight funds also have no exit loads, while liquid funds have no exit loads after 7 days in most cases. So, the liquidity and taxation differences between the two sets of instruments are very small. Ultimately, it is for you to decide if the extra returns you can make are worth the extra effort or not.

(*Disclaimer: Returns from liquid funds vary depending on underlying money market conditions. The returns on the traditional banking products usually are stable over the long period of time.*)

Ganesh Mohan is CEO, Bajaj Finserv AMC.

What a personal loan costs you

Personal loans are a way to use tomorrow's income today, and the process involved is simple. But you must note that the interest rates are much higher than, say, for a car loan. This is because personal loans are unsecured loans. This means that the loan is not backed by any asset. The loan amount and interest rate depend on parameters such as your income, existing credit, repayment capacity, and others. As personal loans come with high interest rates, continuous default will put you on a downward spiral. Here are some of the lowest personal loan interest rates offered by various banks.

Loan amount: ₹1 lakh; tenure: 5 years

Lender	Interest rate (%)	EMI (₹)	Processing fee
Union Bank of India	9.30-13.40	2,090-2,296	Up to **0.50%** (Min **₹500**) + GST; Nil for women professionals
Bank of Maharashtra	10.00-12.80	2,125-2,265	**1%** + GST
Indian Bank	10.00-11.40	2,125-2,194	**1%** (Max **₹10,000**); Nil for Govt/PSU employees
CSB Bank	10.25-22.00	2,137-2,762	**1%,** Min **₹250**
Punjab & Sind Bank	10.75-13.50	2,162-2,301	**0.50%** to **1%** + GST
Axis Bank	10.75-22.00	2,162-2,762	Upto **2%** + GST
HDFC Bank	10.75-24.00	2,162-2,877	upto **₹4,999**
IDFC First Bank	10.75-24.00	2,212-2,877	Min **₹6,999** upto **3.5%** (PF+ Insurance) + GST
ICICI Bank	10.80-16.15	2,164-2,440	Upto **2.5%** plus GST
Indian Overseas Bank	10.85-13.00	2,167-2,275	**0.40%** to **0.75%**
Canara Bank	10.95-16.25	2,172-2,445	Nil
Kotak Mahindra Bank	10.99-24.00	2,159-2,877	Upto **2.50%** + GST & other charges
IDBI Bank	11.00-15.50	2,174-2,405	**1%** (Min **₹2,500**) + taxes
Bank of Baroda	11.05-18.75	2,194-2,580	**1%** to **2%** (Min **₹1,000** and Max **₹10,000**) + GST*
State Bank of India	11.15-14.30	2,182-2,342	Zero processing fee till 31 March 2024 under Festive Dhamaka

Data as on 28 March 2023, as per banks' websites. The EMI range is indicative and calculated on the basis of interest rate range. In an actual situation, it may include other fees and charges. The interest rates are for salaried individuals and pensioners for unsecured personal loan. Actual applicable interest rate may vary based on the credit profile, loan amount, tenure, company you work for and as per bank's discretion. *Nil for Govt. Employees who maintain salary account with Bank of Baroda.

PRANAY BHARDWAJ/MINT

MyMoneyMantra.com & bank websites

Can cyber insurance help secure business?

Tapan Singhel

I am an entrepreneur and engage in online transactions on a daily basis. I want to protect my data and secure my business. Does a cyber insurance policy help mitigate financial losses in case of any cyber attacks?

—*Name withheld on request*

ASK MINT
INSURANCE

In today's digitally interconnected world, our reliance on online transactions for personal and business purposes exposes us to increasing cyber threats. As an entrepreneur dealing with multiple online transactions, your concerns are valid. Safeguarding this private and sensitive data is imperative. A cyber insurance policy will help mitigate financial losses as it's an effective risk management strategy in case of a security breach.

Cyber insurance is tailored for both individuals and businesses, provided through distinct policies to safeguard against the financial consequences of cyber incidents. Individual policies cover threats like identity theft, cyber stalking, phishing, and extortion, among many others. For your business needs, cyber insurance coverage includes third-party liability for privacy and data breaches, media liability claims, regulatory fines and penalties, and first-party losses like business interruption and cyber extortion.

Legal expenses that may arise and data restoration costs may also be covered, with some policies extending coverage to crisis communication and IT consultant fees. Hence, I would recommend taking a comprehensive cyber insurance policy for businesses, ensuring financial protection against potential data breaches and related incidents. You will be interested to know, that in scenarios involving cyber extortion or ransomware, a cyber insurance policy is invaluable, covering expenses for negotiators, investigators, ransom payments, and system restoration. Also, comprehensive cyber insurance for businesses compensates for third-party damage, covers legal expenses, and compensates for compromised intellectual property, privacy breaches, and harm to reputation, making it indispensable for navigating the aftermath of a cyber incident.

However, while purchasing a cyber insurance policy, it's crucial to understand the coverage limits and exclusions. So, make sure you thoroughly review the policy terms and conditions, to ensure adequate coverage for potential risks and alignment with business needs.

Amid the growing cyber threat landscape, a robust cyber insurance policy ensures financial protection and swift recovery, crucial for modern business resilience.

Tapan Singhel is managing director and CEO at Bajaj Allianz General Insurance.

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

OUR VIEW


HT

Bet on human resources for Viksit Bharat by 2047

Long-horizon fiscal plans are a development must. India should lay greater emphasis on education and healthcare to avert the risk of being let down by a rigid labour-market profile

It was in 1867 under the British Raj that India adopted a fiscal year starting 1 April, when James Wilson was finance minister. Not only was the date arbitrary, so was annual accounting, drawn as it was from agriculture. Although other institutions traceable to early farming—like patriarchy—have been challenged, the idea of an annual reckoner has endured for centuries with little resistance. Even so, both longer and shorter cycles have had advocates. Stints to elected office span half a decade for the same reason that central planners came up with five-year plans: It's seen as the least time it takes to make a big difference. Market-oriented or not, an economy's path is guided by variables that can take as long as seven years to vary—and adjust. Similar logic backs business gurus who insist a CEO needs a span of many years for anything more than a tactical strategy to play out. Hence the Hindi term "quarter *se* quarter *tak*," a snarky reference to market pressure on companies for shiny quarterly results. Long horizons matter—which is why the Viksit Bharat goal set by Prime Minister Narendra Modi assumes significance. It focuses Indian minds on how India can best emerge as a developed country by 2047 to mark a century of freedom.

As finance minister Nirmala Sitharaman said at a *Mint* summit on Saturday, we expect to have a billion citizens in the middle-income bracket by then. Our labour market, meanwhile, has been under debate for the pivotal role it will be expected to play, one way or another. Not only must our economy grow at an annual average of about 8%, this growth needs to be inclusive enough to uplift the bulk of our population by 2047. A broad look at our current profile of jobs would put the big asks in context. Despite post-pandemic improvements detected by official surveys, we have low participation in the overall labour force (especially of women), too few formal job-holders amid too many self-employed, and weak wage escalation amid a sticky problem of joblessness (mostly among the youth) that has only shown a modest recovery from covid. The past half decade also saw a classic old exodus of workers from farms—our biggest employer—to low-skill service and construction jobs suffer a setback, while new factories have only just begun picking up the slack. It's a far cry from a rich economy's HR profile, but exactly how far we lag is hard to ascertain. Data offers a glazed view, at best, and labour trends have been hit by shocks like India's 2016 noteban and 2020 lockdown. A gloomy view of how we're placed emerges from the *India Employment Report 2024* released by the Institute for Human Development and International Labour Organization. Among other statistics, its 2022 figure of four-fifths of our jobless being youth—with more educated than illiterate folks unable to find work—has evoked gasps. But its frailties must not be missed. Oddly, the time-frame of its study runs from either 2000 or 2005 to 2022. Since it lacks evenly spaced data-points and ends in a covid-hit year, its trend portrayals lack a reliable basis. Even its dismal take on how our educated youth are doing can be challenged.

Given the value of long-horizon projects, it's sad that India's labour records are too patchy to offer us a snapshot we can take as a testament of reality. What's hard to deny is that our market remains rigid, we risk facing a 'middle-income trap' at some point, and our 2047 goal may elude us if we under-invest in education and healthcare. All said, this needs a fiscal fix. Like infrastructure, it can't be left to market forces.

THEIR VIEW

Kahneman's work served us well by refreshing economic thinking

His theory that our decisions aren't always rational expanded the traditional mould of economics

MADAN SABNAVIS
is chief economist at Bank of Baroda and author of 'Corporate Quirks: The Darker Side of the Sun'.

The first thing students learn in Economics is that human beings act rationally. So, when a price comes down, we buy more of the product. This was the micro part of the story. Summed up, this created a macro picture, which tautologically led to rational decisions. The assumption of rationality was based on the tenet of self-interest made popular by Adam Smith. It was among the underlying assumptions of classical economic theorists.

Things have been turned upside down by behavioural economists, including Professor Daniel Kahneman of Princeton, who died recently. No, we are not always rational and hence do not always take the right decision. Kahneman, a student of psychology who did not formally study Economics, achieved global fame as our leading behavioural economist after his book *Thinking, Fast and Slow* was published, explaining his work with his late friend Amos Tversky.

Kahneman showed that a $5 discount on a product costing $15 would make us drive miles to get this benefit, while we would not do so if the $5 off came on something priced at, say, $115. That's absence of rationality, as the $5 figure looks different based on the 'anchor' or vantage point we take. His book became epochal and we can see ourselves in such situations very often.

The concept of thinking 'fast' can be related to impulsive behaviour, like when we do things instinctively, often without any rationale. Over-eating is a good example; we know it is not good, yet indulge in it at times.

Kahneman believed such impulsive behaviour is really strong and guides us more often than not. It is literally a kind of auto-pilot response driven by cognitive bias. Just a few years ago, when covid struck, the standard response of most governments was similar, with lockdowns being imposed. It was not well-conceived, as no country thought of its consequences and simply took a cue from China mindlessly. Kahneman's theory of a snappy response thus holds for governments too. The Israeli attack on Gaza, where Hamas is based, would qualify as a case of 'fast' thinking on the part of a government.

Contrast this with the second form of behaviour that Kahneman describes: thinking 'slow', so as to arrive at deliberative or logical decisions. For example, we may decide to buy a house in a particular locality after thinking it through. This differs vastly from a decision taken at an individual level of buying a mobile phone, say, or a pair of shoes, where impulse may be a major driving factor. The Hamas attack on Israel last October was probably of this variety.

Kahneman's theory is relevant for running any business, especially if it is consumer-facing. Companies have to distinguish between products with steady demand based on people's needs and those that can be swayed by impulse. The difference shapes how advertising services are employed to drive demand for products and services with distinct drivers. This holds more so for new products. Even human vulnerabilities are leveraged by marketers, with attributes like skin complexion or health associations being highlighted to derive an impulsive response. Super markets also know how to display their goods so that a stroll through the racks will lead one to impulse temptations. The goods that we want would anyway be placed on interior shelves while we are exposed to products that can trigger 'fast' thinking purchases.

Hence, while marketers had already worked their way through our minds in designing products and marketing strategies, the field of Economics owes much to Kahneman and others for formalizing these actions through rigorous theory based on human psychology. It's important because impulsive thinking is common even in formulating public policy, as we saw during the pandemic, with deliberation given very little space.

Kahneman's theory applies to much that we encounter in our lives. Especially telling is the notion of 'loss aversion,' which can be traced to his theory. Yes, most of us are willing to forgo potential gains once we evaluate the possible loss that goes along with it. This explains why the stock market, though catching on in the country, still scares a large number of retail investors who hear of crashes and the like. Kahneman explained this through Prospect Theory, which showed that individuals prefer a lower gain that's certain over a less-likely higher profit. We value losses and gains differently and feel worse about losing $100 than we feel good about making the same amount.

It is probable that most actions taken in financial markets, including those for foreign exchange or domestic bonds, are driven by 'fast' thinking dealers. This has been worried about for long, as taking decisions based on price movements does not allow much time to think; only micro-seconds are available. 'Slow' thinking belongs to the realm of research, where the past is analysed and patterns ascertained.

Kahneman's contribution to the universe of academic thought has been remarkable, as his work explains how many of the decisions taken by us are not rational. This also means that Economics as a subject has expanded out of its traditional mould and branched into deeper recesses, like Econometrics first and now Behavioural Economics.

These are the author's personal views.

10 YEARS AGO

JUST A THOUGHT

Education is the most powerful weapon which you can use to change the world.

NELSON MANDELA

MY VIEW | MODERN TIMES

There's probably no such thing as soft power any longer

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

Over the past five years, the West has worried that India is losing its values, by which it means that India is not trying to imitate the West. Even despots are wondering what is up with India. Every country wants other countries to have Western values. India does not seem to care about its image in general, but in some regards, it clearly does. So, now and then, it contemplates using something called 'soft power.'

A nation's soft power is usually a bit of weird overrated food, and a bit of song-and-dance by mediocre artists who are close to the establishment, all in the hope that the display would make the world think highly of the nation. The concept of soft power presumes that people in Belfast would eat some *biryani* and think India is wonderful.

There is indeed such a thing as soft power. Just that I don't think governments have much to do with it. For instance, according to my taxi-driver journalism in the Maldives, people there seem to have no affection at all for India, politically, except when they speak of the Chinese. But many of them love Hindi films. I've not even heard of some of the films they go on about. I do not believe that they have developed any affection for India because of their love for Bollywood. The Indian film star is distinct from the Indian government. Hindi film stars may even be popular in many Asian countries precisely because they are not from the government.

A few weeks ago, news broke that eight Indian Navy vets were facing the death penalty in Qatar on espionage charges. When they were released, there was a rumour that India had requested Shah Rukh Khan to persuade Qatar to spare their lives. He vehemently denied this, but when I first heard it, it struck me as probable. Even so, I do not believe that the popularity of Shah Rukh Khan or Bollywood has enhanced India's image. Bollywood cannot sell India.

In Quentin Tarantino's *Once Upon a Time in Hollywood*, Bruce Lee is portrayed as a garrulous clown. Unable to bear him a Caucasian man picks up Bruce Lee and flings him against a car. In response to this disrespect, China banned the film. Never has China shown so much love for an American. For that was what Bruce Lee was; born in America, an American and a citizen of British Hong Kong. The world loved Bruce Lee thinking he was Chinese. The world loved him without loving China.

When organic popular culture can't make a nation endearing, what chance does government-issue soft power have? Soft power has altered global perceptions of only two nations. Britain and the US. But even that was a long time ago; such things not happen today.

> **It was anyway a mistaken notion for the most part but its very existence in recent times has been in doubt**

Britain not only befriended the regions it plundered, it also somehow made them read its playwrights, novelists and insufferable philosophers. It even inspired people to use the term 'British humour' and pretend they know what it is.

All this created the foundation of a powerful idea that the West is a moral force, and that it is deeply sorry for all the colonizing it did. In reality, the West is a way of speaking, of articulating the right things, which has infected the elites in most nations. The Western moral compass was highly influential in the previous generation, but it was a bit too noble to survive the democratization of opinion.

For many decades now, Britain has been replaced by the US as the largest exporter of culture, even though, like Britain, it doesn't have a half-decent cuisine. Hollywood, pop culture, black sugary drinks and buns that can kill humans made America endearing. Probably because the American government was not directly involved. It is probable that the Central Intelligence Agency did use culture to fight its battles by triggering moral agitations in other countries or by translating, publicizing and canonizing Russian writers who made Russia look horrible.

The most influential soft power of America and Britain was their independent news media. It was influential because the morality of American journalism mostly matched the propaganda of the US government. So America never needed 'state media,' unlike Russia or China.

In a world that is not so naive anymore, even Western soft power does not work. Yet, many governments have torturous programmes to promote their middling culture with the hope that the world will hold inaccurate and flattering views of them. There is a widely perceived success story, though.

There is much talk about how the South Korean government promoted its 'soft power' by amplifying K-pop and soap operas. This compliment is odd, because K-pop is an imitation of Western pop. And Asians and Latin Americans probably know that melodramatic Korean TV series are not unique to Korea. Even if it is true that South Korea manipulated millions of foreigners into enjoying Western culture masquerading as Korean, how has it improved perceptions of Korea? If anything, Western interest in Korea attracted foreign journalists who inevitably did those 'underbelly' stories. The globalization of 'Korean culture' also inspired a film called *Parasite*, which may seem Korean to foreigners but was meant for a 'global' audience. And 'global' we know usually does not include Ethiopia or Sri Lanka. *Parasite* was designed for the West that had got curious about Korea and it showed South Korea in very poor light.

The reason why culture is unremarkable PR for a nation is that all cultures are fascinating in moderation, and people can only take foreign culture in moderation. Actually, people can barely tolerate their own culture.

THEIR VIEW

Do we need greater investment? Go by capital efficiency analysis

To achieve 8% growth, India's investment-to-GDP ratio needs to go up and incremental capital-output ratio must improve

NIKHIL GUPTA
is senior group vice president at Motilal Oswal Financial Services Ltd.

MINT

Investment deficit?

India's real investment ratio has looked satisfactory but data on capital efficiency suggests we have room for improvement.

Macro indicators	Unit	2000s~ decade	2010s^ decade	FY23-FY24E
Nominal investments	% of GDP	30.9	35.2	32.5
Real investments	% of GDP	31.5	37.0	36.1
ICOR#	x	3.1	3.7	3.2
Real NCF	% of NDP	20.6	23.7	23.6
GDP deflator	% YoY	4.7	5.3	4.1
GCF deflator	% YoY	4.5	3.7	5.3

FY00-FY13 on 2004-05 base, 2011-12 base from FY14 onwards, ~2000s decade (FY01-FY10, excluding FY09), ^2010s decade (FY11-FY20, excluding FY20), #Ratio of real net fixed investments-to-NDP in the years 't-1' and 't' over real NDP growth in the 't' period, FY24E are based on the second advance estimates, with an assumption of "Consumption of fixed capital" at 39% of GFCF, same as in the past two years

mint Source: Central Statistical Office, Reserve Bank of India, author's calculations

During the past decade (2013-14 to 2022-23), India's annual total investments have ranged between 30% and 34% of GDP, barring a dip to 28% of GDP in 2020-21. This is if we measure this proportion using current prices or nominal data (let us refer to it as the 'nominal investment ratio'). Usually, all ratios—investment, savings, fiscal deficit, current account balance, corporate profits, *et al*—are measured in nominal data or at current prices. However, there is a growing debate that one should be more focused on the real investments-to-real GDP ratio (the 'real investment ratio'), rather than the nominal investment ratio. What is the difference between these two ratios? What should we be looking at and what are the key implications?

A comparison of the two ratios in India reveals an interesting fact. The real investment ratio has been higher than the nominal investment ratio every year since 2012-13 and has remained between 34% and 37% of GDP during the past decade, except for 32% of GDP in 2020-21. What makes the debate very pertinent is that while the nominal investment ratio stood at about 32% of GDP each in 2021-22 and 2022-23, down from 39% of GDP in 2011-12, the real investment ratio was 36.7% of GDP in 2021-22 and 35% of GDP in 2022-23. It is important to put these two data points in an appropriate context as the latter suggests that the decline in India's investment ratio is not very significant. So the entire debate calling for a higher investment ratio may be misplaced.

First, we need to understand the importance of the nominal and real investment ratios. When do we consider the former and when is the latter used? Usually, when an entity invests, it is done in nominal terms. Every rupee invested (at current prices) in the economy must be financed either by domestic or foreign savings (the latter is counted as the current account deficit or CAD). Although investments are measured in real terms (or at constant prices), there are no estimates of real savings and/or the real CAD. Thus, from a funding perspective, it is important to track the nominal investment rate.

At the same time, if the prices of investment goods are falling, real investments could grow faster even though nominal investments may be falling or growing slowly. And thus real investment growth must also be analysed. Further, when analysts discuss investment efficiency (by means of the incremental capital-output ratio or ICOR), they use the real (net) investment ratio, and not nominal. If the ICOR is improving (the ratio is falling, i.e.), it means fewer additional units of investment are producing the same unit of output, and so the economy can generate the same level of real GDP growth with lower real investment. The call for pushing investments higher must be analysed in this context.

What does India's data suggest? Has our investment efficiency improved? According to the World Bank, the ICOR is measured as the average real net fixed investments-to-NDP (net domestic product) ratio of two successive recent years divided by the real NDP growth rate of the current year. So, the average real net fixed investments-to-GDP ratio for 2021-22 and 2022-23 divided by the real NDP growth in 2022-23 would provide the ICOR for 2022-23. Using this methodology, we find that India's ICOR averaged 3.1x in the 2000s decade (2000-01 to 2009-10, excluding 2008-09), 3.7x in the decade after that (2010-11 to 2019-20, excluding 2019-20), and is estimated to have averaged 3.2x in 2022-23 and 2023-24 (estimate). The ICOR was 3.3x for 2022-23 (as per the first revised estimates) and calculated at 3.1x for 2023-24 (based on the second advance estimates and some assumptions). While the pandemic may have made an impact, recent figures are better than in the 2010s decade and comparable with the 2000s (though the ICOR averaged 3.3x if re-calculated on a 2011-12-series base).

If so, the economy needs real net fixed investment totalling 25-26% of NDP, which is higher than the average of 23.6% of NDP over 2022-23 and 2023-24, to achieve a real GDP growth of 8% per annum. Alternatively, investment efficiency needs to improve, with the ICOR falling to 3x (or lower), as was the case during 2003-04 to 2007-08 and 2014-15 to 2016-17. The overarching argument, thus, remains unchanged: even though real investments are growing at a much faster rate and the real investment ratio is higher than the nominal investment ratio, India must elevate the ratio by at least 2 percentage points to attain our target of 8% real GDP growth per annum.

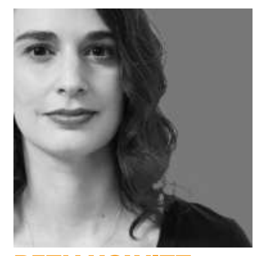
There is another point. The real investment ratio measures real investments (nominal level deflated by the investment deflator) as a proportion of real GDP/NDP (nominal figure deflated by the GDP/NDP deflator). The GDP/NDP deflator is a composite of deflators for consumption, investments and foreign trade. Hence, a higher real investment ratio *vis-à-vis* the nominal ratio reflects an investment deflator growing at a slower pace than the GDP deflator, with consumption prices outpacing those of investment goods. For instance, during 2013-14 to 2022-23, while the GDP deflator reported a compound annual growth rate (CAGR) of 4.5%, the investment deflator posted a CAGR of 3.9%. Further, whether we take 2004-05 or 2011-12 base data, the gap between the real and nominal investment ratios widens as we move away from the base year. For the 2004-05 base, the difference between the real and nominal investment ratio was 3.3 and 4.1 percentage points respectively in 2010-11 and 2012-13. For the 2011-12 base, the difference widened to 3.5 percentage points between 2017-18 and 2019-20 and was unchanged in 2022-23 and 2023-24. The investment deflator increased at a slower pace than the GDP deflator, irrespective of whether the global (or India's) investment cycle was very strong (between 2003-04 and 2012-13) or weak (from 2012-13 to 2021-22).

Clearly, more work needs to be done to understand the sustained gap between India's real and nominal investment ratios. However, there is no doubt that India's investment-to-GDP ratio needs to go up, along with an improvement in ICOR, for 8% real growth to become achievable.

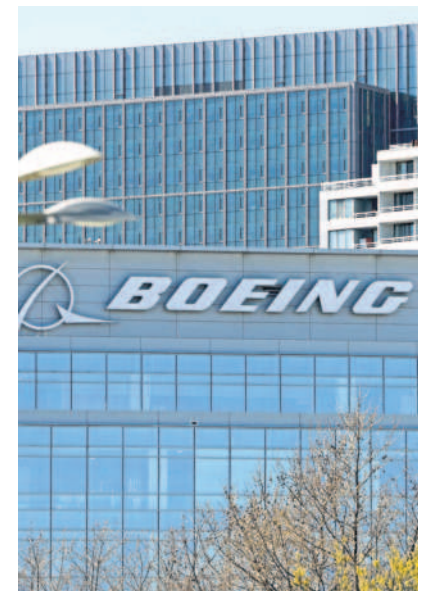
MINT CURATOR

Boeing needs a radical board shake-up to regain its altitude

It needs safety-focused employee representatives on its board now



BETH KOWITT
is a Bloomberg Opinion columnist covering corporate America.



A change on top with shareholders still in full control may not help AFP

Last fortnight, Boeing's airline customers sent two clear messages when they asked to meet with the planemaker's directors without its chief executive officer David Calhoun.

The first was that they had lost confidence in Calhoun and his deputies. No matter where you fall on the organization chart, it's never a good sign when a client wants a tête-à-tête with your boss and doesn't invite you along.

The board clearly received that message: Last Monday, Boeing said that Calhoun would exit by the end of the year and that Stan Deal, head of the commercial airplanes division, would retire immediately. The other big message had to do with the board itself. By summoning the company's directors, the airline CEOs were signalling that at the heart of the Boeing mess they see a huge governance problem—that the company's issues, whether quality or culture or strategy or leadership, all fall squarely on the board, which needs a meaningful overhaul.

Again, Boeing's directors got the message. The company announced that Chairman Larry Kellner would not stand for re-election at its annual meeting in May. He will be succeeded by Steve Mollenkopf, the former Qualcomm CEO who joined the board in 2020, which gives him some distance from the 737 Max crashes in 2018 and 2019 that killed a total of 346 people.

Even the way the executive shuffle was handled showcased just how ill prepared, complacent and out of touch the board was. Despite all the scrutiny that the management team faced, the board did not have a successor ready to jump in for Calhoun or even for its troubled commercial unit. It pushed longtime executive Stephanie Pope into the unenviable job.

Governance issues are hard to fix. Boards are insular, entrenched and often reticent to create conflict among their members. PwC's 2023 Annual Corporate Directors Survey found that 45% of directors think at least one member of their board should be replaced but only 11% said their board's assessment processes led to the decision to not renominate a director. Few companies have term limits for board members, resulting in a paltry 7% turnover rate among directors of companies in the S&P 500.

The Boeing board had made some progress on the governance front since the 2018 and 2019 737 Max crashes. An analysis by *Harvard Business Review* found that the board lacked technical expertise at the time. With three of the company's 13 board members also serving on the Caterpillar board and two on the Marriott board, Boeing's directors at the very least had the appearance of the kind of cosy interpersonal relationships that make objectivity difficult. Meanwhile, the company's audit committee was responsible for overseeing risk, but its remit was to oversee the financial kind rather than safety. The board has since set up a safety committee and refreshed its membership. Since the start of 2020, four board members with at least 11-year tenures have departed.

But whatever Boeing has done hasn't been enough. Harvard Business School professor Sandra Sucher told me that given the colossal mess that Boeing is in, it has "permission to think quite differently." Anything else will seem merely incremental.

One way for Boeing is to consider adding a union representative to its board, a request made by the International Association of Machinists District 751, which represents more than 30,000 Boeing workers. Doing this would give the board the voice of employees, many of whom have been sounding the alarm on Boeing's safety and manufacturing shortcomings for years. It could also go a long way in restoring trust with the public, among which unions have historic levels of approval.

While rare, involving unions in corporate governance in the US is not unheard of, especially in the transportation industry during times of crisis. Both United Airlines and Chrysler added union members to their boards in the past. Former Labour Secretary Robert Reich argued recently on his blog that Boeing archrival "Airbus's clear leadership over Boeing in matters of flight safety stems largely from differences in ownership and worker power."

It is not a model that translates perfectly to the US, where a board's duty is above all to the shareholders. Critics argue that it puts union representatives in an impossible position, likely raising conflicts of interest because their loyalty would be to their colleagues rather than shareholders.

But right now, putting safety first rather than cutting costs is in the best interest of all of Boeing's stakeholders. It's a culture change that its current directors have so far failed to execute. Opening up the boardroom to employee representation might seem radical, but radical is what Boeing needs now.

GUEST VIEW

We must make insolvency pre-packs work for MSMEs

VIVEK PARTI

is a registered insolvency professional and co-author of 'Handbook on the Insolvency Resolution Process'.

Pre-packaged insolvency resolution processes, or pre-packs, were introduced to India's Insolvency and Bankruptcy Code (IBC) in April 2021 with the goal of giving micro, small and medium enterprises (MSMEs) a fast, cost-efficient and effective way to resolve financial stress.

Debtors and creditors are expected to put an early effort into resolving a troubled MSME's liquidity problems quickly. The pre-insolvency regime is especially important for MSMEs, which have simple business structures and can't absorb sudden disruptions. Pre-packs were introduced with covid having paralysed the sector. Their performance so far, however, has been abysmal.

The present scheme of pre-packs is daunting. The pre-admission stage needs 11 sub-processes to be ticked, and if the debtor is admitted, there are myriad process flows to be adhered to. Such a complex process is difficult to execute for financially sound businesses, let alone those in distress. This has led to today's state of affairs, with just 17 cases underway (as of 2 February 2024) even after nearly three years of being introduced. A review of cases reveals that only four plans have been approved of the nine admissions. The cases that were admitted took an average of 483 days in the insolvency process.

The pre-insolvency process faces several challenges. There is a stigma associated with insolvency. Also, a vast number of MSMEs are non-corporates, beyond the purview of the legislation. The pre-pack pre-supposes that debtor businesses are sophisticated enough to undertake the processes envisioned. This is not the reality for a vast majority of insolvent MSMEs.

A systemic problem has been low awareness. Creditor passivity hampers the process. Banks are keen to restructure loans under prudential guidelines or the government's credit guarantee scheme. Else, they always have the recovery option under the Sarfaesi Act. Time and costs are critical denominators, considering the size of the businesses and internal procedures.

Then there is the 'trust' in a creditor-debtor relationship that erodes when businesses face distress. Some businesses, it seems, proposed the process only to evade legal demands, leading to wastage of judicial time. Finally, it may be wishful to expect a business owner to initiate the process, given the possibility faced of losing ownership to an alternate party with a better plan.

The valuation of businesses often fails to include intangibles such as promoter goodwill capital. Business distress quickly devalues enterprise value, which can lead promoters to suppress negative information. This is complicated by the fear of having to vest management elsewhere, avoidance actions and their repercussions. There are attendant risks with litigation costs if the process ends without resolution.

These offer a good way of settling distress cases although policy tweaks are needed for their success

The objective of a pre-pack is meant to be resolution that is "fast, cost-efficient and effective," and not always value maximization.

In essence, pre-packs are hybrid, as they combine informal workouts with formal proceedings. As their aim is to help economic activity continue, the process needs to be simple. Stigma should be addressed by rechristening the process so that 'insolvency' is not mentioned, with a narrative focused on giving entrepreneurs a chance to make a fresh start. We also need more education on the concept through MSME associations and professional platforms.

Costs also need to be rationalized to reduce hesitancy. Illustratively, the resolution professional's fee could be a mix of fixed and performance-oriented components and the requirement of authorized representatives could be dispensed with. Insolvency costs could be covered by a centralized fund to incentivize MSMEs to take the risk of pre-pack failure.

Pre-packs need not mirror the usual insolvency resolution processes. We can do away with third-party plans, the need to vest management apart or make self-declarations of avoidance transactions. A failure to restructure debt does not infringe the creditor's right to alternate remedial actions.

The role of resolution professionals should be expanded. They can act as mediators, debt-counsellors and restructuring and turnaround specialists. The focus should be on "identifying and reacting to the debtor's financial distress and on taking immediate action to stabilize the enterprise."

Businesses in distress need operational solutions along with reworked debt. Insolvency professionals are bound by codified covenants of independence and impartiality. They must act as 'friends of the stakeholders' and so their appointment should require the mutual consent of debtors and creditors.

Debtor-friendly insolvency laws for MSMEs would provide a safety net for entrepreneurs. If MSME debtors are granted concessions, entrepreneurs are less likely to be deterred from pursuing business ventures by the fear of insolvency, knowing that they could quickly recover from their mistakes or market reversals and re-enter the marketplace. An inherent advantage of a pre-pack is that personal guarantees cannot be invoked and a creditor takes a haircut now in the expectation of future benefits once the business is operational.

As other measures to promote pre-packs, the central bank may allow relaxed provisioning for financial institutions. Government rescue grants, subsidies or corrective action plans could also be routed through pre-packs. We need a formal, well targeted and professional mechanism.

How to organize your work life like a monk

Monk mode is a productivity approach that can help improve attention and focus in a world full of distractions, at work and at home

Reem Khokhar

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Working a lot from home requires Shruti Balaji to be organized, create boundaries between personal and professional, and structure time for focused, undistracted work. "I need my rituals to allow me to separate home and work in the same physical space. Colleagues and family take it for granted that you'll always be available because you work from home," says the Bengaluru-based user experience researcher with a technology company. Blocking time in her calendar for concentrated work, lunch, and other tasks helps the 30-year-old stay focused. Her colleagues are aware of her unavailability during those times. "Without this, my day is swamped with calls and cadences and no work to show for it," she says. Using noise-cancelling headphones, keeping calls short, and avoiding eating at her desk are some other ways in which she engages mindfully with activities, something she has done since 2021.

Being productive and focused in our environment of constant distractions is challenging, whether one works from home or an office. Switching attention also diminishes a person's ability and strength to process the information they need to produce quality work. Take just digital distraction, for instance. A 2022 study published in the Harvard Business Review of 137 workers at Fortune 500 companies, observed that they switched between apps and websites 1,200 times a day, approximately four hours a week or 9% of the person's work time. Irritation, burnout, poor productivity, and diminished attention are just some consequences of working in this fragmented way.

Balaji's routine and structure helps her minimize some of this clutter and find focus, echoing a productivity technique—monk mode—that has been gaining popularity on social media platforms, with many sharing tips on how to be more productive. Derived from the disciplined lifestyle of monks, the "monk mode" is an approach centred on deep focus, discipline and some isolation, which helps target one's goals amid distractions, and enhance productivity and work quality. It has wide interpretations with people practising it in different ways—some prefer setting a start and end time for projects, like focusing on a task by dedicating a few very focused hours a day to it; or using the time-management Pomodoro technique to work in focused bursts of 25-minutes followed by a five-minute break, and then repeat. For others, it could involve decluttering their physical space and creating an environment more conducive to focused work, by using noise cancelling headphones, curbing social media use, carving out time for deep work, or using quieter parts of the day to tackle one's most challenging tasks.

"Our brain is never free from thoughts, and unproductive ones always distract us," says educator Hima Arora, who has been practising mindfulness since she started working at a Noida-based school 12 years ago. "One needs to focus on the present and give your best to what you are doing currently." She prefers to complete her most challenging tasks and planning her day during the quiet of the early morning. She also creates specific times for students' parents to interact with her, as it can otherwise become a continual interruption. While she enjoys unwinding in the staff room with colleagues, if she needs to work, she puts on her headphones to listen to some Beethoven, which helps block ambient noise and deters interruptions from colleagues. Evenings are for personal and family time.

Charul Sharma, who works at an American bank in Bengaluru, started practising some of these habits as a child. "I unconsciously apply this everywhere and prefer focusing on one thing at a time," she says. She now always plans out her days before and spends the first few work hours on email, leaving meetings and time with colleagues for the rest of the day. After every hour of work, she takes a quick break to walk or sit in her garden. Evenings are for personal time.

> It has wide interpretations with people practising it in different ways—some curb social media use and declutter their space

While you may have the resolve, you may lack the environment or support required for monk mode. Sharma admits that the three days a week in the office are challenging for focused work because of her five-hour commute, regular interruptions and ambient noise, since the only available quiet space are meeting rooms, which are booked. She reserves tasks that require deep concentration for when she works from home.

ELIMINATING DISTRACTIONS

Recognizing the challenge of being productive in the office, some companies are finding ways to facilitate monk mode in the office. "To help employees perform optimally, organizations should take steps to make changes at a policy and design level to facilitate deep work," says Anjali Raghuvanshi, chief people officer at human resources (HR) consultancy Randstad India. Their offices have private conference rooms and isolated spaces where people can work uninterrupted. Every alternate Friday is a meeting-free day to allow them to work with deep focus on specific activities.

Men's lifestyle brand XYXX, on the other hand, have an open office plan, with cabins and meeting rooms available for focused work, and a large sunlit terrace doubling up as a quiet zone. "Our flexi-work hours and work-from-home policy enables people to break away and efficiently deliver on priority outcomes," says Petal Gangurde, chief of brand and culture. The company also encourages 1- to 3-day team lockaways, which could be them working from a conference room treating it like a control room, a co-working space, or even a coffee shop or a restaurant. That time spent is focused on the task or the project at hand. It can take the form of an intensive brainstorm session or a workshop where the solution is collectively derived.

Gangurde has also been a follower of monk mode, using it for most of her 15-year professional career. "I use it as a tool for total life organization, especially after I became a mom. It is amazing to ruthlessly prioritize, block time for specific tasks and commit to eliminating distractions." As a morning person, Gangurde gets a lot of writing done before she gets to the office. "The rest of the day is blocked off a day prior into one-hour blocks for focused brainstorming sessions on key areas that require problem solving. In my experience, teams that huddle and focus on one project at a time are as effective as a Swiss army knife," she says. The last two hours of her day are for "firefighting". Before this, she declines anyone who asks if she has 5-minutes because "that's like a rabbit hole." She believes monk mode has provided her with enhanced clarity, independence, and quality of life.

Workforce management platform Talent500 has provisions to create a productive work environment, including daily time blocks when everyone is encouraged to disconnect from digital communication and focus on critical tasks, no-Friday meetings, and encouraging employees to identify a problem area each quarter and convert it into a passion project. "By prioritizing monk mode, we are creating an environment that benefits not only employee productivity but also their well-being and job satisfaction," says Saurabh Kale, head of people and culture.

Beyond organizational support, it boils down to individual resolve. "It isn't easy to train the mind to concentrate on a single task, especially if you have been multitasking for ages, and social media, socialising or entertainment have become a necessary way of life," says Radhika Vivek, senior partner at executive search firm Transearch India. "Working in monk mode needs to be for shorter time durations with exclusive attention to a subject or an activity concentrated in hours, and extending in bursts of time to a week or a few months." This itself, she believes, if practised earnestly, can significantly improve mental clarity and productivity and reduce stress levels.

For those who practise it, there have been benefits that extend beyond productivity and the task at hand. "I value my time outside of work and make it a point to enjoy it. The work rituals have also helped me build and sustain self-care rituals and carve out time with family or friends," says Balaji. For Arora, the focus and mindfulness has helped her to connect more meaningfully with work, and form deeper connections with those around her as one learns to focus undivided attention on conversations and personal connections. As with any practice, there will be challenges and she recommends being kind to yourself. "One can never be perfect. Some days you may be low or unmotivated. Give yourself a break and come back to it again."

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MONDAY MOTIVATION

Rashi Agarwal on what being a mentor means

The Zypp Electric co-founder says she likes to be up to date with job trends

Shail Desai

While travelling in Europe, Rashi Agarwal noticed the docked bicycle business model prevalent there, and calls it her eureka moment. She soon hit the drawing board with husband, Akash Gupta. After researching, and raising funds, they started a bicycle rental service in NCR in November 2017. However, Agarwal, 38, realised that their offering wasn't feasible for Indian weather. They soon transitioned to electric vehicles (EVs) and laid the foundation for Zypp Electric that today works with e-commerce platforms on last mile delivery.

"EVs made a lot of sense for our business goals, allowing us to stay true to our sustainability objectives while addressing the mobility challenges in the Indian market," says Gurugram-based Agarwal, co-founder and Chief Business Officer at Zypp Electric. They had launched a bike taxi service in November 2019, but had to rethink it after the pandemic in March 2020. It was then that they struck gold by redirecting their platform towards deliveries. "We identified opportunities to collaborate with e-commerce brands for their delivery needs. So, while our B2C operations took a significant hit, our B2B delivery services flourished. We started with 200 bikes, which expanded tenfold during the lockdown period," she says.

Agarwal talks to *Mint* about mentorship and the importance of staying healthy.

Who do you consider your mentor?

I am fortunate to have the guidance and feedback of industry leaders who help me stay on the right track while building the business. My father and Akash are my key mentors.

> I wake up early and start my day with exercise, then check business updates

What does being a mentor mean to you?

A mentor's role is invaluable in guiding us along the right path. I have many colleagues working alongside me, building big things and achieving their goals. I make it a priority to be available to them, offer guidance whenever they encounter challenges.

What's your morning schedule like?

I wake up around 4-5 am and start my day with exercise. Then I check key business updates, keeping myself informed about the latest trends and developments in the industry. Once our daughter, Aashra, is off to school, I prepare myself for the office.

What's the one positive work routine you have developed during the pandemic?

Exercise and striking the right balance between work hustle and health were key aspects I explored.

Any book or podcast you would recommend about mentorship and growth?

One resource I highly recommend is Sheryl Sandberg's *Lean In*. It offers invaluable insights into navigating challenges and maximizing opportunities. For those seeking practical advice, *How I Built This* podcast by Guy Raz is a must-listen.

Monday Motivation is a series in which business leaders and creative individuals discuss their mentors and their work ethic.

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The importance of small habits to power leadership

Small, daily habits act as building blocks in creating a disciplined and focused mindset, and can improve creativity

Mayank Kumar

In a global, digitalized world, complexity is a challenge for business leaders who face a surfeit of stimuli from multiple channels that impact productivity and innovation. Business leaders often find themselves weighed down by responsibilities that sap their energy and make it difficult to perform at their best. This affects drive, creativity and resilience. What is needed is a simple solution that is easy to comprehend and put into action with consistency and discipline. It is here that small daily habits can come into play.

THE POWER OF SMALL

Habits, by definition, are actions we perform automatically or with little effort due to regular repetition. Habits are the small actions we take daily, almost without thinking, actions that become second nature to us. These range from the first thing we do in the morning to how we wind down at night. While big habits get a lot of attention, it is the small, daily habits that truly shape a leader's effectiveness. Just as small investments grow to give big returns, small habits add up to create exponential outcomes.

Paraphrasing James Clear's words from *Atomic Habits*, small habits can make a meaningful difference, and anything meaningful is not small but significant. Meaning, daily habits hold the key to unlocking leadership potential and sustaining long-term success. By recognizing the transformative power of daily routines, leaders can cultivate a reservoir of energy and resilience to thrive in the face of challenges and drive meaningful change.

Small habits can transform a leader's energy, focus, and resilience. For instance, a simple habit like starting the day with some time to plan strategically instead of wading into your email inbox can set a positive tone for the day. Similarly, taking short breaks to stretch or walk around during the day can help you feel active both in mind and body even in the post-lunch period. These habits might seem insignificant on their own, but together, small habits act as building blocks in creating a disciplined and focused mindset.

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INSTILLING HABITS

It is our habits that make us who we are to a large extent and affect how people perceive us. However, changing or adopting new habits is not easy. Studies over the years have shown that while people are open to new experiences in their youth, they become resistant to change as they age. We may like something new, but we find it difficult to make fundamental changes in our routines. As leaders, the challenge multiplies. Our schedules are packed and responsibilities weigh heavily. Trying to fit in something new can feel like moving a mountain. The real test is coming out of our comfort zone and overcoming the initial resistance to incorporating even small habits into our daily schedule. Overcoming this resistance is essential for leaders who want to stay ahead and maintain their energy and creativity.

Forming new habits isn't impossible but requires more effort. Self-awareness helps as does starting small. Don't rush to overhaul your entire routine in one go! Instead, focus on one small habit you want to change or adopt. This could be anything from dedicating the first hour of your morning to planning your day, to taking five minutes every evening to reflect on what went well and what didn't. Consistency is crucial; the more you repeat a behaviour, the more it naturally becomes a part of your routine. The goal must be an incremental improvement, not an overnight transformation.

USING TECHNOLOGY TO STAY ON TRACK

Integrating habits into your daily program requires consistency and patience. To ensure you stick to your new habits, accountability is key. This could mean tracking your progress, setting reminders, or even sharing your goals with a colleague or mentor who can check in on your progress. The idea is to make these habits a non-negotiable part of your day, something as routine as brushing your teeth.

Technology can be a powerful ally in embedding new habits into your daily routine and encouraging you to sustain them in the long run. In today's digital age, there are countless apps and tools designed to help you follow and sustain habits. Online calendars for a daily routine with reminders, and apps that track nutrition, monitor sleep patterns, or give reminders for hydration are helpful. Apps to promote mindfulness ensure you take time to reflect each day and fitness trackers monitor physical activity. Even a simple app that lets you create and track a to-do list to keep your tasks in check can be a game-changer.

The impact of small daily habits has a ripple effect beyond leadership effectiveness to personal well-being. It keeps you physically fit, mentally sharp, and emotionally resilient. As a leader, you become better equipped to inspire and lead your teams, drive innovation, and steer businesses through challenges, both known and unknown. Small daily habits can be powerful catalysts for change, transforming your leadership energy into an unstoppable force!

Mayank Kumar is co-founder and managing director of upGrad.

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