HT NEW DELHI, MUMBAI, BENGALURU, KOLKATA, CHENNAI, AHMEDABAD, HYDERABAD, CHANDIGARH*, PUNE*, LUCKNOW* VOL. 18 NO. 104 Rs. 10.00 . Price with Hindustan Times Rs. 15.50 16 PAGES

Tuesday, April 30, 2024

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How Udaan is prepping for an IPO ▶P12

Ola Cabs CEO Hemant Bakshi exits amid layoffs ▶P5

Top banks power market surge as valuations tempt

India's market cap touches $4.87 trillion, even as volatility index surges 11.99%

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Big banks led Monday's bull charge in stocks, adding the most in percentage terms to the Nifty and Sensex, after trailing their smaller peers in valuations particularly over the past year. The surge lifted the Bank Nifty to a record high, and fuelled the rally in the Nifty.

Four of Nifty's five top gainers were banks, fetching 70% of the index's 223.45-point gain to 22,643.40. They were also among the top five stocks on the Sensex, which rose 1.28% to 74,671.28. Analysts expect the bellwether indices to outperform their small- and mid-cap counterparts, as large private sector banks close the valuation gap.

The Bank Nifty rose 1,223 points, the most in five months, to close at 49,424.05, near its record high. During the day, it hit a record 49,473.60, closing in on the psychological 50,000 mark. Financial stocks have the highest weight of 33.53% in Nifty.

"Large-cap banks have put up a solid showing, which is likely to persist given their attractive valuations," said B. Gopkumar, managing director & chief executive officer of Axis Mutual Fund. "This could give more legs to the rally toward the upper end of a range-bound market."

The Nifty is expected to move in a tight 600-point range of 22,200-22,800, said Jayesh Bhanushali, lead, research at IIFL Securities. He expects the Bank Nifty to test the 50,500-mark in the sessions ahead.

While large-cap stocks rose, profit-taking was seen in the Nifty Midcap 150 and the Nifty Smallcap 250, which touched intraday highs of 18,861.2 and 15,929.5, before paring their gains. Overall, Indian companies' market cap approached the $5 trillion mark, reaching $4.87 trillion after Monday's rally.

Indeed, valuations of large-cap banks have trailed their small-cap counterparts, whose price-to-book values have ballooned. For instance, HDFC Bank's price-to-book ratio stands at 2.55 against the five-year average of 3.45. Against this, small-cap lender Indian Overseas Bank's (IOB) price-to-book stands at 4.78 against the historic average of 1.78.

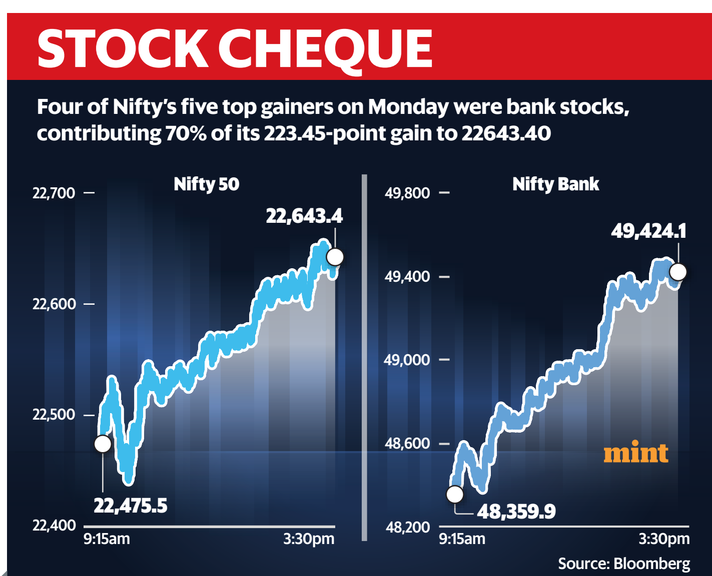
The price-to-book ratio of ICICI Bank and Axis Bank stand at 3.18 and 2.27, against their five-year average of 2.71 and 2.04. State Bank of India, the country's largest bank by assets, has a price-to-book ratio of 1.82, against the 1.25 historic average.

On the price front, too, small-caps have beaten large-caps. While IOB has risen a whopping 166.27% to ₹68.70 over the past one year, HDFC Bank has fallen 9.36% to ₹1,529.5. ICICI Bank has risen 26.42% to ₹1,160.15, and Axis Bank has gained 34.8% to ₹1,159.21 over the past year.

SBI, which hit an intraday record of ₹831.25 on Monday, has outperformed its private peers over the past year, rising 43% to ₹826.50. Monday's 4.7% rally took ICICI Bank's market cap above the ₹8 trillion mark —₹8.12 trillion—for the first time.

"Large private banks are attractive buys at current levels, and their outperformance could continue," said Swarup Mohanty, vice-chairman & CEO, Mirae Asset Investment.

Meanwhile, on Monday, India Vix rose 11.99% to 12.24. IIFL Securities' Bhanushali said this could be due to short index call writers or sellers covering their bearish bets and raising call option prices in the bargain.



SARVESH KUMAR SHARMA/MINT

Mega coal power project for 30 GW may cost ₹2.5 tn

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The Centre plans to set up six thermal power generation hubs capable of producing 30 GW of power even as India chases net-zero under an ambitious energy transition plan.

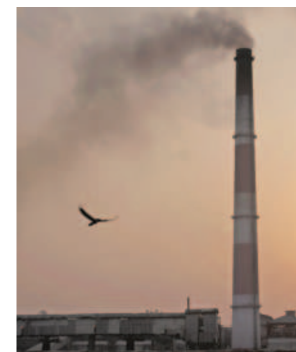
With a projected cost of over ₹8 crore per megawatt (MW), the estimated capital expenditure for establishing the 30GW capacity would be around ₹2.5 trillion. The power ministry had last year projected that the construction of 1 MW capacity would require up to ₹8.39 crore.

Land banks would be created near coal mines and then allocated to power generation companies, said two officials aware of the plans being conceived by the Union coal ministry.

Public sector undertakings such as Coal India Ltd would form joint ventures with power generation companies and invest equity in these power projects, they said.

The renewed push for thermal capacity—even as India aims to move to 500 GW of non-fossil fuel capacity by 2030—comes after crisis-like situations in 2021 and 2022 when supplies of domestic coal ran dry and the prices of imported coal spiked.

The plan is in line with the development in the Singrauli district of Madhya Pradesh. Around the Singrauli coalfield, a few coal-fired plants have been set up, supplying power across the country. "So, six such locations have been identified around which such pit-head-based power plants would be set up, turning these


The push comes in a bid to avoid the crisis-like situations of 2021 and 2022. BLOOMBERG

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QUICK EDIT

Ola's ride: Bumpy?

The chief executive officer of Ola Cabs, Hemant Bakshi, is reported to have resigned after barely spending four months in the position. The company is also set for restructuring, which may lead to a 10% staff reduction. As top management exits often are, the back-story of his exit is shrouded in mystery. But investors must surely wonder what's going on. The business recently initiated talks with investment banks for an initial public offering, so a CEO departure at this point sticks out as odd. Signs of the going having got bumpy for Ola have been around. Earlier this month, it withdrew from overseas ride-hailing markets like the UK and Australia to focus on electric mobility. In ride-hailing, it faces heat from all-electric BluSmart at the upper end. At the lower end, the likes of Namma Yatri, which boasts of charging no commission, offer it stiff rivalry. It's financials look okay, though. In 2022-23, Ola's mobility business turned profitable for the first time. Has the ownership's electric vehicle (EV) ambitions stolen attention away from the cab business? Its path from here on will be tracked for an answer.

Startup investors hunt outside the unicorn zone

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Unicorns on deal street are finding little love, as investors chasing rising valuations hitch their wagons to smaller startups. Founders, investors and bankers noted greater interest in companies valued up to a billion dollars, while those above $2 billion find few takers.

There have been 318 deals in companies valued below $1 billion in 2024 so far against just five in those valued over a billion, one valued over $2 billion, and none for companies that are valued over $3 billion, data from Tracxn showed. To be sure, these are primary investments, where investors bring in fresh funds, and not secondaries where one investor buys out another.

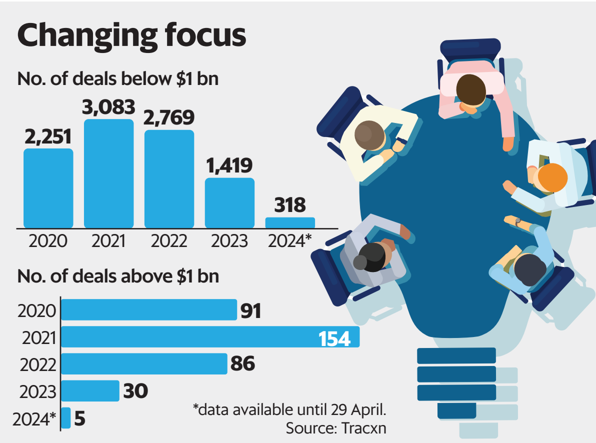
Late-stage investors are drawn to high-quality companies with robust growth and a clear path to profit, said Pankaj Naik, managing director and co-head, digital and technology investment banking, Avendus Capital. "Their ability to pay valuation is highly linked to exit returns. Hence, for companies that are valued more than $2 billion, the key question investors are asking is whether this company has the potential to become 3X (after dilutions) over the next 5-6 years. In that case, investors are happy to underwrite 5X returns in companies valued under $500 million, and have marginally cushioned their return expectations," Naik said.

Unicorns, or companies valued above a billion dollars, have been finding it difficult to raise capital in the last 12-18 months of the funding winter. While many companies are close to exhausting capital, existing investors are ready to fund them further, albeit with more stringent terms. These transactions are mostly structured in a way where investors get to protect their investments and ride the upside, if any. Some of India's prominent unicorns looking to raise funds currently include Ofbusiness, Lenskart, GoodGlamm and Zepto.

Amid last year's liquidity crunch, 1,419 deals were inked in the sub-billion-dollar category against 30 in those valued over a billion, data from Tracxn showed. Around 11 deals in companies valued over $2 billion and 9 deals in those valued over $3 billion got sealed.

Earlier this month, new-age media company Sharechat raised a bridge round of $60 million from existing backers as structured debt, which will be convertible in the next equity round. A person aware of the development said the valuation is being capped at $1.6 billion for the deal, and in the next funding round, the investors

TURN TO PAGE 6



SATISH KUMAR/MINT

DON'T MISS

REUTERS

UltraTech Q4 profit up 36% on lower fuel costs, better volumes

UltraTech Cement, Aditya Birla Group's cement flagship, on Monday said its January-March consolidated profit after tax rose 36% year-on-year to ₹2,258 crore, beating estimates, bolstered by a decline in fuel costs and double-digit volume growth. >P5

BSE shares tank a record 17% after Sebi order on options

Shares of BSE Ltd slumped more than 17% in Monday's trade, their biggest intraday decline on record, after the markets regulator Sebi directed the exchange to pay regulatory fees based on the notional value of its options contracts. >P4

Investcorp buys NSE's digital services biz for ₹1,000 crore

Bahrain-based investment firm Investcorp has acquired the National Stock Exchange's digital services business for ₹1,000 crore, its largest private equity deal in India, signalling its ambition to double down on the country's IT and cybersecurity space. >P7

Market is waiting for a good monsoon: Nestlé India CMD

Makers of packaged consumer goods will benefit from a good monsoon this year and the formation of a stable government that will reinject money into the market, driving up private consumption, Suresh Narayanan, CMD, Nestlé India Ltd, said on Monday. >P7

Company promoters trim share pledges by ₹56,448 cr in FY24

Promoters of Indian companies, including Adani Power Ltd, TCS Ltd and Tata Motors Ltd, reduced their aggregate share pledges by ₹56,448 crore, or about $6.8 billion, in fiscal year 2023-24, taking advantage of buoyant stock markets. >P5

MINT SHORTS

'JD(S) to suspend Revanna facing probe over alleged sexual abuse'

Shivamogga: JD(S) leader H. D. Kumaraswamy on Monday said the party has decided to suspend Prajwal Revanna, his nephew and Hassan MP who is a Lok Sabha poll candidate in the current elections, over allegations of sexual abuse of several women. The former chief minister also sought to distance JD(S)'s alliance partner BJP and Prime Minister Narendra Modi from the case. PTI

Group of Seven reaches deal to close coal-fired plants by 2035

AP

Turin: Energy ministers from the Group of Seven (G7) wealthy countries reached a deal to shut down their coal-fired power plants by 2035 at the latest, in a significant step towards the transition away from fossil fuels. "We have an agreement to stop using coal in the first half of 2030's... it is an historical agreement," Britain's minister for Energy Security and Net Zero Andrew Bowie told CNBC according to a video posted on X. Italian diplomatic sources said a technical deal had been reached. REUTERS

RAW chief cleared plot to kill Sikh activist, says Washington Post

An alleged plot to kill a US citizen and Sikh activist on American soil last year was approved by senior-level members of India's intelligence agency, including its chief at the time, the *Washington Post* reported, citing people familiar with the matter it didn't identify. The alleged plan to kill Gurpatwant Singh Pannun was cleared by the former head of the Research and Analysis Wing, India's spy agency, while other high-ranking RAW officials have also been implicated, the *Post* reported Monday. BLOOMBERG

RBI issues draft framework for electronic trading platforms

REUTERS

Mumbai: The Reserve Bank of India on Monday proposed a revised regulatory framework for Electronic Trading Platforms (ETPs) in the wake of increased integration of the onshore forex market with offshore markets. Market makers, too, have been requesting the Reserve Bank to allow access to offshore ETPs offering Indian Rupee (INR) products. ETP refers to any electronic system, other than a recognized stock exchange, on which transactions in eligible instruments are contracted. PTI

No CM can remain absent for long, it's against national interest: HC

New Delhi:, The Delhi high court on Monday said the decision of Arvind Kejriwal to continue as the chief minister after his arrest is "personal" but it does not mean that the fundamental rights of school-going children would be trampled upon. The court observed a chief minister's post in any state, leave alone a buzzing capital city like Delhi, is not a ceremonial post and that it is a post where the office holder has to be virtually available 24x7. PTI

Education ministry asks NCERT to review, update textbooks annually

New Delhi: The ministry of education has asked NCERT to conduct a review of its textbooks and update them on a yearly basis, according to a person in the know. So far, there had been no mandate on the frequency of updating NCERT textbooks. PTI

CBIC adopts common norms for bank audits

The move gives greater certainty about audit procedures to banks

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The Central Board of Indirect Taxes and Customs (CBIC) has introduced common norms for central and state level Goods and Services Tax (GST) officials to audit banks, CBIC chairperson Sanjay Kumar Agarwal told field officers.

The move gives more certainty about audit procedures to banks as officials would have a common audit plan to follow.

The common minimum audit plan for banks, issued in April, provides guidelines to help audit officers, both from the Centre and the states, to function in an "efficient, focused, transparent and coordinated manner," Agarwal said in a communication posted on CBIC's website.

Sanjay Kumar Agarwal, chairperson, CBIC. @FINMININDIA/X

Agarwal called the common audit plan a "stellar example" of the synergy between the Centre and the states in implementing the indirect tax.

Mint had reported on 22 January 2023 that the Central and state governments were working on making GST audits uniform across the country which would make scrutiny of GST compliance more predictable for businesses and ensure consistency of audits of different units across the country.

GST audits are meant to check the correctness of declared sales, taxes paid, refunds claimed and input tax credit availed by going over the tax returns and other records maintained by businesses. A mismatch could raise a red flag.

"The common minimum audit plan is expected to help officials to conduct audits in the banking sector in a holistic and comprehensive manner, given that the banking sector is one of the more complex industries, though well-organized. Insurance and telecom are the other complex sectors where similar plans may help officials to carry out audits," said Rajat Mohan, executive director at MOORE Singhi.

AIMED AT EFFICIENCY

THE plan provides norms to help audit officers of Centre and states to function in cohesion

THE new guidelines would make scrutiny of GST compliance more predictable for businesses

THE audit plan may help officials hold audits in the banking sector in a holistic, comprehensive way

Agarwal also informed field officers about a new agreement signed by the authorities in India and Australia for greater "trust-based" facilitation of merchants from both the countries.

Customs authorities in India and Australia have agreed to have mutual recognition of their authorized economic operators (AEO) programmes that extend certain privileges to trusted merchants.

AEO programmes facilitate ease of doing business.

Govt set to auction 20 critical mineral blocks post elections

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V.L. Kantha Rao, secretary, ministry of mines. PIB

The government will put on sale around 20 critical mineral blocks in the fourth round of auctions by the end of June, following the general elections.

Mines secretary V.L. Kantha Rao said on Monday that the auction of critical mineral blocks is gaining momentum. The process for seven blocks put on sale in the first round is almost complete and the result would be declared in a month's time.

Critical minerals such as copper, lithium, nickel, cobalt and rare earth elements are essential components in many rapidly growing clean energy technologies—from wind turbines and electricity networks to electric vehicles. Demand for these minerals is growing quickly with clean energy transitions gathering pace.

Speaking at an event on critical minerals, the mines secretary said 38 critical mineral blocks have already been auctioned and over 100 more are on the table for future auctions.

He invited the industry to study these blocks and bid for them. Asked about the fate of the government's shareholding in Vedanta Group firm Hindustan Zinc, Rao reiterated government plans to offload its minority 29.54% stake through an offer for sale (OFS) but said this would happen only after testing the market.

"We are committed to OFS," Rao said on the sidelines of the event adding that the market was not yet ready and that the exercise would be done after gauging investor interest through roadshows.

"Demerger, anyway, we have not agreed," the mines secretary said.

Hindustan Zinc had said that it will continue to engage with the Centre on its proposal to split the company into different entities, Rao added.

The company had said it is still in talks with the mines ministry on the proposal and is trying to address some issues.

The Vedanta group firm had announced plans to spin off its businesses into separate entities, including zinc and silver, to increase its market capitalization. Rao said, "Whatever report we have in front of us we are not convinced as a shareholder."

'The world can adopt Ayushman Bharat'

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Abhimanyu Saxena, head, Health System Strengthening, UNDP India.

India's Ayushman Bharat, which is the world's largest health assurance scheme, can be adopted by not just Asian countries but also by the world, said Abhimanyu Saxena, head, Health System Strengthening, UNDP India.

In an interview, Saxena noted that the concept of digital health took a giant leap with the introduction of Ayushman Bharat Digital Health mission which was laying a very strong foundation for the evolution of digital health solutions.

"With the introduction of Ayushman Bharat Digital Mission (ABDM), ABHA ID card which is a unique health ID for every citizen, it will be very easy for all the digital health schemes to share data and to complement each other. And this is something where India has and edge which other countries don't have because we are at the advanced age of digitization," said Saxena. UNDP and the Union health ministry are also working together on tuberculosis.

"UNDP is supporting by developing a solution called TB Win to track the beneficiaries who are getting these adult BCG vaccination doses. And this is in a study mode, but this study will help that how can adult vaccination can reduce TB burden in the country," Saxena noted.

Talking of other health schemes, Saxena lauded the Centre's achievement in integrating vaccines under the universal immunization programme.

Jewellery, gems export at 3-yr low in FY24

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Gems and jewellery exports, one of the largest categories in India's export basket, ended FY24 with a steep decline, sinking to its lowest levels in three years due to lower global demand.

According to data from the commerce ministry's Niryat portal, gems and jewellery exports stood at $32.71 billion during FY24, down from $37.96 billion in FY23 and $38.94 billion in FY22.

Gems and jewellery exports stood at $32.71 billion during FY24, down from $37.96 billion in FY23 and $38.94 billion in FY22. MINT

During the pandemic, the exports of gems and jewellery suffered along with other commodities as most economies resorted to stringent lockdowns to prevent the spread of the coronavirus.

The pandemic saw gems and jewellery exports plunge to $3.86 billion in FY19 and $4.32 billion in FY20 before recovering to $26.02 billion in FY21.

The Gems and Jewellery Export Promotion Council (GJEPC), a government-backed body, had set an export target of $40 billion in FY24 on the back of higher sales to the UAE.

The fall in demand was due to challenges from a downturn in both China and the US, key markets for India, said a commerce ministry official, who spoke on the condition of anonymity.

"It is likely to improve in FY25, as the global economy is expected to do better in FY25," the person added.

The pandemic saw gems and jewellery exports plunge to $3.86 bn in FY19 and $4.32 bn in FY20

A commerce ministry spokesperson didn't respond to emailed queries.

The global economy has been grappling with rising inflation and high-interest rates, particularly in Europe and the US, India's biggest export markets. That said, there have been signals that some of these factors might ease this year.

India imports rough diamonds since it doesn't produce these commodities in any significant quantity. It exports gems and jewellery, making value additions in the process.

India's gems and jewellery exports to the North American region stood at $10 billion in FY24, while exports to North East Asia, including China, stood at $7 billion, down from $13 billion and $9 billion in the previous year (FY23).

Gems and jewellery exports to West Asia and North Africa, which includes the UAE, a major market for India's exports, rose to $9 billion in FY24, up from $7 billion in the previous year.

Meanwhile, India's overall trade deficit, including merchandise and services, shrank to $78.12 billion in FY24 from $121.62 billion in FY23.

The silver lining is that the World Trade Organization expects global goods trade to have recovered gradually during 2024, following a downturn in 2023 due to high energy prices and inflation.

As economic pressures ease and incomes rise, the volume of global merchandise trade will increase by 2.6% in 2024 and 3.3% in 2025, the WTO said in its Global Trade Outlook and Statistics report in April.

During 2023, global trade declined 1.2% amid geopolitical and economic turmoil, after registering a 3% growth in 2022. In value terms, the decline in merchandise exports was more pronounced in 2023, down by 5% to $24.01 trillion.

No relief anytime soon, says IMD, as heatwaves grip more parts of India

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There will be no relief from the hot summer anytime soon, the weather department warned, as several states sizzled under heatwaves and many regions recorded temperatures as high as 45.6°C.

In its latest bulletin, issued on Monday, the India Meteorological Department (IMD) said eastern and southern India are likely to experience heatwaves for another five days.

It added that heatwave-to-severe heatwave conditions are likely in many places over Gangetic West Bengal, Odisha and Bihar, parts over Jharkhand until 1 May and in other parts of these areas on 2 May.

Parts of Rayalaseema, interior Karnataka, Tamil Nadu and Andhra Pradesh may experience heatwaves until 3 May; Telangana from 29 April to 1 May; Konkan on 29 April; and East Uttar Pradesh from 29–30 April, IMD said.

Monday's maximum temperatures could be in the range of 42–45°C in parts of Odisha and Gangetic West Bengal; 40–42°C over parts of East Uttar Pradesh, Bihar, Jharkhand, Coastal Andhra Pradesh, Yanam, Telangana, Vidarbha, Marathwada, Madhya Maharashtra, north interior Karnataka, and pockets of Chhattisgarh, Saurashtra and Kutch.

The India Meteorological Department said eastern and southern India may experience heatwaves for another five days. HT

Temperatures are 4–8°C above normal in many parts of Gangetic West Bengal; in some parts of Bihar, Jharkhand and sub-Himalayan West Bengal and Sikkim, and in isolated pockets of north Odisha.

On Sunday, heatwaves and severe heatwaves were observed in several parts of Gangetic West Bengal, some parts of Bihar and Odisha, and pockets of sub-Himalayan West Bengal, Konkan, Goa, Rayalaseema and Telangana.

Odisha has been experiencing heatwaves since 15 April and Gangetic West Bengal since 17 April.

The weather office also forecast hot and humid weather over West Assam, Meghalaya and Tripura on 29 April; Kerala and Mahe, coastal Karnataka, for the next five day; Telangana on 2 May; and Konkan and Goa from 30 April to 1 May.

Higher night temperatures are becoming more common in cities because of the urban heat-island effect, in which metro areas are significantly hotter than their surroundings.

Higher night temperatures are becoming more common in cities because of the urban heat-island effect

The threshold for a heatwave is met when the maximum temperature of a weather station touches 40°C in the plains, 37°C in coastal areas and 30°C in hilly regions, and the departure from normal is at least 4.5 degrees.

A severe heatwave is declared if the temperature is at least 6.4 degrees above normal.

The IMD warned at the beginning of this month of a harsh and arid summer over most parts of the country in April-June, with a high probability of heatwaves lasting 10-20 days. The IMD, the disaster management authority and various ministries have prepared an action plan to ensure seamless polling for the general elections that began on 19 April.

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MINT SHORTS

SaaS startup Assert AI raises $4 million in Series A funding

Bengaluru: Computer vision software-as-a-service (SaaS) startup Assert AI has raised $4 million (₹30 crore) in a Series A funding round from a host of investors including Ramesh Hariharan (ex-LatentView), Prashant Purker (ex-ICICI Venture) and grain commerce platform Arya.ag, among others. Assert AI is a SaaS platform whose latest solution Pratham is a no-code platform for computer vision tailored for non-AI users, democratizes access to AI-powered video analytics. **K. AMOGHAVARSHA**

Briskpe secures $5 million seed funding from PayU

ISTOCKPHOTO

Bengaluru: Briskpe has raised $5 million (₹42 crore) in a seed funding round from PayU, the payments and fintech business of Prosus. Founded by Sanjay Tripathy, CPTO Nilesh Pathak and Indunath Chaudhary, Briskpe is a Mumbai-based cross-border payments platform, which aims to simplify global payments for micro, small and medium enterprises (MSMEs). **K. AMOGHAVARSHA**

Kids retailer FirstCry to refile draft IPO papers with updated financials

Mumbai: SoftBank-backed kids omnichannel retailer FirstCry is likely to refile its draft red herring prospectus (DRHP) for a public listing with updated financials after market regulator Securities and Exchange Board of India pressed for detailed key performance indicators, a person with knowledge of the development said. As per its DRHP, the company saw its losses jump six times to $57.6 million, as against a total income of $684 million for the financial year ended 31 March 2023. **SNEHA SHAH**

'Important to know AI's limits'

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As technology becomes more complex and more accessible, we need to do a better job to help people understand what it's good at, and more importantly, what it's not good at," insists Rebecca Parsons, who describes herself as a "long-time tech devotee". Parsons, a former chief technology officer (CTO) at tech consultancy firm ThoughtWorks Inc., has long championed diversity and inclusion in the tech sector. In an interview with *Mint*, the former researcher and college lecturer in computer science, talks about how enterprises can leverage artificial intelligence and generative AI, while recognising and addressing their limitations. *Edited excerpts:*

You were the CTO of Thoughtworks for 16 years. Now, how do you keep abreast with the incredible pace at which technologies are evolving, and guide your organization?

When I started, we had around 100 people. A majority of our growth was organic, and we've opened offices in many different countries. India is currently our largest market but we have had significant growth in China and Brazil, too. In terms of keeping up, as a CTO I have to be more of a generalist but there's no way I could keep up with everything so I let other people keep up with things that they like, and kind of harvest from there. As an organization, we have gone from being a software development consultancy to a software delivery consultancy. So, the scope of what we look at has become much bigger than it was when I joined. We weren't, for example, responsible for putting a lot of stuff into production when I first joined as a developer but that's pretty standard for us now.

Our offerings, too, have evolved, and this has shifted the focus or broadened the scope of kinds of technologies that we think about. At one point, our sales organization said: What percentage of work should be in the .NET ecosystem, in the j2ee ecosystem or in the Ruby ecosystem because those were the things that we did. Now we have Scala projects, Clojure projects, Rust projects, and people writing in Python, too.

INTERVIEW

So we have a much broader skill set and that's just within the development community. We've also got designers, and people with new skill sets such as infrastructure engineers or machine learning specialists, and user experience designers.

In a blog you said that while Gen AI is clearly a bright shiny object, let's not forget that there are problems that are better suited to non-Gen AI techniques. Kindly elaborate.

Our industry has a terrible problem with this thinking that here is the one true way, and it will solve all problems. GenAI, for example, is not necessarily a very good classifier (algorithm that sorts unlabeled data in labeled classes, or categories of information). If you have a data set, you could use a pattern recognition algorithm or even use some deterministic statistical algorithms to at least give you a first shot.

One of the things that is a particular challenge with Gen AI is the extent to which it has democratized access to a powerful technology. Before Gen AI, in particular ChatGPT, you as a non-computer scientist,individual, would interact with an application that might have an AI (model) behind it but would not matter as long as it gets a job done. Now, somebody from marketing or a lawyer or accountant, can use one of these large language models. It's good, in that it's great source of innovation and creativity as you may have people who don't have the perspective of a computer scientist to think about how to solve a problem potentially. But this is a problem as they (non computer scientist) do not understand always how the tech actually works and, thus, what kinds of things it will be good for, and things that are dangerous. As technology becomes more complex and more accessible, we must do a better job to help people understand what it's good at, and more importantly, what it's not good at.

> India is currently our largest country but we've had significant growth in China and Brazil, too.
>
> **Rebecca Parsons**
> CTO emerita, Thoughtworks

Is this is what you meant when you said in one of your blogs that "sometimes to take advantage of AI, it requires changing the problem-solving approach"?

Yes. But we also need to think about how we do work. And Mike Mason, our chief AI officer, talks about this as an AI-first mentality. I have a task, in what way can AI be applied to this task? This may change your workflow because of the way you're using the AI system. We must be creative about how we think about achieving our objectives, if the premise is we are going to use AI. And based on the potential of the systems, pretty much anyone can take advantage of these, but might rethink what their workflow is.

The plain old AI, as you refer to it, is sufficiently mature in enterprises. But GenAI has limitations. You alone have listed about 34 blips. Which of these should the CXOs be mindful about?

A lot of that depends on the X (in the CXO). A CIO will probably want to be looking at some things on model testing, observability and production support for Gen -AI. If you're a software developer, you're probably going to be interested in what we have to say about various coding assistants, and how you use them. If you're a business analyst, or product manager, you may be interested in some of the tools supporting open ideation. It will again vary for other Cs—COOs, CFOs, and CMOs. People at that level who are not technologists have a simple model of how tech works. You stick something in a database and ask for an answer and you get the same answer every time. But that's not how AI or GenAI systems work. They make things up (hallucinate). Even if they do not make something up, and it's accurate, they don't necessarily give you the same answer all the time—that's actually a feature, not a bug.

Kuku FM to diversify beyond audio, eyes overseas markets

Samiksha Goel
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BENGALURU

Audio entertainment platform Kuku FM is set to diversify its offerings, venturing into categories such as comics, videos, animation and text, according to co-founder and chief executive Lal Chand Bisu. While audio continues to be central to the company's long-term strategy, Kuku FM seeks to incorporate other mediums to expand its offerings, he said. "We will introduce additional platforms or integrate other mediums into our platform."

Initially, the company aims to launch content for text and comics segments over the next few quarters to enhance user experience, allowing them to navigate across formats.

"Currently 70-80% of our tasks are being done by Generative AI. Since we have exclusive audio content on the platform, we can translate the content into other formats through Generative AI without deploying any additional resources."

In a competitive landscape, video and text is getting saturated and building a moat around that would be tough for Kuku FM, said Kabir Kochhar,

Kuku FM CEO Lal Chand Bisu.
LINKEDIN/LAL CHAND BISU

founder and managing partner, Audacity VC.

"However, comic and animation is a high-engagement and growth medium, and could lend well to the consumption behaviour and patterns of Kuku's existing user base," he added. In a strategic move to expand its footprint in overseas markets, the Bengaluru-based startup is preparing to launch its English content in the US and the Philippines this month, said Bisu. "We have created native English content, the product is ready, and our plan is to launch in these two countries."

The initiatives come amid heightened activity in India's audio content landscape, primarily dominated by Kuku FM and rival Pocket FM. While Kuku raised $25 million in a Series C round in September to fund its expansion plans, Pocket FM secured a $103 million round in March led by Lightspeed Venture to expand its presence in the US, besides launching its services in Europe and Latin America.

In its bid to be a niche player in its new markets, Kuku FM is experimenting with fiction content. Besides, in its efforts to cater to diverse audience preferences, it is considering a pay-per-use model for the targeted geographies, diverging from the subscription model employed in India. Subscriptions in overseas markets maybe added at a later stage, Bisu said. "If we are able to break the international market, it will be a billion-dollar opportunity, but even if we cannot make it, it is like a multi hundred million opportunity in India. I will only be able to comment on it after 2-3 quarters."

While Kuku FM's strategy will be to tap higher average revenue per user in overseas markets compared to its Indian user base, the challenge lies in the platform's ability to stand out in a global marketplace, Kochhar said.

Oister Global sets up ₹440 cr India fund to back PEs, VCs

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BENGALURU

Oister Global on Monday announced the launch of a ₹440 crore fund targeting India's consumer-driven and emerging technology sectors.

The fund, known for backing the likes of Blume Ventures and Stride Ventures, will target investments across various stages—from early- to late-stage venture capital (VC) and private equity (PE) bets, spanning pre-Series A to Series D, and beyond, the investment firm said in a statement.

Rohit Bhayana, co-chief executive officer and co-founder, said the new fund, Oister India Pinnacle Fund (OIPF), has been "strategically designed to capitalize on India's consumption-driven growth."

With the diversification of the Indian economy and a rise in per capita incomes, investors are increasingly eyeing opportunities in the consumption sector. Besides, evolving consumption patterns, a burgeoning middle class and advancements in deep-tech and climate-tech are paving the way for new investment avenues.

> With this fund, the firm is eyeing an infusion of ₹4,500 crore into India's VC and PE ecosystem over the next 2 years

According to the firm, the move not only taps into a growing pool of capital, but also positions alternative investment funds (AIFs) favourably to leverage India's economic growth, driven by increasing consumer demand and sectoral diversification.

The Gurugram-based firm invests exclusively in private market funds, spanning venture capital, growth equity and PE. Its diversified strategy aims to capture value across different stages of a company's life cycle.

"This approach ensures strategic diversification, enabling Oister to capture opportunities across the entire spectrum of India's dynamic startup ecosystem. Additionally, it allows us to reinforce success by providing follow-on capital to portfolio winners," Bhayana said.

With the launch of this fund, the investment firm looks to infuse ₹4,500 crore into India's VC and PE ecosystem over the next two years.

It also plans to launch a private credit fund in the next quarter.

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

Index	Close	Percent change	Previous close	Open	High	Low
S&P BSE Sensex	74,671.28	1.28	73,730.16	73,982.75	74,721.15	73,922.34
Nifty 50	22,643.40	1.00	22,419.95	22,475.55	22,655.80	22,441.90
Nifty 500	20,992.20	0.73	20,839.35	20,911.10	21,002.10	20,847.85
Nifty Next 50	64,488.05	0.55	64,134.55	64,508.35	64,652.35	64,094.15
Nifty 100	23,443.80	0.91	23,232.10	23,305.70	23,457.90	23,250.90
S&P BSE Mid-cap	41,918.09	0.79	41,587.77	41,881.78	41,974.92	41,650.79
S&P BSE Small Cap	47,270.05	0.07	47,239.29	47,553.74	47,599.25	47,253.80

MINT SHORTS

Carry trade gets turned on its head, stoking rush to dollar

For decades, carry traders have borrowed US dollars at low interest rates and invested in higher-yielding emerging-market currencies. But that flow is now getting turned on its head. The Federal Reserve's tight monetary stance has extended for so long that some emerging economies are struggling to keep their yields competitive, making them the target of a so-called reverse carry trade. That trade is paying off. Borrowing in emerging-market currencies and buying the dollar has produced returns of as much as 9% this year. The Chinese yuan, Thai baht, Malaysian ringgit and even Czech koruna are some of the currencies being used. That's not to say the traditional carry trade is dead: it's still being used to invest in high-yielding currencies such as the Mexican peso, Turkish lira and Egyptian pound, but even those trades are increasingly being funded by the Japanese yen, Swiss franc or other EM currencies. **BLOOMBERG**

The continent navigated pandemic shutdowns and surging energy prices. AP

Europe's debt is rising again as politics erodes budget resolve

Some of Europe's most indebted governments are heading for a painful reckoning this year as their ambitions to cut down on borrowing collide with political reality. After years of a no-limits approach to spending when the continent navigated pandemic shutdowns and surging energy prices, 2024 was meant to be repairing public finances. But while most will make progress reining in deficits, pressures from both new and existing commitments, and the impact of rising interest rates, are now set to keep national debt high or even rising in much of the region. Italy's borrowings, for example, could soon exceed 140% of output again. That will leave some governments stuck between irking voters by cutting spending or increasing taxes, or else risking that investors might notice their lack of action. The backdrop of a politically sensitive year, with elections taking place for the European Parliament and probably for Westminster in the UK, adds to the challenge. **BLOOMBERG**

Margins a worry for ICICI Bank

Manvi Agarwal
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ICICI Bank's shares hit a new 52-week high of ₹1,163.45 apiece on Monday, rising over 4%, after its March quarter (Q4FY24) did not bring any negative surprises. India's second-largest private lender's results met analysts' expectations, with a rise in its loan book and net profit.

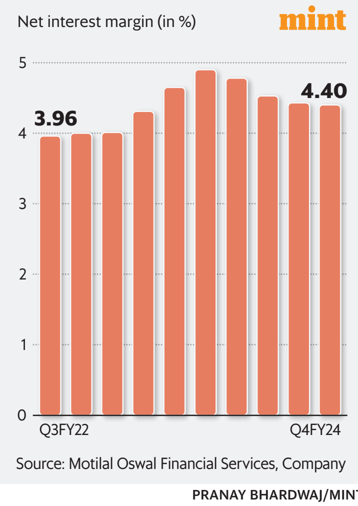
ICICI Bank managed to keep a tight lid on operating expenses (opex), which dipped 3% sequentially, and grew by just 9% year-on-year (or 13% year-on-year if there was no one-time expense of ₹335 crore in the last year's Q4). For perspective, ICICI Bank's opex growth for the nine months ended December was 23% year-on-year.

The improvement in Q4FY24 was from workforce management, as the bank added fewer employees in the quarter. The cost-cutting measures targeted non-employee expenses as well, which fell 4% sequentially, partly due to seasonal factors, as festive quarters see higher spending on advertising and sales promotions. Encouragingly, ICICI Bank is confident that the overall moderation in opex growth is here to stay, buoying investor sentiment.

The bank's March quarter results met analysts' expectations. HT

The trim in costs helped propel a 4% sequential jump in net profit to ₹10,708 crore. The lender's deposits surged as much as 6% sequentially and almost 20% year-on-year. This was better than advances (loans) growth of 2.7% sequentially and 16.2% year-on-year.

The CASA (current account savings account) segment emerged as a key driver of deposit growth, providing the bank with a cost-effective source of funds. Whereas, on the lending side, domestic loans displayed momentum. ICICI Bank's stronghold, retail loans, rose by 19.4% year-on-year. Corporate loans rose at a slower 10%.



A bright spot came from the net interest margin (NIM), which was better-than-expected at 4.4%, down 3 basis points (bps) sequentially and 50 bps year-on-year. NIM is net interest income of a bank expressed as a percentage of the average interest-earning assets. One basis point is 0.01%. The decline in NIM can be attributed to 9 bps sequential rise in cost of funds (up 76 bps yoy).

"The results for the quarter addressed the near-term concerns on NIM progression, which was flat quarter-on-quarter," said Kotak Institutional Equities analysts in a 28 April report. "Operating profit growth has started to slow down led by NIM compression but the progress is well above expectations," they said.

MANAGING EXPENSES

ICICI Bank kept a tight lid on operating expenses, which dipped 3% sequentially

THE improvement in Q4FY24 stemmed primarily from strategic workforce management

ICICI Bank said that NIM might stay weak for a while due to potential increases in deposit costs (the bank had raised deposit rates in February). Moreover, they expect this trend to persist for a few quarters before any potential rate cuts come into play.

The upshot, however, is that the bank remains bullish on its future loan growth trajectory. It projects a strong uptick in loan disbursements in FY25. This optimism is bolstered by the bank's ability to maintain asset quality while expanding the business.

The bank's net NPA ratio, a crucial parameter of the ability to manage bad loans, saw a sequential dip of 2 bps in Q4FY24. This improvement, with the ratio settling at a healthy 0.42%, further strengthens the outlook for the bank.

Nuvama Institutional Equities analysts said, "With an early-mover advantage in leveraging tech for growth and risk management, we view ICICI Bank as less vulnerable to regulatory lapses than peers, not to mention the moderation in opex much ahead of peers." ICICI Bank's opex has moderated before peers due to early investments in technology, said the brokerage. ICICI's shares are up about 16% so far in 2024, suggesting investors are factoring in the brighter picture adequately. Going ahead, NIM compression remains a monitorable, while keeping a close eye on the bank's loan growth.

Can Macrotech's FY25 pre-sales growth goal be an easy target?

Harsha Jethmalani
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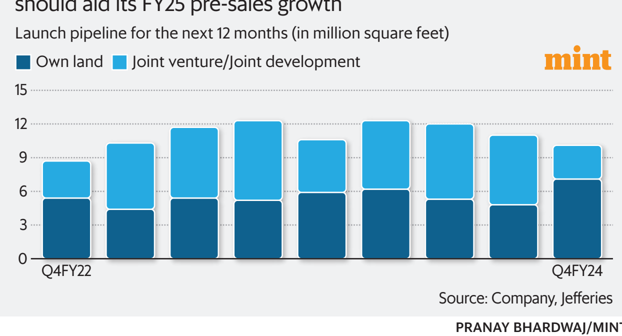
Macrotech Developers Ltd (Lodha) investors are in a happy place. In the last one year, the stock has fetched mouth-watering returns of 164%, handsomely beating the Nifty Realty index.

Investors rewarded the stock for resilience in pre-sales or bookings of housing units amid elevated home loan rates. Lodha has also kept its promise of achieving a 20% compound annual growth rate in pre-sales.

Despite a high base, it ended FY24 with record pre-sales of ₹14,500 crore and price growth of 5.5% year-on-year. For FY25, it has a pre-sales aim of ₹17,500 crore. This may be driven by favourable factors like price rise of 5-6% year-on-year, volume growth of 4-5% in existing projects and increased contribution from new projects and new geographies, the management said.

Lodha plans to launch 17 projects over 10 million square feet with a gross development value of around ₹12,100 crore in FY25. From its newly entered markets of Pune and Bengaluru, Lodha is targeting nearly ₹4,000 crore pre-sales in FY25. It also plans to launch premium housing in Palava in Q1FY25.

Among other monitorables,



the company eyes business development projects worth ₹21,000 crore in FY25. Further, the management has guided that it will keep debt below 1x net debt-to-operating cash flow in FY25.

The recent fund-raise via qualified institutional placement and robust cash collections has helped Lodha meaningfully pare debt in FY24, thus allaying earlier concerns of elevated leverage. This can help the company meet its expansion aspirations without putting pressure on its balance sheet.

So far, so good. However, after last year's steep rally in the stock, a lot will depend on the pace of new launches. Plus, the exhaustion of current ready inventory as meeting pre-sales targets hinge on it.

Apart from that, faster land monetization at Palava in Dombivali, portfolio growth, geographical diversification and annuity asset sale can be potential stock catalysts, a Nuvama Research report said. But, concentration in Mumbai Metropolitan Region, given the entry of newer companies with stronger balance sheets should be watched out for. Lodha benefited from increased consolidation in the sector, but the management acknowledged increased competition in the crucial Mumbai market. The company has a 10% market share, while large developers collectively control 20-25%, the management said. Further, large unsold inventory due to loss of demand could weigh on growth in realizations.

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

Sebi directive on F&O fees hits BSE Ltd, shares plunge 17%

Ram Sahgal & Ujjval Jauhari
Mumbai

Shares of BSE Ltd slumped more than 17% in Monday's trade, their biggest intraday decline on record, after the markets regulator Securities and Exchange Board of India (Sebi) directed the exchange to pay regulatory fees based on the notional value of its options contracts, rather than the premium value.

In a letter issued on Friday, Sebi said that BSE is liable to pay total regulatory fees, along with 15% interest, based on annual turnover, considering the "notional value" of its options contracts.

Notional turnover refers to the total strike price of each contract traded in derivatives, while premium turnover is the total premium paid on all contracts traded. This shift to notional turnover as the base leads to a higher regulatory fee outgo.

Notional turnover refers to the total strike price of each contract traded in derivatives

Analysts at Jefferies India in a report said that since derivatives make around 40% of BSE's FY25 and FY26 estimated net profits, the demand for a higher fees could hit overall earnings per share by 15-18%. Jefferies has downgraded recommendation on the stock to hold from buy.

BSE shares had hit a low of ₹2,612 apiece earlier in the day, but later recouped some losses to trade at ₹2,792, down more than 13% on the National Stock

Sebi had directed the exchange to pay regulatory fees based on the notional value of its options contracts. MINT

Exchange. Traded volumes stood at 10.11 million shares.

The company is currently evaluating the validity, or otherwise, of the claim as per Sebi communication, BSE said in an update following the directive.

"In case, if it is ascertained that the said amount is payable, then the total differential Sebi regulatory fees for the past periods i.e. from FY 2006-07 to FY 2022-23, would be approximately ₹68.64 crore plus GST which includes interest of ₹30.34 crore," BSE added. For FY24, the due date for the regulatory fee payment is 30 April 2024. BSE has paid the premium-based fee of ₹1.66 crore plus GST, but may owe an additional ₹96.30 crore plus GST if liable. The Jefferies report has indicated a one-time legacy arrears impact of ₹165 crore plus taxes (18%) will result in a 15% earnings per share (EPS) cut for FY24. As derivatives revenue share rises to an estimated 45% by FY27, these increased regulatory fees could further impact EPS by 15-18% in FY25 and FY26.

Despite this, price hikes and higher premium quality may offset some of the impact. Jefferies has adjusted its estimates for FY25 and FY26 by 6-9% after incorporating a partial price hike (15%).

An HDFC Securities Institutional report has said that BSE's regulatory fee burden will be higher than that of the National Stock Exchange (NSE), as BSE collects one-third the premium for similar notional volumes and its options pricing is one-fourth lower than NSE's.

The report noted that Sebi's regulatory fee for NSE is 0.000012% of annual turnover. This fee has increased significantly over the last five years, with notional volume growing 37x.

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Big 6 tighten hold over top-tier audit race

By Manjul Paul
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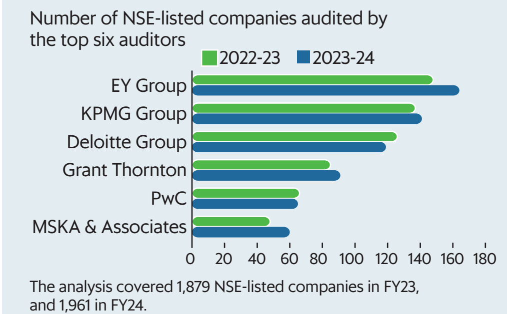
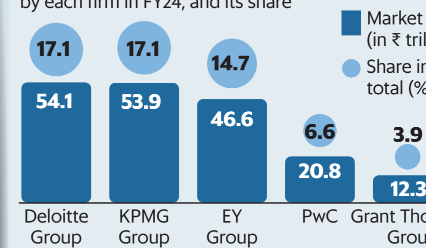
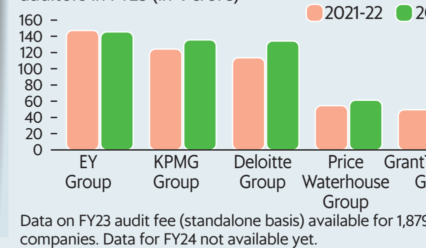
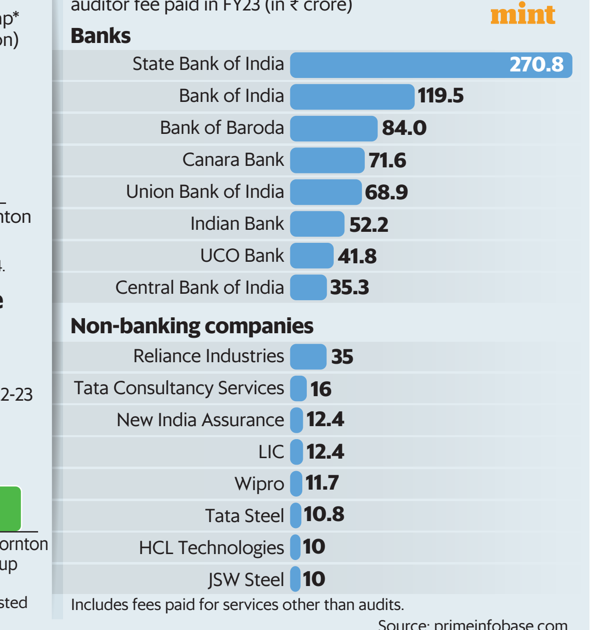
Most of India Inc's biggest listed firms chose to work with the big six auditors in FY24. Deloitte, EY, Grant Thornton, KPMG, MSKA & Associates, and PwC audited two-thirds of the 483 Nifty 500 companies for which details are available, up from 61% in FY23, showed data from primeinfobase.com. Among all NSE-listed firms, these six had a 32% share. EY Group audited the most firms (164), followed by KPMG (141). Deloitte, KPMG and EY audited firms together making up 49% of the total market value on NSE. NSE-listed firms paid ₹1,738 crore in audit fees in FY23, up 6% from FY22. Deloitte saw the biggest increase among the Big 6—over 20%.









Input costs, polls, Chinese imports weigh on steel

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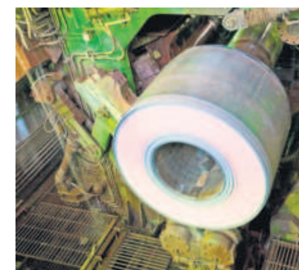
NEW DELHI

Major steelmakers are likely to take a hit in the March quarter due to a slowdown in domestic demand ahead of elections, and falling steel prices on account of aggressive competition from Chinese manufacturers, experts said.

Coupled with higher coking coal prices—a key input for primary steelmaking—the margins of steelmakers during the quarter are expected to dip sequentially and year-on-year, despite higher volumes.

However, the worst may be over for the sector with steel imports declining, coking coal prices moderating, steel prices inching upwards in April and domestic demand outlook post the general elections remaining bright, the experts said.

The only concern that remains is a fall in Chinese steel prices seen in recent weeks, which could drag down international steel prices and in turn domestic prices in India, they added.



A fall in Chinese steel prices could drag the sector down. HT

The price of benchmark hot-rolled coils of steel declined from an average of ₹55,078 per tonne in December to ₹52,750 per tonne on average in March, declining over the quarter, as per data from market intelligence & consulting firm BigMint.

Meanwhile, coking coal prices during the quarter were higher on average by 7% compared to the preceding quarter, data from Icra showed.

This is expected to drag the per tonne earnings before interest, tax, depreciation and amortisation (Ebitda) of top steelmakers Tata Steel and JSW Steel by 15% and 29%, as per the brokerage firm Nuvama.

The profits of these companies are expected to dip between 35% and 60% year-on-year during the March quarter, according to a report by Motilal Oswal.

"Q4 will be weaker than Q3 for primary steelmakers given the softening steel prices during the quarter even as coking coal prices remained range-bound at an elevated level," said Jayanta Roy, senior vice president, Icra.

The CEO's resignation and the staff reduction come ahead of a $500 million public market listing planned by Ola Cabs. MINT

Ola CEO Hemant Bakshi quits; firm to lay off 10% staff

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BENGALURU

Ola Cabs CEO Hemant Bakshi has stepped down less than a year after joining the ride-hailing firm, two persons with knowledge of the matter said.

Bakshi is said to have joined the Bhaavish Aggarwal-led firm in September last year, the first person said, although the company made the announcement in January. He will pursue opportunities outside the company, according to an internal email of the company. *Mint* has seen a copy of the email.

The Bengaluru-based firm is planning to let go of 10% of its staff as part of a larger restructuring exercise, founder Bhavish Aggarwal communicated to employees over the email on Monday.

The move—which is likely to impact nearly 200 employees—is aimed at improving profitability and preparing for the "next phase of growth", Aggarwal emphasized in the email.

Both Ola and the outgoing CEO Bakshi declined to comment. Bakshi's resignation and staff reduction come ahead of a $500-million public market listing planned by Ola Cabs, which is likely to value the company at $5 billion, as per a *Reuters* report. The company wishes to show two quarters of profitability before filing for IPO, the second person added.

"These changes will result in certain roles within the company becoming redundant. This decision was not made lightly, and we are committed to supporting those impacted during this transition period," the email read.

"I am very confident of the strong leadership team which we have built over the last few years at Ola Consumer, who bring in a lot of experience and expertise to their respective roles. They will collaborate closely with me to drive technology-led growth," Aggarwal said.

The layoffs may impact nearly 200 employees at Ola and is part of a larger restructuring exercise

Earlier in April, Ola shut down its ride-hailing operations in New Zealand, Australia and the UK, to redirect focus on expanding its electric fleet in India.

"The future of mobility is electric—not just in personal mobility, but also for the ride-hailing business and there is immense opportunity for expansion in India. With this clear focus, we've reassessed our priorities and have decided to shut down our overseas ride-hailing business in its current form in the UK, Australia and New Zealand," a company spokesperson had said.

Bakshi joined the Softbank-backed Ola from Unilever Indonesia where he served as vice president of the marketplace.

Promoters trim share pledges

While 52 firms saw a 35% dip in value of these shares in FY24, 27 other companies increased pledges by 20%

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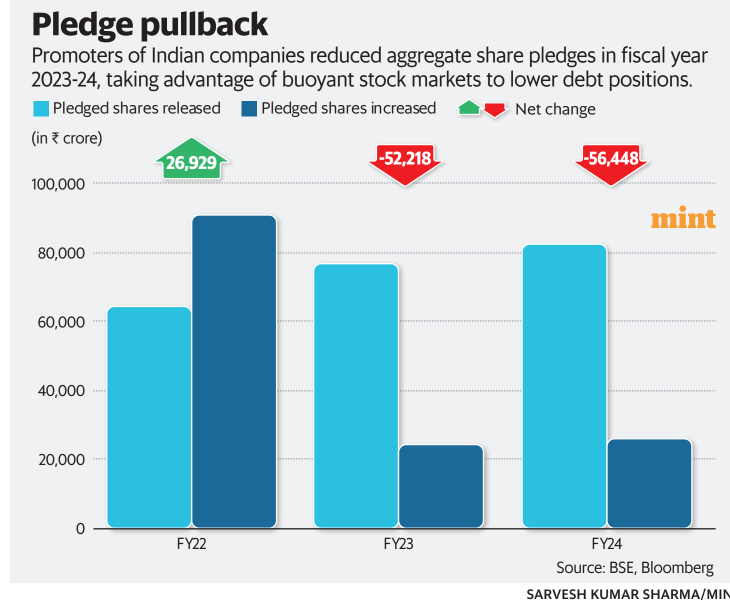
Promoters of Indian companies, including Adani Power Ltd, Tata Consultancy Services Ltd and Tata Motors Ltd, reduced their aggregate share pledges by ₹56,448 crore, or about $6.8 billion, in fiscal year 2023-24, taking advantage of buoyant stock markets to lower their debt positions.

In FY24, 52 companies saw a 35% decrease—₹82,576 crore in absolute terms—in the value of their pledged shares, reveals a *Mint* analysis based on the latest regulatory filings of Nifty 500 companies, which account for 91% of the overall market value of all NSE-listed firms.

Another 27 companies increased their pledges by 20% or ₹26,128 crore.

While 383 companies had no pledged shares, the remaining 38 companies saw no change in their holdings.

The aggregate ₹56,448 crore decline in the value of the pledged shares of these 500 companies in FY24 follows a net reduction of ₹52,217.54 crore in FY23 and an increase of ₹26,928 crore in FY22. The value of the pledges is calculated using a volume-weighted average price.



SARVESH KUMAR SHARMA/MINT

The Nifty 50 and Sensex indices rose more than 25% in FY24, while the Nifty 500 index, which has a total market capitalisation of ₹366.5 trillion, gained 39%. In FY23, returns from the Nifty and the Sensex contracted 1.75% and 0.48%.

"Pledging shares does not always signify a negative stance, particularly in strong bull markets," said Abhilash Pagaria, head of Nuvama Alternative and Quantitative Research.

"Given the robust equity markets and numerous avenues for capital raising, now is an opportune moment to decrease pledges, especially for companies that do not require additional capital."

Adani Group companies witnessed an aggregate decline of ₹18,696 crore in promoter pledges in FY24. This included Adani Power (from 25.15% to 16.1%), Adani Green (from 3.5% to 1.02%), Adani Ports (from 4.66% to 1.7%), Adani Energy Solutions (from 3.75% to 2.58%), and Adani Enterprises (from 0.64% to 0.08%), *Mint*'s analysis shows.

FILINGS & FINDINGS

ANALYSIS shows 383 firms had no pledged shares, while 38 saw no change in holdings

FIRMS that reduced pledge values last year tended to deliver positive returns at the stock market

Promoters of Jindal Stainless Ltd, Suzlon Energy Ltd, Tata Motors, Bharat Forge Ltd, Tata Communications Ltd, and Usha Martin Ltd now have zero pledged shares. Promoters of Emami Ltd reduced their share pledges from 40.12% in FY23 to 13.09% in the just-concluded financial year; while those of TCS reduced their pledged shares from 0.48% to 0.28%; and Jindal Steel from 36.43% to 13.11%.

Companies that significantly reduced their pledge values last year also tended to deliver positive returns at the stock market.

Examples include Suzlon Energy (411%), Jindal Stainless (140%), JSW Energy (120%), Adani Ports (112.3%), Adani Green (108.3%), Adani Enterprises (83%), Sun Pharmaceutical (64.8%), Tata Communications (61.4%), Bharat Forge (46.6%), and TCS (21%).

"There is a significant understanding that has now developed with promoters over a period of time that the capital markets do not appreciate leverage, especially at the promoter level," said Bhavesh Shah, managing director, head-investment banking, Equirus Capital.

"We have seen that the leverage acts as a hindrance in valuation multiples and value creation process."

According to Pagaria of Nuvama, the market views reduction in pledges positively, as it indicates that immediate funding isn't necessary and can be managed effectively.

He added that the reduction in pledges during the March quarter made it clear that capital-intensive businesses were witnessing a decline in promoter pledges.

UltraTech Q4 profit up 36% on lower fuel costs, better volumes

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UltraTech Cement, Aditya Birla Group's cement flagship, on Monday said its January-March consolidated profit after tax (PAT) rose 36% year-on-year (y-o-y) to ₹2,258 crore, beating estimates, bolstered by a decline in fuel costs and double-digit volume growth.

The country's largest cement manufacturer had reported a net profit of ₹1,666 crore in the same quarter of FY23.

Consolidated revenue from operations increased 9.4% YoY to ₹20,419 crore in the three months through March 2024.

Bloomberg had estimated the company to report ₹2,123 crore in PAT and a revenue of ₹20,084 crore for the quarter. "Going forward, the demand for cement across all sectors continues to remain robust, which augurs well for the Company," UltraTech said.

Consolidated revenue from operations increased 9.4% YoY in the three months through March 2024

Earnings before interest, tax, depreciation, and amortization (Ebitda) came in at ₹4,250 crore, with a margin of 20.81%. "The company's imported fuel consumption cost during Q4FY24 was 13% lower than Q4FY23, and it remained flat QoQ. Effective capacity utilization was 98% during the quarter and 85% for the full year," the company added.

For the full fiscal year ended 31 March, it reported a consolidated net profit of ₹7,005 crore, an increase of 38%. Revenue rose 12% to ₹70,908 crore, with an Ebitda of ₹13,586 crore. Ebitda margin stood at 19.16% as prices of coal and petcoke, fuels used in cement production, eased during FY24. The company achieved a full-year Ebitda per million tonne (MT) of ₹1,011.

The rise of the vernacular at streaming platforms

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The share of vernacular content will increase to 55% in the mid to long term of the total content produced as regional OTT platforms flourish and achieve scale on the back of dubbing and subtitling, according to the latest Ficci and EY media and entertainment industry report. According to industry experts, the share of vernacular content is around 30% now.

This could also lead to increased costs for regional content production even though several video streaming platforms are yet to bet aggressively on non-Hindi original series despite the focus on producing diverse content remains.

Now, regional content makes up less than 30% of OTT budgets and it could increase to 40-50%. A regional original can cost around ₹20 crore or more currently.

Earlier this month, Amazon miniTV, Amazon's free video streaming service, launched a bouquet of over 200 shows and movies dubbed in Tamil and Telugu languages.

Regional OTT is achieving scale on the back of dubbing and subtitling. REUTERS

The line-up of dubbed titles includes Hindi originals of miniTV such as *Hunter—Tootega Nahi Todega*, *Physics Wallah* and *Rakshak—India's Braves*, besides Hollywood movies dubbed in Tamil and Telugu, including *Twilight*, *Now You See Me*, *Hunger Games* series, the *Step Up* franchise, *Red*, and more. Further, the service will also bring to its customers Korean, Turkish and Mandarin shows dubbed in Tamil and Telugu languages.

Aruna Daryanani, director, ad sales and business head at Amazon miniTV, said in a statement that the initiative reflects the company's dedication to cater to the preferences of its regional audiences. "The foray will enable us to associate with new advertisers as well and we look forward to building partnerships," Daryanani had added.

Meanwhile, Disney+ Hotstar too is going aggressive on the southern originals market. It has launched 20 specials in the south and five south originals—*Save The Tigers* and *Shaitan* in Telugu, *KCF* in Malayalam, and *KKK* and *Label* in Tamil. These have emerged as success stories in terms of subscription, retention and engagement.

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MINT MEDIA MARKETING INITIATIVE

Achieving financial success: Practical tips for everyday investors

People often say, 'I want to be rich.' But the real question is, 'Are you willing to do what it takes to get there?' Everybody dreams of becoming wealthy. It is the ultimate passport to financial freedom. But what exactly is wealth? Technically, wealth represents the value of all assets owned by a particular individual, community, or company. Net worth is the most common measure of wealth, determined by subtracting debts from the total market value of assets.

But wealth differs from income. It is not a continuous flow but a snapshot of assets at a particular time. Unlike income, which is variable, wealth measures the total value of assets accumulated at a given moment. While some of us have been blessed with legacy wealth, the rest must build it independently. So, how do you create wealth? Here are 8 mantras Ajay Lakhotia, Founder and CEO of StockGro recommends that investors could try!

TIP 1: KEEP ASIDE 6 TIMES OF YOUR MONTHLY SALARY

This builds a safety net, ensuring financial stability during unexpected events. Allocate these funds wisely, considering safe options like insurance or fixed deposits for accessibility and security. Essential for your financial health.

TIP 2: PLACE 20-50% OF YOUR SALARY FOR INVESTMENTS

Setting aside a portion of your salary for investments, ideally between 20% and 50%, is a prudent financial strategy. If risk isn't your thing, you can try traditional options like Fixed Deposits (FDs). They're safe but yield negative long-term returns when factoring in inflation. However, better alternatives exist.

- Consider debt funds for a conservative approach or Sovereign Gold Bonds (SGBs) for gold investment with a 2.5% annual interest.

StockGro | #BFF Be Financially Free

- Exchange-traded funds (ETFs) track indices or commodities, offering passive investment options.
- Mutual Funds and Equity Linked Savings Scheme (ELSS) funds, cater to various preferences.
- Real Estate Investment Trusts (REITs) allow participation in real estate ventures without direct ownership.
- Infrastructure Investment Trusts (InvITs) combine equity and debt, promoting infrastructure investment.
- Liquid funds offer stability with short-term, low-volatile investments.
- Private equity involves acquiring and managing companies before divesting them.
- Explore secondary market shares, but diversify to mitigate risks and optimise returns.

You can understand this better by learning more about investing on simulated market platforms like StockGro.

TIP 3: DIVERSIFY INVESTMENTS ACROSS LOW-CORRELATION ASSET CLASSES TO MINIMISE PORTFOLIO RISK

Diversification spreads investments to reduce risk, similar to not putting all your eggs in one basket. It helps balance risk and reward, potentially increasing returns without added risk. A diversified portfolio can protect you during market volatility. While not foolproof, it can mitigate losses during rough periods.

TIP 4: MAKE USE OF 80C AND 80D (DEDUCTIONS) TO SAVE ON TAXES

You can reduce your taxes as an Indian resident by deductions from Sections 80C and 80D. Section 80C lets you save on taxes by investments in options like the Public Provident Fund (PPF), Equity Linked Savings Scheme (ELSS), National Savings Certificates (NSC), and life insurance premiums. Section 80D also helps you to save on taxes for health insurance premiums, securing your wealth and health.

TIP 5: YOUNGSTERS SHOULD INVEST 70-80% OF THEIR INCOME

For young investors starting their journey, consider allocating 70-80% of your income to investments. Tailor your asset allocation to your risk appetite:

- Conservative: You prefer low-risk options like fixed deposits, gold, government bonds, or blue-chip stocks.
- Aggressive: You are comfortable with high risks for potentially high rewards, such as crypto currencies and small-cap stocks.
- Risk-averse: You seek a balanced approach, combining debt instruments with higher-risk options like stocks and mutual funds.

When young, balance aggression with risk management and asset diversification!

TIP 6: STRATEGIC FINANCIAL PLANNING FOR LIFE'S MILESTONES

Set short and long-term financial goals like education, weddings, or travel. Allocate resources based on timelines and required amounts. Prioritise saving and budgeting to meet goals effectively.

TIP 7: LIMIT DEBT TO NO MORE THAN 10% OF YOUR INCOME

Limit borrowing to avoid financial strain and long-term stability. Prioritise saving to minimise debt-related risks.

TIP 8: LIMIT LUXURY SPENDING

Spend only 5-10% on luxuries to invest towards your long-term goals.

THE BOTTOM LINE

The best way to build wealth is to avoid get-rich-quick schemes and invest regularly yet patiently. The most important part is to get started - the sooner the better! Earn money, save it and invest it smartly!

Disclaimer: Ajay Lakhotia is Founder and CEO of StockGro. The views expressed are personal

SCAN THE QR CODE TO DISCOVER EXPERT TRADING STRATEGIES

The hits and misses of Modi govt's past 5 years

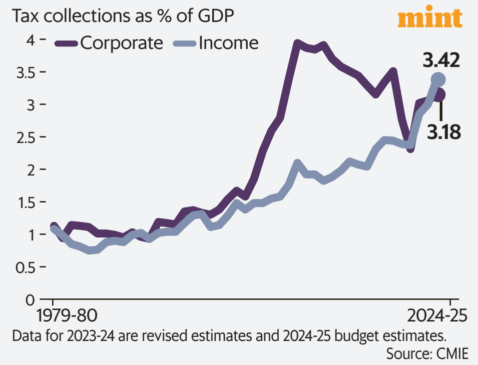
BY PRAGYA SRIVASTAVA & NANDITA VENKATESAN

ELECTION PITCH PART 8

In its one decade in power, the Narendra Modi government has had its share of glides and stumbles in its path to implementing its reforms agenda. In Part 7 of this Plain Facts series yesterday, we picked one significant reform from each year of the government's first term. Part 8 today looks at the same from the second term.

Corporate tax mop-up down; coffers being filled up more by personal tax

Tax collections as % of GDP



Data for 2023-24 are revised estimates and 2024-25 budget estimates.
Source: CMIE

1 2019: Pro-business?

AFTER RETURNING to power in 2019 with a bigger majority, the Modi government's first big move was to reduce the corporate tax rate from 30% to 22% to boost private investments and growth. As the newly appointed finance minister Nirmala Sitharaman delivered the out-of-Budget policy move, it was immediately termed as "bold", "progressive", and "proactive". But the tax cut failed to meet its goals, as private investments have not taken off and the Centre has been forced to pump in massive amounts through capital expenditure to support the economy.

At the same time, the immediate result of the tax cut is visible in collections, which is expected to be 3.2% of GDP in 2024-25, significantly less than the average mop-up a decade before the decision. As such, the government's coffers are being filled more by personal tax collections than by corporate tax, raising questions about whether it is indeed pro-corporate.

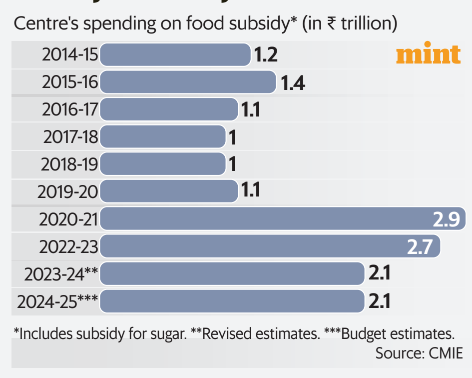
2 2020: Covid Relief

A FEW months before the pandemic, the government was looking to boost growth through tax cuts and incentives, but covid and the ensuing lockdowns left the economy in a technical recession in 2020, with millions of poor people in dire straits. This led to one of the most important social welfare schemes of the Modi government's second term – the Pradhan Mantri Garib Kalyan Anna Yojana. To be sure, this was not a new scheme but a temporary tweak made to the National Food Security Act.

While the act provided 5 kg of subsidized foodgrain per person per month, the Centre announced 5 kg more for free. As the pandemic waned, the government, instead of scrapping it, made the initial 5 kg free but rolled back the additional 5 kg. The scheme, which benefits 810 million people, has now been extended for another five years. Though it is keeping the subsidy bill elevated, it may not be a problem given its popularity and near-universal praise.

As govt extends free food scheme, subsidy bill to stay elevated

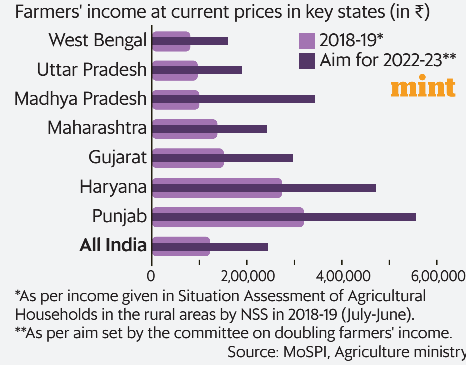
Centre's spending on food subsidy* (in ₹ trillion)



*Includes subsidy for sugar. **Revised estimates. ***Budget estimates.
Source: CMIE

By 2019, farmers' incomes had reached only halfway to the target

Farmers' income at current prices in key states (in ₹)



*As per income given in Situation Assessment of Agricultural Households in the rural areas by NSS in 2018-19 (July-June).
**As per aim set by the committee on doubling farmers' income.
Source: MoSPI, Agriculture ministry

3 2021: Farmers' Ire

ONE OF the key promises of the Modi government in its first term was that it would help farmers double their incomes by 2022. A committee set up in 2016 set specific state-wise targets for the same for 2022-23, but a national survey held between July 2018 and June 2019 showed that farmers' incomes were still only halfway to the target.

In Budget 2019, the government announced an income-support scheme for farmers, but the biggest overhaul came in 2020, with three laws intended to free the farm market from middlemen and price regulations. The reforms, though, were immediately unpopular among farmers in Punjab, Haryana and western Uttar Pradesh, and led to a year of massive protests.

Facing strong opposition, the Modi government found itself with no choice but to repeal the laws in late 2021. The rare U-turn has left key reforms in limbo, and farmers are still struggling to improve their incomes.

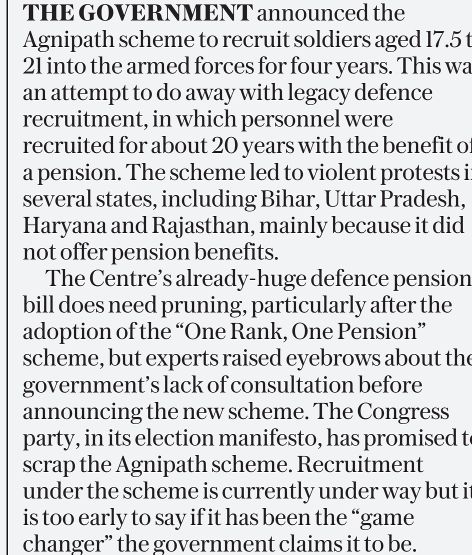
4 2022: New Way to Hire

THE GOVERNMENT announced the Agnipath scheme to recruit soldiers aged 17.5 to 21 into the armed forces for four years. This was an attempt to do away with legacy defence recruitment, in which personnel were recruited for about 20 years with the benefit of a pension. The scheme led to violent protests in several states, including Bihar, Uttar Pradesh, Haryana and Rajasthan, though it did not offer pension benefits.

The Centre's already-huge defence pension bill does need pruning, particularly after the adoption of the "One Rank, One Pension" scheme, but experts raised eyebrows about the government's lack of consultation before announcing the new scheme. The Congress party, in its election manifesto, has promised to scrap the Agnipath scheme. Recruitment under the scheme is currently under way but it is too early to say if it has been the "game changer" the government claims it to be.

Agnipath aims to cut the high pension burden of India's defence outlay

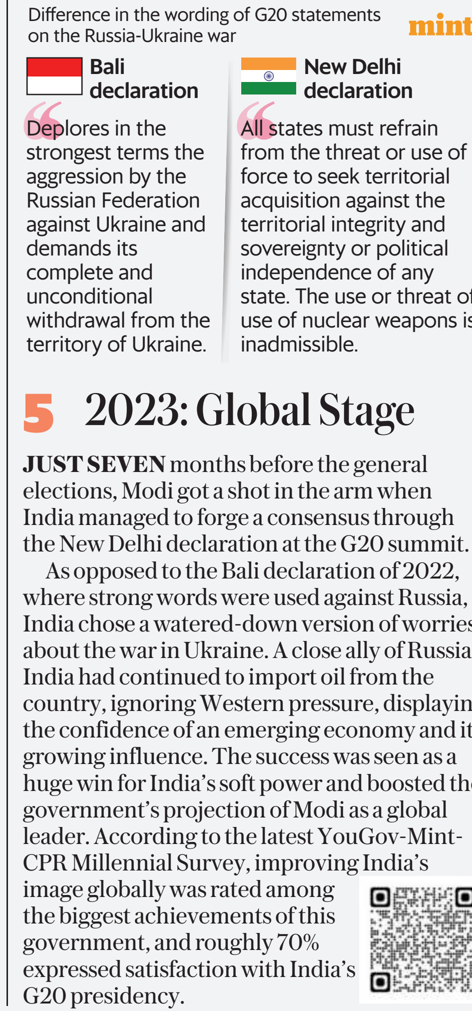
Defence pension as % total defence outlay



Data for 2023-24 are revised estimates and 2024-25 budget estimates.
Source: CMIE, budget documents

G20 summit: India shines after forging consensus on Ukraine war

Difference in the wording of G20 statements on the Russia-Ukraine war



5 2023: Global Stage

JUST SEVEN months before the general elections, Modi got a shot in the arm when India managed to forge a consensus through the New Delhi declaration at the G20 summit.

As opposed to the Bali declaration of 2022, where strong words were used against Russia, India chose a watered-down version of worries about the war in Ukraine. A close ally of Russia, India had continued to import oil from the country, ignoring Western pressure, displaying the confidence of an emerging economy and its growing influence. The success was seen as a huge win for India's soft power and boosted the government's projection of Modi as a global leader. According to the latest YouGov-Mint-CPR Millennial Survey, improving India's image globally was rated among the biggest achievements of this government, and roughly 70% expressed satisfaction with India's G20 presidency.

THIS IS THE EIGHTH AND CONCLUDING PART OF A "PLAIN FACTS" SERIES ON TOP POLL ISSUES AND THE GOVERNMENT'S 10-YEAR REPORT CARD. SCAN THE QR CODE TO READ THE ENTIRE SERIES.

Detour: Govt plans to build six coal-fired power plants

FROM PAGE 1

places into thermal power hubs. The aim is to cut the transportation cost of coal," said one of the persons mentioned earlier.

The six coalfields identified for the project are: Mand Raigarh and Korba in Chhattisgarh, IB Valley and Sardega in Odisha, and North Karnpura and Rajmahal in Jharkhand.

"Currently, the plan is to establish up to 5 GW of cumulative capacity at each of the identified locations. The land parcel and the coal would be assured, and provided by the government. The terms and modalities of the joint ventures are yet to be worked out," said the other person mentioned above.

With demand for power reaching new highs—and expected to double by 2030—the government is looking to scale up thermal capacity. Coal-fired plants still form the baseload of the country's power generation ecosystem.

The power ministry has outlined a roadmap to install an additional 80 GW of thermal capacity by 2030. Thermal power capacity currently stands at 240 GW, out of the country's total installed power generation capacity of 429.9 GW. The coal ministry's plans to encourage equity investment by its public sector undertaking and set up these power generation joint ventures after Coal India Ltd and its subsidiaries' recent entry into thermal power generation.

In January, the Cabinet Committee on Economic Affairs approved equity investments by Coal India subsidiaries South Eastern Coalfields Ltd and Mahanadi Coalfields Ltd for setting up two power plants in joint ventures with a total capital expenditure of about ₹21,547 crore.

Coal-fired plants still form the baseload of the country's power generation ecosystem. AFP

Since then, public sector coal companies have been looking at expanding their power generation portfolios in the country. On 30 January, *Mint* reported that Coal India was in talks with the governments of Uttar Pradesh and Jharkhand for setting up thermal power plants.

NLC India, another central public sector enterprise, is already present in the coal- and lignite-based power generation space.

As the country's renewable capacity is not yet adequate, the government has had to resort to thermal power to meet the immediate and massively growing need for power.

Startup investors now hunt outside the unicorn zone

FROM PAGE 1

get to convert their debt to equity at that value. In an emailed response, however, the company denied the development.

The size of the economy and the opportunity in a particular sector will determine whether a company will be able to clock billion-dollar revenues, experts said.

Niren Shah, managing director and head, India, at Norwest Venture Partners said India is a smaller market compared to China and the US and therefore, it's hard for investors to take large bets in new-age companies.

"There's a lot of competition in India, and therefore again, execution has to be absolutely impeccable. So, it's much easier to come in at, I would say, the $500 million mark. And find a company which can then get to $2 billion, as compared to coming at $3 billion or $4 billion and then seeing that company go to $15 billion. Our GDP per capita might be a barrier to sort of grow this stuff. So, I think people have become more cognizant, I think. There was a time in 2021, where a lot of people invested thinking every company will go to $20-25 billion, but that's not going to happen for all markets," Shah said.

There were 318 deals in companies valued below $1 billion this year. ISTOCKPHOTO

The founder of a consumer startup looking to raise money said bankers have advised valuing the company rationally. "Even in private rounds, the froth of 2021 is gone. You are more likely to raise money if you are not valued more than $800-900 million," the founder said on condition of anonymity, as the company is in the process of raising funds in near future. "We are likely to hit the market in the second half of this year," he added.

At many unicorns, growth slowed as investors pressed for profitability and governance, and deals slowed due to a funding winter. Hence, exponential growth and corresponding increase in valuations of large start-ups plateaued, said Bhavin Shah, partner and private equity leader at PricewaterhouseCoopers India.

"The mark-down in valuation of select start-ups also pulled back large investors to deploy significant sums of money. Overall sentiment in the private funds market seems to be giving an impression that this trend should reverse in the second half of this year," he said.

While most large companies that have managed to demonstrate stronger unit economics and either achieve profitability or inch towards it, public listing seems to be the most viable outcome to generate liquidity and give its investors an exit. And for those looking for private capital, there are growth and late-stage equity funds. "The classic private equity investing style is pushing the bar high on justification of growth and margin levers in the future," Naik added.

Wipro's new CEO Pallia to get $7 mn remuneration

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Wipro Ltd's new chief executive officer Srinivas Pallia stands to make up to $7 million in remuneration in his first year. India's fourth-largest technology services company has also agreed to pay $4.33 million to former CEO Thierry Delaporte, a first-of-its-kind cash payment made to any outgoing executive in the company's history. Delaporte's annual remuneration, when he was in office, was $10.1 million.

Wipro Ltd's new chief executive officer Srinivas Pallia.

The remuneration of Pallia, who took over on 7 April for five years, includes a basic salary between $1.75 million and $3 million, and targeted variable pay of up to $3 million, depending on how the compares fares on growth and profitability, according to an exchange filing made by Wipro on Monday.

Plus, Pallia gets $4 million worth of stocks. The stocks include $1.4 million of restricted stock units (RSUs) and $2.6 million of performance stock units (PSUs). But 25% of RSUs and PSUs worth $1 million will vest to Pallia on 2 May 2025, which brings his total remuneration to $7 million in the first year. Another 25% of stocks will vest on 2 May 2026, and the rest on 2 May 2027.

The remuneration of Pallia includes a basic salary between $1.75 mn and $3 mn and targeted variable of up to $3 mn

"Vesting of PSUs shall be subject to achievement of revenue, margin, and free cash flow targets as per company policy, and such other criteria as may be determined by the Board of Directors, from time to time," said Wipro in its filing dated 29 April. "The stock compensation is aimed at promoting a culture of ownership by providing an opportunity to share in future growth and profitability of the company, which would thereby lead to improved engagement, motivation, and retention," said Wipro in the filing.

Wipro also decided to pay $4.33 million to Delaporte, who resigned earlier this month, 14 months short of when his five-year term was to end on 5 July 2025. Wipro chair Rishad Premji asked Delaporte to resign, as the company trailed rivals amid an employee exodus.

"The payment is proposed to be made in recognition of Mr. Delaporte's contributions in driving significant transformation at Wipro during his tenure as chief executive officer and managing director, and with a view to enable a smooth transition, ensure business continuity and to ensure adherence to post engagement obligations (including, but not limited to, confidentiality, non-solicitation, non-disparagement, and other obligations)," said Wipro in the filing.

"Well, in simple words, this cash payment to an outgoing executive is separation payment," said the head of a proxy advisory firm, on the condition of anonymity. "But since the company continues to maintain that the former CEO resigned and we don't know if this payment was part of some contract, we can only say it was a payment to an outgoing executive."

Until now, Wipro, which has had eight CEOs since the turn of the century, has only allowed an accelerated vesting of stock options to outgoing CEOs. For now, the company has not clarified if Delaporte, too, will be allowed the option of accelerated vesting of stocks.

Cognizant Technology Solutions Corp. paid about $3.8 million in severance payments to its former chief Brian Humphries after the board sacked the CEO last January.

Spurt in smart TVs has OTT platforms rethinking content

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The increasing sales of smart TVs—Internet-connected sets that allow you to watch streaming content from the likes of Netflix, Prime Video, SonyLIV, among others—is seeing OTT platforms strategize on content that works for families. The Ficci-EY media and entertainment industry report 2024 points to over 90% of all television sets sold in 2023 being smart TV sets, with the number of monthly active (connected) TV sets at 35 million, compared to 25 million in 2022.

With families increasingly watching streaming content together on such TV sets, OTT platforms are beginning to deepen focus on more wholesome, inclusive stories that can be watched by all demographics, versus the bold, edgy content that the medium was known for in its initial days. At the same time, several players point out that the medium is meant to cater to different tastes and cannot do away with genres like crime or thrillers given that they still manage significant draw especially among those accustomed to mobile viewing.

"We believe a large part of the country is a single television household which has made the transition from satellite TV to streaming. This section of cord-cutters is going to grow and we're definitely operating with a lens where the content we make can be watched by families as whole," Saugata Mukherjee, head of content, SonyLIV said.

The platform is already looking at a TV+ model where shows featuring 50 or 100 episodes are released in a staggered manner, lasting four to five months, encouraging a regular viewing pattern like television. Even earlier, shows like *Gullak, Scam 1992* and *Rocket Boys* have been inclusive in their approach, Mukherjee said, and an untitled project by Bollywood filmmaker Sooraj Barjatya, which is in the works, will add to the trend of family viewing. "Many viewers still want to watch dark themes, but that pie will diminish," he pointed out.

This focus on family-oriented content signal a need for recalibration of priorities within the OTT content ecosystem. MINT

Keerat Grewal, head, business development (streaming, TV and brands) at media consulting firm Ormax Media said the company's annual OTT sizing data reveals a slowdown in growth rates for 2023 across metros and mini metros, at 8% and 4% respectively, indicating saturation in top cities.

"Future subscription growth hinges on tier-II and tier-III markets. Concurrently, connected TV usage is rising, with notably higher time spent. Tailoring content for family viewing in these markets can drive sampling and adoption, given the prevalence of single TV households in India and the increasing rate of penetration of connected TVs," Grewal said.

While this focus on family-oriented content does not necessarily diminish the importance of edgy or bold narratives, it does signal a need for recalibration of priorities within the OTT content ecosystem due to the need for market expansion and also evolving consumption patterns within the existing category audiences, Grewal added.

To be sure, several streaming platform heads agree more audiences are looking for stories that can be watched as an entire family together, making for an event, albeit at home.

Saurabh Srivastava, chief operating officer, digital business at Shemaroo Entertainment Ltd pointed out that the Internet and smartphones were largely male-driven phenomena until a few years ago, thus influencing perspectives. Now, with more women subscribing to platforms and making content choices on their own, the content tone will shift. Surely, there will be an increasing consumer need for separating mature content on the connected TV interface and the definition of co-viewing will vary: with kids, parents, or partners.

"If any platform wants to get to homes and TV sets, we need to make content that speaks to all age groups and genders. So, the treatment must be mild where you don't show violence, crime, or unnecessary skin," said Sandeep Bansal, managing director, Chaupal OTT, which offers Punjabi, Haryanvi, and Bhojpuri content.

'Market is watching monsoon'

Nestlé India CMD says hot summer is threatening out-of-home consumption during the ongoing elections

Suneera Tandon
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MUMBAI

Makers of packaged consumer goods will benefit from a good monsoon this year and the formation of a stable government that will reinject money into the market, driving up private consumption, Suresh Narayanan, chairman and managing director, Nestlé India Ltd, said on Monday.

Commenting specifically on forecasts around a pickup in consumption during the ongoing elections, Narayanan said a hot summer is threatening out-of-home consumption.

"It's still a market that has been impacted by inflation. To that extent, there is some tendency to postpone discretionary purchases. We have had the elections but, unfortunately, it's also such a hot time that I don't know how many people will go out and eat at this time... We were expecting to get greater consumption, but it may turn out to be just another month (due to the heatwave). The market will be watching for a good monsoon and when the new government gets formed and if there is some reinjection of money into the market," he said at a press conference on Monday, after the company's quarterly earnings announced last week.

Suresh Narayanan, chairman and managing director, Nestlé India. MINT

"In the last quarter, the growth has been infrastructure-led and private consumption has grown at just 3-4%. When that kickstarts is when you can expect companies also to be beneficiaries of it," he added.

In January-March, Nestlé India reported underlying volume growth of 5% with a 9% jump in domestic sales. Last week, India's largest consumer goods maker Hindustan Unilever Ltd reported a 2% rise in volume growth for the March quarter.

Stressing on the company's need to chase penetration-led volume growth, Narayanan said it wants to get back to strong volumes "as quickly as possible."

"My objective is to ensure that, whatever be the market circumstance, I should be in the top quartile of performance. There was a time we had 8-9% volume growth, so we have to ramp up," he added.

Last week, the maker of KitKat chocolates and Maggi noodles also warned that prices of coffee and cocoa are seeing "unprecedented headwinds."

"Some commodities are secure and stable—oils are stable; milk I hope is stable. There's some report that because of extreme heat conditions, there could be a shortage of milk. Wheat is expected to be a good crop and, also, the government is doing good procurement of it, so that should be stable.

UNDER PRESSURE

NESTLÉ India saw underlying volume growth of 5% with a 9% jump in domestic sales in Jan-March

HUL, India's largest consumer goods maker, last week reported a 2% rise in volume growth

"There is runaway inflation in cocoa and coffee. We have cost avoidance programmes... One is trying to optimize those in coffee and chocolates to be able to get better yields and avoid a price increase," he added.

Last week, the company also announced the formation of a joint venture with Dr Reddy's Laboratories Ltd to sell nutraceutical products in India. Narayanan expects the business to double or triple over the next four-five years.

"It's a relatively small space for us today, with about ₹45-50 crore in terms of the outer limit of business. We are looking to at least double or triple that business in four to five years," he said.

On Monday, Nestlé also addressed concerns about added sugar in its Cerelac baby food. The company clarified that the product complies with local food laws and that the amount of added sugar is below the limit set by India's food regulator.

Boeing looks to sell $8 billion in bonds

Bloomberg
feedback@livemint.com

Boeing Co. is looking to issue around $8 billion of debt in as many as six parts, its first bond sale since the planemaker reported a quarterly loss and $3.9 billion of cash burn, and Moody's Ratings cut the company's credit rating to a step above junk.

The company is looking to sell debt in maturities ranging from three to 40 years, according to a person with knowledge of the matter, who is not authorized to speak publicly. The 40-year portion may yield around 2.65 percentage points more than Treasuries, said the person, who asked not to be identified as they are not authorized to speak about it.

The company is looking to sell its debt in maturities ranging from three to 40 years

The deal could be around $8 billion, according to a separate person, however, the final size won't be set until later on Monday.

Boeing chief financial officer Brian West said last week during a conference call that he intends to protect the company's investment-grade rating, and that the company still has access to $10 billion in untapped credit lines. He added that Boeing is monitoring its access to cash and believes it still has "significant market access" if it needs to supplement liquidity.

Citigroup Inc., Bank of America Corp., JPMorgan Chase & Co. and Wells Fargo & Co. are managing the bond deal, said the person.

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IPRO/DI/2024-25/38 Director Instruction

Investcorp buys NSE digital services biz for ₹1,000 cr

Sowmya Ramasubramanian
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BENGALURU

Bahrain-based investment firm Investcorp has acquired the National Stock Exchange's (NSE) digital services business for ₹1,000 crore, its largest private equity deal in India, signalling its ambition to double down on the country's information technology (IT) and cybersecurity space.

The deal excludes the digital examinations business housed under NSE.

NSEIT Ltd has grown significantly in the US market over the last four years, catering to a diverse range of clientele, including capital market players, investment banks and large conglomerates. It also operates in West Asian markets.

Gaurav Sharma, head of Investcorp's India investment business, said nearly 70% of the firm's investment pipeline in the country is focused on the software business services and healthcare sectors.

"Software business services is an active vertical for us right now. We would be happy to look closely at new deals in the space over the next six-nine months," Sharma added.

Investcorp's other notable investments include logistics firm XpressBees and online meat delivery platform FreshToHome.

Avendus Capital advised NSEIT on its acquisition by Investcorp.

The NSEIT buyout offers a platform play in financial services in developed markets for Investcorp, especially in the US, said Varun Laul, a partner at Investcorp.

"Given how rapidly the world is becoming digital, companies have realized that cybersecurity needs can be managed with a mix of in-house and outsourced capabilities. Since financial services is among the most regulated sectors in the world, a platform like NSEIT has gained importance," Laul said, explaining why NSEIT caught Investcorp's eye.

Investcorp has invested in several IT services firms globally, including in the Netherland-based Netrom Software and the UK's Ubisense.

Over the past 2-3 years in India, Investcorp has looked at dozens of deals in the space with a focus on specialization in financial markets, cybersecurity and digital transformation, according to Sharma.

"When it comes to backing a mid-market IT services firm, the biggest question is how to compete with the large global players. This is where differentiation and quality of service comes in," Sharma said.

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शुध्दीपत्रक - १

सदर निविदेमधील खालील कामाचा स्विकृती दिनांक - ०३/०५/२०२४ दु. ३.०० वाजेपर्यंत वाढविणेत येत आहे.
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"Inclusive Horizons: Integrating Gender Equality across SDGs"

#Act4GenderImpact

New Delhi, 26 April 2024: UN Global Compact Network India (UN GCNI) – the local arm of United Nations Global Compact, New York, organised the 7th edition of its Gender Equality Summit at the India International Centre in New Delhi.

The 7th Gender Equality Summit, organised by the UN Global Compact Network India (UN GCNI) at the India International Centre (IIC) in New Delhi, highlighted the importance of integrating gender equality across Sustainable Development Goals (SDGs). Themed 'Inclusive Horizons: Integrating Gender Equality across SDGs', the summit aimed to align efforts in achieving gender equality with broader development objectives. It provided a crucial platform for stakeholders to collaborate in addressing gender disparities, with a particular emphasis on engaging the current generation and India Inc. as agents of change. With 350 individuals and over 45 leaders from various sectors participating, the summit fostered dialogue and exchange among diverse backgrounds, aiming to make tangible progress towards SDG 5 and its associated goals. This event aligned with the UN Global Compact's Forward Faster initiative, showcasing a dedication to accelerating advancements in gender equality.

Ratnesh, *Executive Director, Global Compact Network India* said, "India has made significant strides in progressing towards Sustainable Development Goal 5 (SDG 5), which aims to achieve gender equality and empower all women and girls. While challenges remain, there has been notable progress in various areas. Despite the advancements, challenges persist, and addressing these issues requires continued commitment from both the government and the private sector."

Anuradha Shankar, *IPS, Additional Director General of Police (Training), Madhya Pradesh Police* shared "Gender inclusion isn't an option, it's a necessity for progress. Let's prioritise mainstreaming gender issues in every aspect of our policies and practices."

Susan Jane Ferguson, *Country Representative UN Women* highlighted "There is a need for expanding educational opportunities for women and girls. With progressive realisation of economic and social rights for all women and girls, gender-equitable inclusive growth will take place."

Isabelle Tschan, *Deputy Resident Representative, UNDP* shared "Gender inclusion isn't just a checkbox; it's a fundamental principle of justice. Let's accelerate our efforts to mainstream gender issues and build a society where everyone is valued equally."

Vaishali Nigam Sinha, Vice President-Northern Region, UN GCNI, and Co-Founder & Chairperson (Sustainability), ReNew

In her welcome address, ***Vaishali Nigam Sinha,*** *Vice President-Northern Region, UN GCNI, and Co-Founder & Chairperson (Sustainability), ReNew,* ignited the audience with a thought-provoking insight: "As we stride halfway towards our Sustainable Development Goals, it's a stark reminder that while we've made progress in various arenas, the glaring truth of SDG 5 – Gender Equality – being woefully off-track demands not just reflection, but urgent, concerted action from all of us."

Dr. Sandhya Purecha, *Chairperson, Sangeet Natak Akademi said,* "Attaining gender balanced representation at every level and guaranteeing fair compensation across all sectors is crucial to narrow the existing gender gap."

Key Highlights

- High-level panels on the Enablement across the female multi-generational workforce, female entrepreneurs for social engineering and on breaking gender stereotypes across sectors
- Unveiling of the "Forward Faster Gender Equality Compendium"
- Spotlight conversations on "Women at the Helm: Driving Corporate Success", "Breaking Barriers: Technology, Innovation, and Inclusion for a Gender Equal Future" and "Equality in Action: Charting Gender-Responsive Strategies on Climate Change"

The Eminent Speakers

Vaishali Nigam Sinha, Vice President-Northern Region, UN GCNI and Co-Founder & Chairperson (Sustainability), ReNew. Anuradha Shankar, IPS, Additional Director General of Police (Training), Madhya Pradesh Police. Susan Jane Ferguson, Country Representative, UN Women ; Om Prakash Singh, Director-Technology and Field Services, ONGC. Parul Soni, Founder and Global Managing Partner, Thinkthrough Consulting. Veena Sinha, CEO, REMC Limited, Isabelle Tschan, Deputy Resident Representative, UNDP. Dr. Sandhya Purecha, Chairperson, Sangeet Natak Akademi; Shelley Zalis, Founder & Chief Executive Officer, The Female Quotient. Dr. Shikha Nehru Sharma, Founder, Nutriwel Health (India) Pvt. Ltd. ; Supriya Paul, Co- Founder & Chief Executive Officer, Josh Talks. Varsha Anand, Head of Employee Communications, WIPRO. Navdeep Singh Mehram, Vice President - CSR & Sustainability, DIAGEO India. Rachana Panda, Vice President & Country Group Head, Communication, Public Affairs, Sustainability & CSR- South Asia, BAYER. Ruchi Khemka, Head-Corporate Social Responsibility, Deutsche Bank. Sangeeta Robinson, Chief Sustainability Officer, PVR INOX Limited. Shivani Maudgal Datta, Vice President ESG & Compliance, Bharti Airtel Limited. Chaitanya Kanuri, Associate Director- Sustainable Cities and Transport Team, WRI India. Deepak Arora, President - Public Affairs, Nayara Energy Limited. Juhi Gupta, Sustainability Director- South Asia Markets, Tetra Pak India Pvt. Ltd. Vinod Pandey, Secretary at UN GCNI and Director of Government & External Affairs, CSR at BMW.

Sanda Ojiambo, Assistant Secretary-General and CEO, UN Global Compact, addressing the 7th GES

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Soaring treasury yields challenge stock-market gains

Jack Pitcher
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This month's rise in long-term interest rates is raising investors' anxiety about what is next for the stock market.

Treasury yields touched new 2024 highs this past week after fresh data showed lingering inflation. Wall Street traders entered the year expecting the Federal Reserve to cut rates a half-dozen times. Now they are pricing in just one. The yield on the benchmark 10-year note, which rises as bond prices fall, has climbed nearly a percentage point from its February lows, settling Friday at 4.668%.

Many worry rebounding yields will hamper further gains, especially when stocks are relatively expensive compared with corporate earnings. Rising yields sparked steep stock declines in 2022, cutting into the added return investors receive in exchange for the extra risk of holding stocks instead of bonds, while eroding the present value Wall Street places on companies' future profits.

Casting the tensions in stark relief, stocks dropped and yields surged Thursday after weaker-than-expected data on U.S. growth also showed stronger-than-expected inflation. But shares rebounded Friday, boosted by strong earnings from companies including Google parent Alphabet and an as-anticipated reading of the Fed's preferred inflation gauge.

"Markets were overzealous to say the least about the Fed cutting in March and cutting six times this year," said Rick Rieder, chief investment officer of global fixed income at $10.5 trillion asset manager BlackRock. "Now there's been a complete reworking of that thought process, and when you go through that you get markets that are very jumpy looking for the next piece of information."

Traders will get a new look at the prospects for rates from Fed Chairman Jerome Powell at the conclusion of the central bank's meeting Wednesday. Then attention will turn to Friday's jobs report for clues about the health of the economy. The Treasury Department is also set to release its latest quarterly borrowing plan this week, offering investors a breakdown of how the government will borrow to plug its budget deficit.

Rising yields had sparked steep stock declines in 2022. AP

Many this year had largely shrugged off rising yields, thanks to a strong economy boosting companies' earnings, said Steve Sosnick, chief strategist at Interactive Brokers. That is one reason the S&P 500 closed Friday about 2.9% below its March 28 record high. It remains up 6.9% for the year.

But the climb has stretched valuations. Companies in the S&P 500 traded Friday at about 24 times their past 12 months of earnings, well above the 10-year average of roughly 20 times. And the combination of slowing growth and higher-than-expected inflation in Thursday's report suggested the outlook might be gloomier than many had hoped.

THE WALL STREET JOURNAL.

"Equities have been able to withstand stronger yields because it was predicated on a stronger economy," said Sosnick. "This looks more worrisome. If inflation spooks the bond market further, that will be problematic."

Other challenges for bonds lie ahead too. The U.S. government is selling new debt at a record clip, raising worries that markets will struggle to absorb the incoming rush. A selloff sparked by a hot reading of the consumer-price index intensified this month after lackluster demand for a $39 billion sale of 10-year Treasurys. Higher yields on short-dated debt have also made longer-dated bonds less attractive, making them more volatile. The combination of factors makes the outlook less rosy than bullish investors had hoped for at the start of the year, but it remains far from a disaster, said David Kelly, chief global strategist at J.P. Morgan Asset Management.

"I still believe the economy is gradually slowing and inflation pressures are gradually slowing," Kelly said. "There was a lot of exuberance in the market and to that extent, there's nothing wrong with some steam coming out."

On Friday, exuberant investors were once again piling into big tech, the bedrock of recent market gains. The S&P 500's communications-services sector soared 4.7%, and Alphabet and Microsoft posted outsize climbs after reporting growing profits.

If rates remain high, then the more speculative parts of the market and shares of some tech companies with very high valuations give Kelly pause.

"Over time, high rates will undermine some of the most spurious bets made in financial markets," he said. "Cryptocurrencies, gold, or some of the growth stocks that would benefit from low rates in the long run. I think they are all vulnerable."

Many on Wall Street still expect yields to retreat by December, as inflation moderates again. Goldman Sachs economists have pushed back their rate-cut expectations but still expect two this year.

BlackRock's Rieder believes yields are likely to fall by year-end, either because the Fed has cut benchmark rates or signaled that it will. But in the short term, he expects continued volatility and potential spikes in yields.

"My sense is by the end of the year these rates will come down, but in the near term, people are cautious. There's a tremendous amount of uncertainty," Rieder said.

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Tesla clears hurdles for self-driving tech in China

EV maker will partner with Baidu for mapping, navigation functions to support FSD software

Bloomberg & Reuters
feedback@livemint.com

Tesla has also passed a key data-security and privacy requirement to ease some concerns over bringing FSD to China. BLOOMBERG

Elon Musk's quick visit to China paid immediate dividends, with Tesla Inc. clearing two key hurdles to introduce its driver-assistance system to the world's biggest auto market.

The US carmaker will partner with Chinese tech giant Baidu Inc. for mapping and navigation functions to support what it calls Full-Self Driving, or FSD, according to people familiar with the matter. Tesla has also passed a key data-security and privacy requirement, which would help ease some of the concerns over bringing FSD to market in China.

Tesla shares rose as much as 6.6% in premarket US trading, while Baidu jumped 2.4% in Hong Kong.

The developments came after Tesla chief executive officer Elon Musk made an unannounced trip to China on Sunday, seeking approval for driver-assistance software that could help arrest the carmaker's revenue decline.

While the company's suite of features require constant supervision and don't make Teslas autonomous, the company charges $8,000 for them in the US, or $99 a month for a subscription.

The *Wall Street Journal* reported Monday that Chinese officials told Tesla that Beijing has tentatively approved the company's plan to launch FSD in the country, citing people familiar with the matter.

Musk met Sunday with Premier Li Qiang, who as the Chinese Communist Party secretary for Shanghai helped the company set up what is now its top plant globally. His private jet left Beijing on Monday, according to FlightRadar24.

While Tesla initially enjoyed a red-carpet welcome in China, its fortunes have faded recently as it faces tougher competition from domestic EV makers led by BYD Co. Tesla's share of China's auto market shrank to around 6.7% in the fourth quarter of 2023, from 10.5% in the first quarter of last year, according to *Bloomberg* calculations based on China's Passenger Car Association data.

Advanced driver-assistance systems are becoming increasingly common in China, with many local players including Xpeng Inc. and Xiaomi Corp. using them as a selling point for vehicles.

Carmakers also have had success in charging extra for driver-assist features, which Tesla could use after having cut prices to levels that may have wiped out the operating profit it's earning from the market.

The developments follow an unannounced trip to China by Tesla CEO Elon Musk on Sunday

Approval for FSD in China would be a major boost for Tesla, which is coming off its first year-over-year decline in quarterly revenue since 2020. Even after slashing prices, the company sold fewer cars in the first quarter.

Musk is cutting headcount by at least 10% and looking to accelerate new models, including less-expensive vehicles, that could be ready by early 2025, if not before year-end.

Tesla has sold more than 1.7 million cars in China since it entered the market a decade ago and its Shanghai factory is its largest globally.

A rollout of unlimited FSD could turn the Chinese market into a battlefield for cheaper driver assistance features, intensifying a price war that Tesla triggered early last year which has pulled in more than 40 brands in the country.

Approval of Tesla's FSD would also fit with Chinese authorities' aim to spur competition and innovation to preserve the country's leading edge in such technologies. Several Chinese automakers and suppliers such as XPeng and Huawei are rolling out similar software to Tesla.

Musk's surprise China visit is "a watershed moment," Wedbush Securities senior analyst Dan Ives said in an interview with *Bloomberg Television*. "This could open up FSD in China, which I view as unlocking what really could be the golden opportunity for them."

Teaming with Baidu—one of about only 20 qualified suppliers with the country's top-level mapping credentials that can be applied in driver-assistance functions—will allow Tesla to tap the Chinese company's lane-level navigation and mapping services. Tesla has been using Baidu for in-car mapping and navigation since 2020.

While getting the green light for FSD in China might help Tesla claw back some lost ground, its driver-assistance systems have proved problematic in the US. The top US auto-safety regulator just opened a probe into the company's less-capable Autopilot system, citing 20 crashes that have occurred since December involving vehicles that received an over-the-air software update to prevent misuse.

During an earnings call last week, Musk emphasized the importance of autonomous-driving development, saying that people who doubt Tesla's ability to "solve" autonomy shouldn't invest in the company.

In 2023, Musk said the price of FSD, then at $15,000, was very low, saying the value of the car would increase dramatically if it became autonomous.

Earlier this month, Tesla slashed the price of FSD to $8,000 from $12,000 in the US.

How TikTok lost the war in Washington

Georgia Wells & Kristina Peterson
feedback@livemint.com

TikTok spent the past four years trying to fend off a U.S. ban, but it never figured out Washington.

The law signed by President Biden on Wednesday requiring a sale or ban of the popular app was in part the product of tectonic shifts in U.S.-China relations and coordinated, stealthy efforts by its critics on Capitol Hill.

Those factors were compounded by a series of miscalculations that, in the end, left the Chinese-backed company scrambling for support among its users in ways that were ineffective or even backfired.

TikTok now faces a battle for survival in the U.S. courts. Its other alternative is to find a deal that could extract some value out of its U.S. operation—but faces opposition from Beijing and uncertain interest from U.S. buyers. Failure on those fronts likely would mean the end of a U.S. business that forms the core of TikTok's global operations, a grievous wound for the most internationally successful internet app to have come out of China.

This account is based on interviews with current and former employees of TikTok as well as lawmakers, and others involved in the battle over the app.

Missed opportunities

They say TikTok Chief Executive Shou Zi Chew missed opportunities early in his tenure to try to build support on Capitol Hill—and instead depended on negotiations with U.S. security officials over a complex restructuring that never panned out.

In recent months, TikTok was outflanked by opponents and repeatedly surprised by the surging momentum against it in Washington, leading to last-ditch steps to rally support that reinforced many lawmakers' concerns about the Chinese app's ability to influence public opinion.

"I don't think they ever understood how concerned we were with the national security implications of so much American data being put at risk," House Majority Leader Steve Scalise (R., La.) said of TikTok.

It is unknowable whether different strategies could have changed TikTok's fate, given Washington's deepening, bipartisan distrust of China, especially on tech matters.

"The government was not negotiating in good faith, and they intentionally misled Congress about the facts," said Michael Beckerman, TikTok's vice president of government relations. "There is not a CEO in the world that could have done a better job than Shou."

THE WALL STREET JOURNAL.

During its 2020 battle against a ban effort by President Donald Trump, TikTok had been led by a U.S. executive and an Australian. In mid-2021, parent company ByteDance tapped Chew, in part because of his extensive bicultural experience. Born and raised in Singapore, the 41-year-old is fluent in Mandarin, attended Harvard Business School and worked for Goldman Sachs.

Need to build trust

He lacked, however, extensive experience with U.S. politics. People close to Chew urged him to get to know Washington's power players. While Chew spoke about the need for TikTok to build trust, he didn't give priority to such meetings, instead focusing on revenue, product features and a potential IPO.

Chew left government relations to his general counsel, Erich Andersen, a longtime Microsoft executive who had served as head of the U.S. tech giant's intellectual property group.

Andersen spent much of 2022 negotiating with the Committee on Foreign Investment in the U.S., a federal panel known as Cfius, over TikTok's proposal to wall off U.S. user data. Called Project Texas, the proposal was designed to assuage concerns that Beijing could pressure TikTok to provide data or influence Americans' views—demands TikTok has said it would never comply with.

Chew was getting conflicting advice. Some TikTok executives argued that he shouldn't meet with lawmakers because the Cfius talks were confidential. Others said TikTok's problems were fundamentally political and he could engage without detailing the negotiations.

In early 2022, Chew told employees in multiple calls that a deal with the U.S. government was nearly done. But within a couple months, it was clear that something was off. By August, Cfius wasn't returning TikTok's calls.

Visits to lawmakers' offices

That December, TikTok learned House lawmakers wanted Chew to testify. Twenty months into his tenure, he made his first big Washington tour, spending much of January through March visiting the offices of more than two-thirds of the approximately 50 members of the House Energy and Commerce Committee.

The law signed by President Biden requiring a sale or ban of TikTok was in part the product of tectonic shifts in U.S.-China relations. AFP

A TikTok spokeswoman said Chew had previously met with some lawmakers, and attended a congressional sporting event, in 2022.

Chew faced a barrage of harsh questioning over more than five hours in the March hearing. Chew's team felt much of the grilling was unfair, with lawmakers suggesting incorrectly that he is a Chinese citizen and his boss is China's Communist Party leader.

But executives felt they had gained ground with users. One measure: Chew's TikTok account soared from fewer than 15,000 followers before the hearing to more than three million soon after.

TikTok was getting help from Club for Growth, a powerful conservative group backed by financier Jeff Yass, whose Susquehanna International Group is a major shareholder of TikTok's parent company. And President Biden joined TikTok on Super Bowl Sunday to reach younger voters.

The situation lulled some inside TikTok into thinking it was safe. But the ground was already shifting against it.

Drafting bipartisan legislation

After Chew's testimony, Scalise began discussions with lawmakers, tasking a new select committee on China with drafting bipartisan legislation.

That small team worked during the fall of 2023, fueled by a steady stream of pizzas, and the bones of the agreement were in place by late 2023. The team quietly worked with the Justice Department to make sure the bill was drafted with the best shot of staving off a legal challenge.

Keeping the drafting under wraps helped delay the deluge of TikTok lobbying, which previously had some success deterring legislative efforts.

Sentiment against China in Congress was continuing to sour, and criticism of TikTok gained new momentum because of anger over TikTok videos about the Israel-Hamas conflict, which many critics claimed were disproportionately anti-Israel. TikTok says it doesn't promote either side of an issue.

Concerns about social media

TikTok also was among the companies in the crosshairs over broad concerns about social media.

"TikTok is facing resistance from all the critics of big tech, all the criticism of social media, they're facing all the criticism of Chinese apps, of China-based tech companies," said Daniel Castro, vice president at the Information Technology and Innovation Foundation, a Washington-based research group funded by U.S. tech giants and other companies.

When plans for a vote on the proposed House bill emerged in early March, TikTok executives were blindsided.

In response, the app served users a notification urging them to call lawmakers to protest a possible ban. The stunt backfired, showing TikTok's powerful ability to mobilize users for a political goal, lawmakers and congressional aides said.

Meanwhile, Kellyanne Conway, a former senior White House official, made calls on behalf of the Yass-backed Club for Growth, urging lawmakers to reject the legislation as a violation of free speech and an unfair boost to Facebook, according to people familiar with the discussions.

Pressure on Republican lawmakers

Republican lawmakers also received calls from Doug Stafford, one of the people said. Stafford is an adviser to Sen. Rand Paul (R., Ky.), who according to federal records has received more than $24 million in political donations from Yass and Yass's wife since 2015.

The people familiar with the calls said they understood the message from Conway and Stafford to be that politicians wouldn't get funding from Yass-backed groups in the future if they voted for the bill.

A spokesman for Yass, a longtime supporter of libertarian causes, said opposing a TikTok ban was "libertarianism 101." In a statement, Club for Growth President David McIntosh said Yass has never directed the organization to take a position on any issue, and that how lawmakers voted on the TikTok bill wouldn't affect whether Club for Growth supports them.

The pressure stoked some anxiety among lawmakers but also some resentment. One lawmaker, in response, helped assemble a 278-page packet to other Congress members that made the case for the bill. It laid out arguments about national security concerns with TikTok.

TikTok's other alternative is to find a deal that could extract some value out of its U.S. operation

The House Energy and Commerce Committee approved the bill unanimously, and it sailed through the House in a 352-65 vote. Scalise said he hosted a celebration just off the House floor right after the vote. Some House staffers played "TiK ToK," the 2009 hit song by Kesha.

Trying to leverage support

The company stuck with its strategy of trying to leverage support among U.S. users and creators—though that again demonstrated the ability to influence opinion that critics had feared.

The company decided to post a video to its main account that featured Chew encouraging users to lobby their senators. The video went viral almost instantly, indicating that the company had used a tactic called "heating" to promote the video widely on the platform, according to people familiar with the process. The video ultimately received more than 37 million views.

The spokeswoman said TikTok didn't heat the video.

The TikTok bill looked like it had stalled after arriving in the Senate. Executives again took solace, assessing that it might drag out until after the presidential election.

Once again, TikTok's assessment proved too optimistic.

Behind the scenes, the bill's supporters in the House were searching for a must-pass bill to attach it to. They found it in a Senate-backed $95 billion package of foreign aid to Ukraine and Israel. The package passed the House last weekend, followed by the Senate late Tuesday.

Ultimately, the bill passed through Congress—which hasn't been able to agree on other tech legislation—because TikTok couldn't dissuade lawmakers that its ownership is a threat to the U.S.

"The divestiture bill is a national security bill," said Sen. Brian Schatz (D., Hawaii), a member of the Commerce Committee. "Whatever we think about social-media companies—that's for another day."

Chew once again sought support from users in a defiant message on TikTok. "It's obviously a disappointing moment, but it does not need to be a defining one," he said. "Rest assured, we aren't going anywhere."

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NEWS IN NUMBERS

392
THE NUMBER of *crorepatis* among the 1,352 candidates contesting in the third phase of Lok Sabha elections, as per the Association for Democratic Reforms

131 bn
THE NUMBER of Unified Payments Interface transactions recorded in India in FY24, amounting to ₹200 trillion, according to finance minister Sitharaman

50.6 mt
THERMAL COAL imports into India between December and February, up 38% from 36.6 million tonnes in the year-ago period, amid a drop in global prices

$32.71 bn
INDIA'S GEMS and jewellery exports in FY24, down 13.8% from $37.96 billion in FY23, and the lowest in three years due to a drop in global demand

₹1,000 cr
THE AMOUNT Bahrain-based Investcorp paid to buy the National Stock Exchange's digital services business, its largest private equity deal in India

HOWINDIALIVES.COM

StanChart exec may join Jio Fin as CEO

Billionaire Mukesh Ambani's new financial services firm plans to tap Standard Chartered Plc's India country manager as its chief executive officer of one of its units, according to people familiar with the matter, as it seeks to entrench itself in a nation where demand for credit is growing rapidly.

Kusal Roy will join Jio Finance Ltd, the non-banking finance arm of Jio Financial Services Ltd, in the coming weeks, the people said, asking not to be identified as the details are private, after he leaves the UK lender. Once Roy joins the firm, Jio Finance will apply for regulatory permission to appoint him as CEO, they added.

Jio Financial has been seeking talent as it expands various services. Among senior appointments, K.V. Kamath was tapped to be non-executive chairman for Jio Financial before it spun off from Ambani's flagship company Reliance Industries Ltd. **BLOOMBERG**

Vedanta is examining the sale of minority stake in KCM as it explores ways to pay off lenders. REUTERS

Vedanta looking to fund Zambia mine

Vedanta Resources Ltd has approached trading houses as it seeks to raise capital to revive the Konkola copper mining (KCM) and smelting complex in Zambia.

Billionaire Anil Agarwal's Vedanta has discussed tolling and prepayment facilities with commodity traders, including Mercuria Energy Group, for output from Konkola Copper Mines Plc, according to people familiar with the matter.

It's also examining the sale of a minority stake in KCM as it explores ways to pay off creditors and invest in the mines that entered provisional liquidation in 2019, the people said, asking not to be identified because the talks are private.

Vedanta resolved its legal dispute with Zambia over the copper assets in September, with the company agreeing to pay $250 million to settle some of KCM's obligations to suppliers and to commit an additional $1 billion over five years to an underground expansion. The operation will be returned to Vedanta if KCM's creditors approve the debt-repayment deal next month. **BLOOMBERG**

GATHERING CLOUDS

The level of the river Jhelum in Srinagar rose after rains lashed many parts of Jammu and Kashmir for a second consecutive day on Monday, though it remained below the danger mark. While the region is forecast to see wet weather till Tuesday evening, the India Meteorological Department has issued alerts for heatwave conditions in parts of east and south India till Saturday. PTI

Disaster-proof infra group to unveil telecom study at CoP 29

These studies are expected to be completed in the next three months

Puja Das & Shashank Mattoo
NEW DELHI

The India-led Coalition for Disaster Resilient Infrastructure (CDRI) will unveil its new study on building disaster resilient telecommunications infrastructure and a new set of funding recipients for small island countries (SIDs) at the next CoP climate conference.

In an interview with *Mint*, CDRI director general Amit Prothi said that the organization will take its work on telecom infrastructure global and will start projects in foreign nations this year.

"We're doing studies across several Indian states to understand where the risks are in the telecommunications space. So, is your equipment lying in a flood prone area? Is your tower designed for the new wind speeds that we might be experiencing? These are just basic things but there's a whole systemic approach to understand where risks might be in your infrastructure system," Prothi told *Mint*.

"Resilient infrastructure is about making sure that the infrastructure continues to provide services when there are events like flood, earthquake or cyclone. We're doing studies across several Indian states to understand the challenges and bottlenecks in the telecommunications space," Prothi said.

> The coalition's new study is on building disaster-resilient telecom infrastructure and new set of funding recipients for small island countries

These studies are expected to be completed in the next three months, with plans to unveil them at the next Conference of the Parties of the UNFCCC or 29th United Nations Climate Change Conference (CoP29) in Baku, Azerbaijan later this year.

CDRI also plans to launch the second call of the Infrastructure for Resilient Island States (IRIS) next month in Antigua Barbuda to continue assisting SIDs and incorporate it in its COP29 agenda.

IRIS, essentially a multi-year grant funding mechanism, promotes resilient, sustainable, and inclusive infrastructure development in small island countries. The IRIS 'Call for Proposals' has been designed to channel support in SIDS through projects based on key themes that emerged from extensive consultations and inputs from SIDS stakeholders.

The key themes are risk informed policy and planning, implementation readiness, access to finance, and inclusion mainstreaming. CDRI launched the first call last year.

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OpenAI strikes deal to use *FT* content

OpenAI will begin using attributed content from the *Financial Times (FT)*, incorporating summaries, quotes and links from the newspaper into ChatGPT responses. The companies did not disclose financial terms.

It's the latest media licensing deal from OpenAI, which has come under fire for using news articles and other material from publishers to train its flagship artificial intelligence product. The deal with the *Financial Times*, which is owned by Japanese media company Nikkei Inc., marks OpenAI's first with a major UK news publisher.

In a statement on Monday, Brad Lightcap, OpenAI's chief operating officer, said the *Financial Times* partnership would "enrich the ChatGPT experience with real-time, world-class journalism for millions of people around the world." **BLOOMBERG**

Apple's iOS mobile operating system, App Store and Safari browser are already targeted. REUTERS

iPad hit by EU's Digital Markets Act

Apple Inc.'s iPad has been added to a list of Big Tech products and services hit by strict new European Union rules aimed at stopping potential competition abuses before they take hold.

The move means Apple has six months to make sure its tablet ecosystem complies with a raft of pre-emptive measures under the EU's flagship Digital Markets Act.

The company's iOS mobile operating system, its App Store and Safari browser are already targeted by the law—but Apple has challenged its designation for certain services to the EU's General Court in Luxembourg, with hearings set to take place later this year.

The EU's decision to draw iPad under the scope of the DMA will ensure that fairness and competition are preserved, EU competition commissioner Margrethe Vestager said in a statement. **BLOOMBERG**

Tata Chemicals' loss is the first in 9 years

Tata Chemicals reported its first quarterly loss in nine years on Monday, hurt by a one-time charge incurred in its UK operations along with lower prices and demand of soda ash. It reported a consolidated net loss of ₹850 crore in the quarter ended March 31, compared to a profit of ₹709 crore year ago.

Tata Chemicals said it incurred a non-cash write down of assets aggregating to ₹963 crore as an exceptional loss in respect of its UK operations. Revenue from operations fell 21% to ₹3,475 crore, making it the company's third consecutive quarter of decline.

Soda ash—which amounts to two-thirds of Tata Chemicals' total sales volume—is facing lower demand as falling caustic soda prices make it more appealing for the silicate market, prompting the company to cut prices of its soda ash products at least five times since April 2023. **REUTERS**

'Triveni Engg must pay more to buy co'

Triveni Engineering & Industries Ltd (TEIL) may have to pay up more for acquiring a controlling stake in Sir Shadi Lal Enterprises (SSLE) than its current open offer, or exit its investment, as transaction at the current price remains unlikely, proxy advisory firm InGovern said in a report on Sunday.

Triveni Engineering had made an open offer of ₹262.15 per share for acquiring a controlling stake in SSLE in January. However, the SSLE scrip, which closed at ₹156.8 on the BSE on the day the open offer was announced, has since nearly doubled to open at ₹292 on the BSE on Monday. The share had hit a peak of ₹383.3 in February.

This, after independent valuers appointed by SSLE's board valued the company at ₹1221.7 per share. They ascribed a value of ₹800 crore to the company's landholdings.

The publicly traded company is worth ₹154 crore as per its latest share price on the BSE. **NEHAL CHALIAWALA**

Manipal Hospitals buys stake in Medica

Manipal Hospitals will acquire an 87% stake in the Kolkata-based chain for ₹1,400 crore.

Manipal HospitalsManipal Hospitals on Monday said it is acquiring an 87% stake in Kolkata-based hospital chain Medica Synergie in a deal that industry sources said is worth an estimated ₹1,400 crore.

The latest acquisition will see the Karnataka-based hospital chain increase its bed count from 9,500 currently to more than 10,500, making it the largest healthcare group in the country, it said in a statement.

This acquisition also aligns with Manipal Hospitals' strategy of expanding its footprint and presence in Eastern India, including Kolkata, Siliguri, and Ranchi, said Dilip Jose, managing director & CEO.

"With this acquisition Manipal Hospitals builds on its strong presence in Eastern India, enabling us to expand our reach and meet the healthcare needs of this under-served region. We will integrate Medica Synergie into our portfolio and rebrand it," Jose added.

Backed by the Singapore-based Investment company, Temasek, Manipal Hospitals expects to consummate the transaction after the completion of a few customary processes. **NAMAN SURI**

The revenue growth will be driven by domestic consumption despite a global slowdown. BLOOMBERG

India Inc revenue to surge in FY25: Crisil

Indian companies are likely to bounce back in the just-begun financial year following their slowest quarterly revenue growth since the pandemic, although it might not be much to boast about.

The overall revenue of Indian companies is likely to increase by 9-10% in FY25 driven by domestic consumption despite a global slowdown and possible interest rate hikes, research firm Crisil said following an analysis of 350 firms. The survey excluded companies in the financial services and oil and gas sectors.

Corporate revenue in FY24 is estimated to have increased 8%, said Miren Lodha, senior director, Crisil MI&A Research, despite growth moderating to 4-6% in the final quarter of the fiscal year.

The January-March period marked the slowest quarterly revenue growth since the economy recovered from the covid-19 pandemic in September 2021.

"Of the 47 sectors tracked, all but 15 sectors, accounting for 15% of the revenue, expanded, and only 12 likely showed an increase in both sequential and on-year revenue growth," Crisil said in a statement. **NAMAN SURI**

Trent posts fivefold jump in Q4 profit

Apparel retailer Trent reported a fivefold jump in quarterly profit on Monday, its third straight quarter of triple-digit profit growth, as it opened more of its lower-priced Zudio brand of stores.

The Tata Group-owned company reported its consolidated profit before exceptional items and tax rose to ₹301 crore for the fourth quarter ended 31 March, from ₹60.17 crore a year earlier. It recorded a one-time gain of ₹576 crore due to reassessed lease contracts resulting from store consolidation or closures, adjusting assets and liabilities accordingly.

The retailer overcame sluggish demand and restrained consumer spending by opening 86 Zudio stores, which sell everything from dresses to perfume at less than ₹999, attracting young consumers looking to regularly refresh their wardrobes on a tight budget. Trent also opened 12 of its mid-range Westside stores, boosting store counts under the Zudio and Westside brands to 545 and 232, respectively. **REUTERS**

Manufacturing permits for 14 Patanjali products suspended

A state regulator has suspended manufacturing licenses of 14 products made by pharmaceutical companies of the country's most popular yoga guru for repeatedly publishing misleading advertisements about their efficacy, a government order showed.

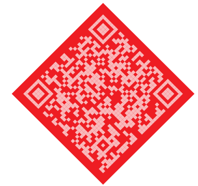
The manufacturing permits of yoga guru Baba Ramdev's companies were suspended by the drug regulator of northern Uttarakhand state in an order dated 15 April which has not been made public but has been reviewed by *Reuters*.

A spokesperson for Ramdev said he did not have any immediate comment on the matter.

The Supreme Court of India has in recent weeks repeatedly criticized Ramdev for not complying with its directives in an ongoing lawsuit to stop misleading advertisements of some of his traditional ayurvedic medicines.

The judges are considering whether to press contempt charges against Ramdev. **REUTERS**

Patanjali's licences have been suspended by the drug regulator of Uttarakhand. MINT



HOW UDAAN IS PREPPING FOR AN IPO

The B2B commerce unicorn hasn't cracked the profitability code yet. A pivot may do the trick

Samiksha Goel
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BENGALURU

(From left to right): Udaan founders Amod Malviya, Vaibhav Gupta and Sujeet Kumar. The trio, all from small towns, wanted to build for 'middle India'.

In December last year, Udaan, an online trade platform for businesses and shop owners, raised $340 million in a Series E round. The funding round, led by M&G plc, with participation from existing investors—Lightspeed Venture Partners and DST Global—valued the startup 44% lower compared to the previous estimate of $3.1 billion in 2021.

Sharp cuts in valuation is not uncommon during a funding winter. But the fact is that $340 million is a lot of money. It was also one of the biggest late-stage deals of 2023 in India after PhonePe ($850 million); Lenskart ($600 million); Flipkart ($600 million); DMI Finance ($400 million) and Ola Electric ($385 million), according to an analysis by *Entrackr*.

The funding was raised on the back of a new strategy. Udaan, which sells everything from mobile accessories and bath fittings to medicines and footwear, badly needed a pivot. In 2022-23, its revenue had shrunk and the business bled. Intense competition in the business-to-business (B2B) trade market impacted the already wafer-thin margin the sector is known for.

Sample this: The company's gross revenue jumped multifold year over year, touching nearly ₹10,000 crore in 2021-22. In 2022-23, revenue dropped by a massive 43%, according to data sourced from Tracxn. During the year, it reported losses of ₹2,076 crore.

The online B2B channel in India operates at 0-6% gross margin, which is lower than the 5-7% made by the offline distributors of fast-moving consumer goods (FMCG) products, according to a 2022 report by Jefferies on *kirana* e-commerce.

As Udaan's losses mounted, concerns arose regarding the viability of its business model. "This is a very punishing market if you don't have the right cost and revenue structures in place," said a former Udaan executive, requesting anonymity. "Everybody's woken up to the fact that this is a low margin business," the executive added.

Udaan, therefore, is no more the company it was a year ago. The company grew rapidly before the pandemic and was one of the fastest startups to achieve the coveted unicorn status in 2018. But in the last two years, it has closed operations in several cities, consolidated categories, laid off a large number of employees and transitioned to a more cost-efficient model. Indeed, the company wants to go public in the next 18 months.

What exactly is the new model Udaan is pinning its hopes on? Before we answer, let's look at the company's beginnings and why it galloped the way it did before the pandemic.

MIDDLE INDIA PITCH

Udaan, founded by three former Flipkart executives—Amod Malviya, Sujeet Kumar, and Vaibhav Gupta—started in 2016.

It started as a marketplace that was different from Flipkart or Amazon. While the two e-tailing giants focuses on consumers, Udaan wanted to play in the unorganized market of B2B trade. It wanted to connect farmers, wholesalers and retailers on one platform. The company started with apparel and electronics and then expanded to food, consumer goods and pharmaceuticals categories. Over time, it also introduced an inventory-led model. For instance, it stocks goods from FMCG brands.

> Udaan is pressing ahead with its private labels business—a high margin game—and an important piece in the company's path to profitability.

For the three founders, all of whom came from small towns in Uttar Pradesh and Bihar, the vision was to build for middle India. "I never wanted to go and focus on luxury markets or luxury goods. That does not excite me. What drives me is solving for the large population," Vaibhav Gupta, also Udaan's chief executive officer (CEO), told *Mint* during an interaction.

Udaan's pitch managed to grab investors attention right away. The fact that the founders were from Flipkart and had a successful track record of scaling an e-tailing business helped. It has raised about $1.5 billion thus far, a mix of debt and equity.

According to a report by AllianceBernstein, a global asset management firm, Udaan's reach increased from 0.5 million cumulative number of buyers in December 2018 to 1.7 million by December 2020.

Another report by Redseer, an advisory firm, stated that by 2022, nearly half the existing user base of online B2B platforms planned to increase their spends on two companies—Udaan and JioMart, the online wholesale platform by Reliance Retail Ltd. But while Udaan is a pure play online venture, JioMart is an omnichannel business.

Over time, Udaan built a marketplace that serviced sellers and buyers through centralized warehouses and a centralized supply chain. This scale of operations came back to bite the company.

AGE OF EXPERIMENTS

Flush with cash, Udaan embarked on an experimentation spree—just too many before the pandemic, according to an industry executive who requested anonymity.

"They were running 12 different categories, some 50-odd subcategories, experiments in logistics, business-to-consumer (B2C) couriers. There was just too much going on," the executive said.

For instance, in 2020, the company tested waters in B2C through an app called Pickily. The idea was to enable quick fulfilment through the dark store model. The experiment did not see light of the day.

With the funding winter approaching, it suddenly got very expensive to maintain so many experiments, added the industry executive.

While everything digital boomed during the pandemic, pure online models, be it in edtech or e-commerce, started fumbling as things opened up post the lockdowns. "Our estimates say that during covid-19, about 25-30% of retailers used Udaan or equivalent services. Today, however, that number is about 15%," Kanishka Mohan, partner at Redseer, said.

Meanwhile, some FMCG brands sell limited supplies to Udaan to protect their relationships with traditional offline distribution networks. In fact, in 2021, Udaan had filed a complaint against FMCG major Parle Products before the Competition Commission of India (CCI), alleging that Parle had abused its dominant position by refusing to supply their products directly to Udaan. The CCI turned down the plea, noting the manufacturer's autonomy in choosing its business partner.

Udaan's CEO, however, told *Mint* that the FMCG problem is largely solved; that most brands believe Udaan is a parallel channel. "At least 90% of them are giving complete supply to the demand we are raising," Gupta said.

Within the categories, pharma became difficult to crack, multiple current and former employees told *Mint*. A more organized category, the company struggled to find a value addition it could provide in the drug supply-chain.

THE BIG PIVOT

This brings us to Udaan's operational pivot. From big to small, from centralized operations to hyper-local.

The company now has a cluster approach—Udaan finds out the densest demand area in a city and sets up a localized supply-chain. India is divided into 50 clusters. Each cluster has its own supply chain, own warehouse, own fulfilment centres. These centres stock and serve only the designated cluster. The approach optimizes costs since the company doesn't waste money serving a few customers outside of the major demand centres.

"Because we expanded across India, we did get scale. But, it was important to focus on demand in a small neighbourhood to optimize cost alongside scale," the CEO explained.

The pivot also worked for the customer, he added. "It enables us to do next day delivery. And it also enables us to carry a very localized portfolio, which is relevant in India because the rice, the flour and the pulses which get bought and sold in Bengaluru are different from the rice you buy in Hyderabad," Gupta further said.

The localized approach, meanwhile, has helped Udaan map its customer base better—the size of a shop; its location; the estimate of what products the shop carries. "Once we do that, we get a sense of what the market demand is. Our goal is that our shopkeepers should be able to find at least 80% of the products they keep on our platform," the CEO said.

Investors appear to like this model—like we mentioned earlier, the large funding round last year was on the back of this new strategy.

"Udaan's cluster strategy serves as a compelling blueprint for the company to scale its operations profitably, setting a new standard of excellence in the industry," Bejul Somaia, partner at Lightspeed, Udaan's biggest investor, said. "The cluster approach transforms how Udaan engages with the *kirana* stores by delivering sharper value propositions. This focus enhances customer satisfaction and drives improved service levels, higher buyer retention, share of wallet and order frequency," Somaia added.

Nonetheless, the new model means a much smaller business for the company. As part of the restructuring, it has scaled back on categories and cities. Pharma is one of them.

"There was a team of 20-30 people in pharma and Udaan was once doing ₹30-40 crores in business. They have been consolidating the vertical," said a former employee who didn't want to be identified. Six months ago, the pharma business shrunk to about ₹22 crore; the team was cut to just 6-7 people, he added.

While Gupta did not comment on the size of the pharma business or the employee count, he agreed that the company was consolidating the category and it now operates only in Bengaluru from a pan-India focus earlier. He calls it "geography-specific category optimization".

"We have expanded the portfolio; we have expanded the coverage and our Bengaluru business in pharma has grown over the last nine months, almost doubling in scale," Gupta said.

PRIVATE AFFAIRS

Udaan, meanwhile, is also pressing ahead with its private labels business—a high margin game—and an important piece in the company's path to profitability. Private labels were first added in 2021.

"For a similar product, national brands give you 3-5% margin; regional brands or smaller brands 8-10%; private labels offer up to 15%," Mohan of Redseer said.

Captain Harvest (*atta*, rice, salt), Annabhumi (*atta*), Jayabhumi (rice and pulses), Bold & Classic (lifestyle) and Fabclassic (home & kitchen) are some of its private labels.

While some people *Mint* spoke to said that the private labels business is yet to gain traction, Gupta disagreed. "In the Bengaluru cluster, they (private labels) have scaled up from single digit to above 10% of the overall business now, just in the last two months. It's a big part of our strategy," the CEO said.

THE CROWD

Udaan's margins, meanwhile, face another challenge—growing competition.

A host of companies, big and small, old and new, have mushroomed in the B2B commerce space. Udaan doesn't have the tailwind that Flipkart did, some market watchers pointed out. The consumer e-tailing space, by the time Walmart bought Flipkart in 2018, was a duopoly (Amazon being the other giant). But B2B is more crowded with well funded players.

There is ElasticRun (the company calls itself a "B2B e-commerce platform for rural India"); ProcMart (it raised $30 million in a Series B round in April); Flipkart Wholesale; AmazonDistribution; Supermarket Grocery Supplies (BigBasket's B2B arm) and Metro Cash & Carry India (a unit of Reliance Retail). Besides horizontal commerce platforms, there are single category players as well—they focus on building a business around one category. Ninjacart (agri) and Jumbotail (food and grocery) are two of them. Further, FMCG companies like HUL and ITC have also been working on their own online B2B platforms called Shikhar and Unnati, respectively.

How the dynamic between FMCG brands and B2B e-commerce players unfold, going ahead, will be key to Udaan's path to profitability and its ambitions of a public listing. Some time back, the company was eyeing an IPO in 2023. That timeframe has stretched—it would be ready for the public markets in the next 18 months, company executives said. The task, therefore, is cut out.

Udaan has already gone on an overdrive to conserve cash. Gupta said the company has reduced its burn by 80% in the last two years as it trimmed operations. With the new focus on hyper-local, he thinks the company has finally cracked the B2B code. Now, it has to demonstrate a few quarters of profitability, an executive quoted above said. How soon remains the billion-dollar question.

mint SHORT STORY

WHAT

Udaan was eyeing an IPO in 2023. But the viability of the business was questioned—its revenue dropped massively in FY23 and the company continued to make heavy losses.

NOW

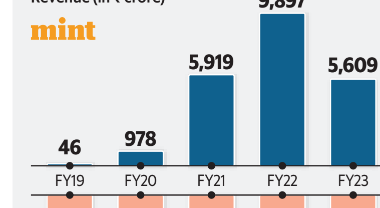
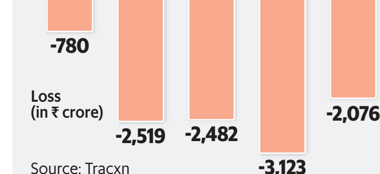
The company has pivoted to a new model. From a pan-India focus, it is now concentrating on a hyper-local approach. Besides, it is also pruning expenses.

BUT

The company still has some distance to go before it can hit the public markets—the new deadline is 18 months. Growing competition from well-funded players is a headwind.

SHRINKING CART

Udaan's revenue dropped 43% in FY 23

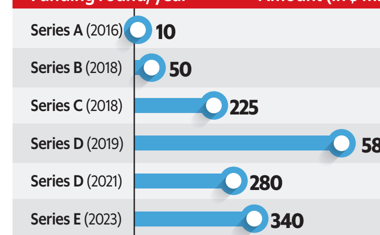



	FY19	FY20	FY21	FY22	FY23
Revenue (in ₹ crore)	46	978	5,919	9,897	5,609
Loss (in ₹ crore)	-780	-2,519	-2,482	-3,123	-2,076

Source: Tracxn

Big money

Series E was one of the biggest late-stage deals of 2023



Funding round/year	Amount (in $ mn)
Series A (2016)	10
Series B (2018)	50
Series C (2018)	225
Series D (2019)	585
Series D (2021)	280
Series E (2023)	340

Source: Mint research

SATISH KUMAR/MINT

Does SBI's new credit card go the extra mile for travellers?

Credit card experts say there are better rewarding travel credit cards in the same fee range of SBI Card MILES

Shipra Singh
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Last week, SBI Card launched a travel-focused credit card. The timing seemed to be just right. It is peak summer, with many people finalizing last minute getaway plans to cooler destinations. Yet, what does SBI Card MILES offer to its users and how does it compare with other such cards? *Mint* explores.

Spends on a travel-focused card earn the cardholder rewards that can be converted into loyalty points of partner airlines or hotels, or can be used to book flights or hotels through the travel aggregator platform of the bank or card issuing company. One of the key features of a travel focused card is that it earns accelerated rewards on booking flight tickets or hotels. So, for instance, if the base reward rate of a travel card is 1% on all spending categories, it will earn more than 1% on hotel and flight ticket bookings. SBI Card MILES offers just that. The top variant of this card, SBI Card MILES Elite, earns 3% on travel spends, while all other spends earn 1% reward rate.

However, SBI Card MILES falls short on the quantum of rewards on travel spends when compared to other similar cards in the same fee range. In fact, the reward rate is less than other credit cards offered by SBI Card. "SBI Cashback credit card offers 5% cashback on online spends, though there's an upper limit to how much one can earn. Still, you will earn more on this card when booking flights or hotels than the newly launched SBI Card MILES," said Tejas Ghongadi, co-founder of The Points Code, a platform that advises credit card users on how to optimise reward points.

SBI Card MILES has three variants—SBI Card MILES ELITE, SBI Card MILES PRIME and SBI Card MILES—with annual fee of ₹4,999; ₹2,999 and ₹1,499, respectively (the fees does not include 18% goods and services tax, or GST). The top variant MILES ELITE earns six travel credits (TCs) for every ₹200 spent on travel categories and 2 TCs on all other spending categories. The value of 1 TC is ₹1 when converted into airmiles or hotel points, which translates into a reward rate of 3% and 1% for travel and non-travel spends, respectively.

SBI Card has partnered with 16 airlines and six hotel groups, including some of the major groups such as Vistara, Etihad, United Airlines, Qatar Airways, Accor and ITC Hotels, among others. The reward rate on MILES PRIME and MILES cards for conversion to miles is 2% and 1%, respectively, on travel spends, whereas it is 1% and 0.5%, respectively, on all other spends.

Cardholders can also use the points earned to book flights or hotels directly on the travel aggregator platform of SBI Card but the value of 1 TC reduces to ₹0.5 for this option. This reduces the reward rate on all its cards by half.

Credit card experts say there are better rewarding travel credit cards in the same fee range of SBI Card MILES. The two high rewarding cards that cardholders can consider are Axis Atlas and Amex Platinum Travel Credit, as per Gongadi. "Axis Atlas's 4% rate on non-travel categories is higher than what SBI MILES is offering on travel spends."

Sumanta Mandal, founder, Technofino, a digital platform that reviews credit cards and other banking products, concurred and said "Both these cards are in the non-premium category as well so the 3% accelerated reward rate on travel spends on SBI MILES really pales in comparison. Axis Atlas offers a 10% reward rate on travel spends and 4% on other categories. Amex Platinum Travel Credit Card can give up to 12% rewards on ₹4 lakh spend."

The joining fee for Amex Platinum Travel is ₹3,500 and renewal fee, from the second year onwards, is ₹5,000. As for Axis Atlas, the joining and annual fees are ₹5,000. All these fees are exclusive of 18% GST.

Do note that in the case of Amex Platinum Travel card, the cardholder can bag a high reward rate only on reaching ₹4 lakh spending threshold through 25,000 bonus points and a Taj Voucher worth ₹10,000. Mandal said since Amex is not as widely accepted as other card networks on offline spends, cardholders should first put most of their spends up to ₹4 lakh on this card. "That's the only challenge with Amex Platinum Travel card. Below ₹4 lakh spends, the reward rate works out quite average. The other downside is reward rate after ₹4 lakh reduces significantly as there are no milestone benefits," he said.

To maximize travel benefits from credit cards, high spenders should use a mix of 2-3 cards, said Ghongadi. "You may not get the desired hotel or airline partner with one card or the preferred hotel partner might give a better conversion rate in a card different than your primary card. Similarly, milestone benefits vary across cards and reward rate on some cards, like Amex Platinum Travel, drop drastically after a certain spending threshold. So, it is advised to use a combination of 2-3 cards to get a decent reward rate. But, in my opinion, SBI MILES doesn't make the cut in this mix," he said.

How SBI MILES stacks up against other travel credit cards

MILES falls short on the quantum of rewards compared to other travel credit cards in the same fee range

SBI Card MILES ELITE

Fee: **₹5,899** Includes 18% GST

Reward rate

1 travel credit (TC) = ₹1 on miles conversion

Spend category		Reward rate
Travel	6 TCs on every ₹200 spent	1.5-3%
Non-travel	2 TCs on every ₹200 spent	1%

1 TC = ₹0.5 on direct booking on SBI Card travel platform

Spend category	Reward rate
Travel	1.5%
Non-travel*	0.5%

Annual bonus points
- 5,000 TCs on spending **₹1 lakh** within 60 days of enrolling
- 20,000 TCs on spending **₹12 lakh**
- Fee waived after spending **₹15 lakh**

*Rent, utilities, insurance, education fees, wallet loading and fuel exempt from earning rewards

Axis Atlas

Fee: **₹5,900** Includes 18% GST

Reward rate

1 Edge Mile (EM) = ₹1
1 EM = 2 points for all partners except Marriott

Spend category		Reward rate on miles conversion
Travel & Travel Edge spends	5 EMs per ₹100 spent*	10%
Non-travel**	2 EMs per ₹100 spent*	4%

Marriott's reward rate is 2.5%

Atlas rewards more on non-travel spends than SBI MILES' reward rate on travel spends

Annual bonus points
- 2,500 EMs joining benefit
- 2,500 on spending **₹3 lakh****
- 2,500 on spending **₹7.5 lakh****
- 5,000 on spending **₹15 lakh****

**Rent, utilities, insurance, wallet loading, fuel, tax payment and gold exempt from earning rewards and adding to spending threshold for milestone benefits

Amex Platinum Travel

Fee: **₹4,130** Joining fee
₹5,900 Annual fee 2nd year onwards
Including 18% GST

Reward rate

All spends* earn 1 membership reward (MR) per ₹50 spent

	Reward Rate
1 MR = 0.5 airmiles	1%
1 MR = 1 Marriott bonvoy point	2%

Annual bonus points
- 15,000 MR on spending **₹1.9 lakh**
- 25,000 MR and **₹10,000** Taj voucher on spending **₹4 lakh**

Milestone benefits on ₹4 lakh spends add up into high redemption rate. Without bonus points, reward rate is low.

*Fuel, insurance, utilities, cash transactions and EMI conversion exempt from earning MRs

How different cards reward

If Ms Y spends ₹3 lakh on flight and hotel bookings and ₹2 lakh on other eligible categories

Rewards earned on...	SBI MILES ELITE	Axis Atlas	Amex Platinum Travel
Travel spends	9,000 TCs	15,000 EMs	10000 MRs
Non-travel spends	2,000 TCs	4,000 EMs	
Bonus points	5,000 TCs	5,000 EMs	40000 MRs + ₹10,000 worth Taj voucher
Total points	16,000 TCs	24,000 EMs	50000 MRs + ₹10,000 Taj Voucher

Delhi to Goa round trip on Vistara worth ₹10,500 in mid May requires 12000 CV points

	1:1 conversion	1:2 conversion	3:1 conversion
	1 round trip ticket	4 round trip tickets	1 round trip ticket
On ₹5 lakh spends, Ms Y earns	2% reward rate 4000 TCs remaining	8.4% reward rate	2% reward rate 4600 MRs, 1 Taj voucher remaining

For Amex, Vistara has a poor conversion rate. Premium airlines like United or Singapore Airline offer a better conversion of 2:1

PRANAY BHARDWAJ/MINT

RBI for review of 'unfair practices in charging of interest' by banks

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The Reserve Bank of India (RBI) on Monday directed banks and non-bank financiers to review some of their lending practices when it comes to applying interest and other charges to borrowers along with their mode of loan disbursal.

It said a review of the lending practices would be in the interest of fairness and transparency, and the directive comes after RBI found instances where lenders were resorting to certain "unfair practices in charging of interest".

The regulator found that some lenders have been charging interest from the date of sanction of loan or the date of execution of the loan agreement, instead of the date of actual disbursement of the funds to the customer. Similarly, in the case of loans being disbursed by cheque, RBI said it found that some lenders were charging interest from the date of issuance of the cheque, even as the cheque was handed over to the customer several days later.

The directive on Monday is applicable to all commercial banks, including small finance banks, local area banks and regional rural banks, but exclude payments banks. They are also applicable to all urban co-operative banks, state co-operative banks, district central co-operative banks and all non-banking financial companies.

"In the case of disbursal or repayment of loans during the course of the month, some REs (regulated entities) were charging interest for the entire month, rather than charging interest only for the period for which the loan was outstanding," it said.

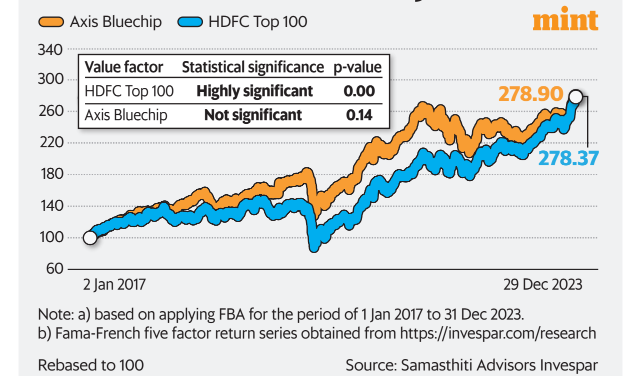
"These are matters of serious concern to the Reserve Bank," it said. "These and other such non-standard practices of charging interest are not in consonance with the spirit of fairness and transparency while dealing with customers."

According to the regulator, wherever such practices have come to light, it has advised lenders to refund such excess interest and other charges to customers.

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

WHY PMSes SHOULD REVEAL HISTORICAL NAV OF STRATEGIES

Role of factor-based analysis



Value factor	Statistical significance	p-value
HDFC Top 100	Highly significant	0.00
Axis Bluechip	Not significant	0.14

Note: a) based on applying FBA for the period of 1 Jan 2017 to 31 Dec 2023.
b) Fama-French five factor return series obtained from https://invespar.com/research

Rebased to 100

Source: Samasthiti Advisors Invespar

PRANAY BHARDWAJ/MINT

Occasionally, clients send us details of portfolio management services (PMS) product offerings for our feedback. Our general view is that all PMS offerings are guilty unless proved innocent. This is because it's difficult to decipher their investment strategy and compare their performance against the right benchmark. If PMS providers can disclose the historical net asset value (NAV) in a convenient manner, it can make the job of evaluating them much easier.

But is historical NAV really needed if a PMS provider supplies information on past return performance? Yes, since past returns hide more than they reveal. If you want the return data to reveal all its secrets, you will need to undertake a factor-based analysis (FBA) for which historical NAV is needed. Let's take the example of two mutual fund schemes to see how powerful FBA can be. Between January 2017 and December 2020, the Axis Bluechip Fund returned a 20% CAGR (compounded annual growth rate). During the same period, the HDFC Top 100 Fund returned only a 11% CAGR. Starting in 2021, the tables turned. From January 2021 to December 2023, HDFC Top 100 returned a 23% CAGR whereas Axis Bluechip lagged at a 10% CAGR.

To understand what was going on, you would need to look at the funds' detailed portfolio holdings—not only current, but historical as well. This portfolio holdings data will need to be analysed to check the investment strategy of the fund—growth or value tilt, mid- and small-cap exposure, sectoral exposure, etc. Such an exercise can be challenging for even an expert, let alone the average investor.

With FBA, the investor can self-determine the strategy the PMS manager is following

This is where FBA comes to the rescue as it can do all the above by relying solely on a fund's historical NAV. This is because the fund NAV already encapsulates all the information like investment strategy, portfolio construction, market cap exposure, etc. FBA is a statistical technique that can magically extract all this information from the historical NAV data. Using the Fama-French 'five-factor model', FBA breaks down the return earned by a fund into five factors—market risk, size, value, profitability and investment. If the FBA analysis shows that the market risk is significant, it means the fund in question is a closet indexer. If the size factor is significant, it means the manager has a small-cap tilt in the portfolio. And if the value factor is significant, the fund is running a value strategy.

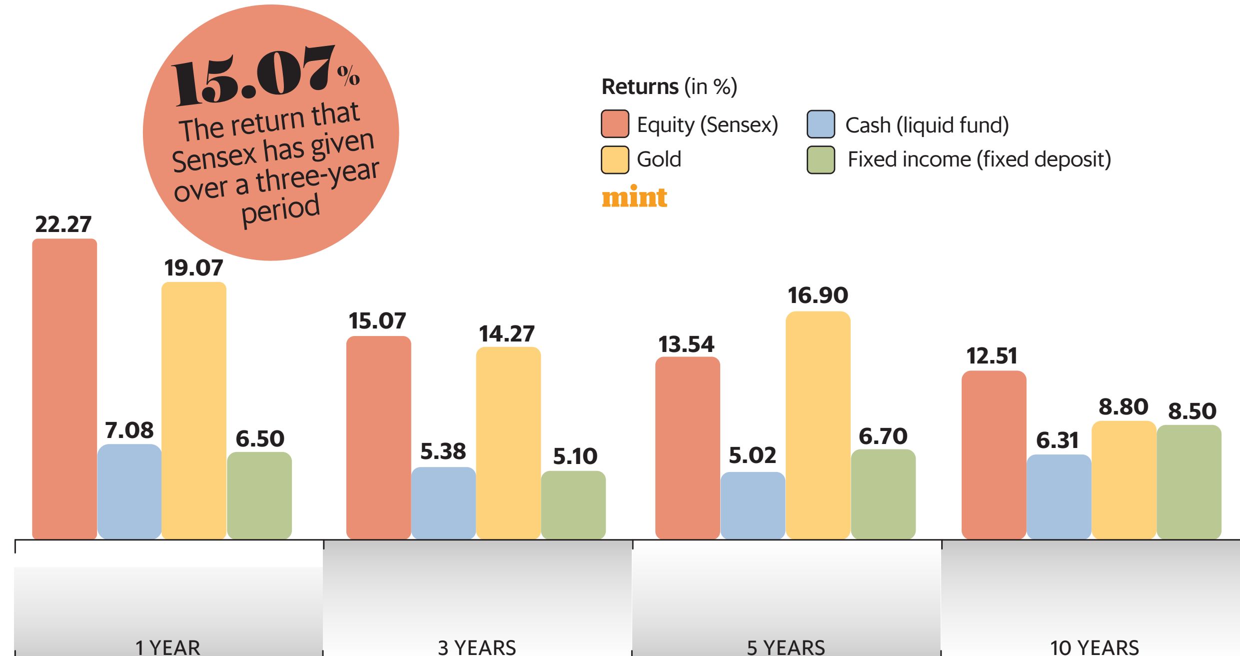
Coming back to our example, applying FBA over the period 2017 to 2023, we see that the value factor was highly significant for HDFC Top 100, and not so for Axis Bluechip. Value stocks were having a terrible run until 2021, post which they made an impressive recovery, and this in turn explains the performance of the two funds. Armed with this analysis, you can judge whether the outperformance of a fund is due to superior stock selection or due to being at the right place at the right time.

With FBA, the investor can self-determine the exact strategy the PMS manager is following and choose an appropriate benchmark. For instance, if the analysis of the historical NAV suggests that the size factor is significant, the manager's performance needs to be benchmarked to small- or mid-cap indices. Regulations have made good progress in mandating various disclosures to make PMS more transparent. Including a requirement to provide time-series data of historical NAV will further improve transparency. This single data point can be more illuminating than the bulkiest marketing presentation.

Ravi Saraogi is a Sebi registered investment adviser (RIA) and co-founder of www.samasthiti.in.

Returns on investments

Building a portfolio is a complex exercise, and it has to be maintained, too. A person's portfolio holds different types of assets based on his/her financial goals, and each asset class gives different types of returns, which is why a portfolio must have an ideal mix of financial products. One must also keep in mind the volatility risk of the asset class, liquidity, lock-in rules and taxation. Here's a look at how four commonly used asset types—equity, cash, gold and fixed income—have done in different periods.



Data as on 26 April 2024. Equity is the benchmark Sensex return (price); cash refers to the average return for liquid funds category as defined by Valueresearchonline; gold refers to domestic gold prices available on Valueresearchonline; and fixed income is historic SBI fixed deposit rates. All returns are annualized.

PRANAY BHARDWAJ/MINT

Source: S&P Dow Jones Indices, Value Research, SBI

Should you invest in MOFSL's bond issue?

Shipra Singh
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Motilal Oswal Financial Services Ltd (MOFSL) is tapping the bond market to raise up to ₹1,000 crore from non-convertible debentures (NCDs). The bond issue, the first of its kind from MOFSL that offers investors interest of up to 9.7%, opened on 23 April and is set to close on 7 May.

The issue is secured and redeemable, rated AA/stable by Crisil Ratings and India Ratings.

There are eight series of the NCDs with a tenure of 24 months, 36 months, 60 months, and 120 months offering 8.85%, 9.1%, 9.35% and 9.7%, respectively.

The company is offering annual, monthly and at maturity interest options.

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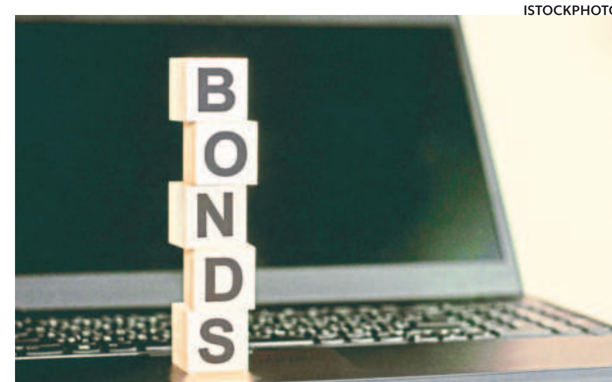

At 9.7% interest rate, the offering from a big entity like MOFSL is attractive but retail investors should take a decision based on their tax slab, said Feroze Azeez, deputy chief executive officer, Anand Rathi Wealth.

The bond issue, which offers investors interest of up to 9.7%, opened on 23 April and is set to close on 7 May

"This 9.7% is a 2.75% spread from government securities, or G-Secs, which is quite aggressive. It's an attractive proposition for those in the lowest tax bracket. However, for those in the 30% tax bracket, taking this concentrated credit risk is not advisable. These investors will get a 100-125 basis point better net of taxes return, which is not worth the risk," he said.

Retail investors should take note that the highest yield of 9.7% is offered on 10-year tenure, which, experts say, is too long and best be avoided. "Investors should not get attracted to high interest rate long-term debt as anything can go wrong with private companies," said Azeez.

Anshul Gupta, co-founder and CIO, Wint Wealth, said the 2-year, 3-year and 5-year tranches look investible but are better suited for institutional investors and high net worth individuals (HNIs).

"For retail investors, small finance banks offering fixed deposits (FDs) with similar yield of 8.85-9.35% are a better option as deposits up to ₹5 lakh are insured. Moreover, your capital will be more liquid in FDs as NCDs hardly have a secondary market," he said. "HNIs invest Rs1 crore or more, so they take the risk of investing in a AA rated NCD in place of a lower rated SFB FD which doesn't offer a guarantee for higher amounts."

During the third quarter of financial year 2023, MOFSL's consolidated operating revenue grew 30% on a year-on-year basis to ₹1,377 crore, whereas consolidated net profit for the same quarter stood at ₹774 crore.

OUR VIEW

ISTOCKPHOTO

Making sense of equity markets is a challenge

A recent RBI working paper is a welcome addition to the literature on this subject even if it doesn't explain markets entirely. It's not an easy task, as a review of Nobel wins can testify

The Reserve Bank of India's (RBI) working paper, *Equity Markets and Monetary Policy Surprises*, March 2024, is yet another attempt to make sense of the unfathomable ways of equity markets. This time, from the perspective of monetary policy; in particular, market expectations of the future path of policy and the impact of central bank communication and surprises on markets. Over the years, economists, financial wizards and others have tried to explain why stock markets behave the way they do. With limited success, or worse. We have a range of theories, from the Efficient Market Hypothesis and Random Walk Theory to Modern Portfolio Theory, Capital Asset Pricing Model and the Arbitrage Pricing Theory, among others. Unfortunately, not one of these theories—some of which even won their theorists Nobel prizes—has stood the test of time. Markets, almost invariably, seem to have the last laugh. What can possibly explain the dizzying speed at which markets—whether in India or the US—have run up in the post-covid years, a period marked by a global slowdown in economic growth? Remember, India's quarterly GDP contracted by nearly 24% in the first quarter of 2020-21, while the US was expected to tip into recession.

Sure, both economies have recorded sterling recoveries since, with the US appearing to defy attempts of the US Federal Reserve to slow it down. And India is expected to be one of the world's fastest growing major economies, even as China struggles to regain its eminence as an engine of growth. But that alone does not quite explain why the S&P BSE Sensex was up 68% in covid year 2020-21 (it is up 25% in the period from 1 March 2022 to 26 April 2024). One can point to surplus liquidity, thanks to quantitative easing by central banks trying to tackle the pandemic's fallout. Never mind that they have shifted to quantitative tightening, starting some two years ago. But can liquidity alone explain markets? Sadly, no. Which is why RBI's new working paper is a welcome addition to the literature on this subject. It is true that "financial markets tend to react instantaneously with the release of new information and market prices reflect expectations about future economic and monetary developments." It is also true that market participants "typically extract information from the central bank's monetary policy communication." Further, their reactions are coloured by whether policy actions were anticipated and incorporated into their decisions or not, with unanticipated changes more likely to impact markets. Using data on overnight indexed swaps, an interest-rate swap whose floating leg is linked to an overnight index, compounded every day over the payment period, the study concludes that "equity returns on policy announcement days are impacted only by the market's expectations of the future monetary policy trajectory." Also, volatility in equity prices is affected by the surprise element of monetary policy and central bank messaging. Overall, equity markets are affected more by changes in market expectations of future monetary policy than by policy rate surprises.

Whether all this leaves us any wiser in our grasp of equity markets remains to be seen. For now, the party seems endless. Sure, we've seen corrections from time to time. But as Citigroup's former CEO Chuck Prince once put it, "As long as the music is playing, you've got to get up and dance." Dance, many surely will. But don't bet on an endless party.

MY VIEW | TIGHTROPE WALK

Diffused accountability sets the stage for organizational failure

Leaders must take responsibility for what happens on their watch instead of trying to pass the buck

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

Death by firing squad is a sentence usually meted out in the military for heinous crimes like murder or desertion. The condemned prisoner is tied to a post or stood against a wall. A group of five or more soldiers aim at him, and on command, fire their rifles simultaneously. Notably, one of the soldiers is randomly and anonymously given a rifle loaded with a blank round, thus allowing each one to find solace in the chance they weren't personally responsible for taking a life. This idea of deliberate diffusion of accountability is used by several US states where executions are done by lethal injection. There are two syringes and two buttons pressed by two different individuals simultaneously and a computer chooses which syringe is to be injected into the prisoner, thus absolving both executioners of absolute certainty of whose action caused the death. While the concept may offer psychological comfort in macabre tasks such as executions, it also leads to ethical lapses and decision-making failures in other circumstances, including in the day-to-day operations of businesses and governments.

On 20 April 2010, an oil rig off the Gulf of Mexico named Deepwater Horizon had a massive blowout. The disaster killed 11 people and was considered one of the worst evr environmental catastrophes, causing severe damage to marine ecosystems and several regional economies. It was a classic case of diffused accountability gone horribly wrong. The rig was operated by Transocean, but it was drilling on behalf of BP, and a third company, Haliburton, was responsible for cementing the borewell. The involvement of multiple entities in various aspects of operations had blurred the lines of accountability and responsibility. Critical information on operational safety and equipment malfunction were held in silos, some of it withheld in power games between the three companies. Further, regulatory bodies like the Minerals Management Services failed in their responsibility to enforce regulations, thus creating a culture where safety got short-shrift because accountability for it was spread over several companies and the regulator.

Similarly, on 2 December 1984, a catastrophic gas leak occurred at Union Carbide India Ltd's (UCIL) pesticide plant in Bhopal. The disaster released methyl isocyanate (MIC) gas into the air, exposing over 500,000 people to deadly gas. Responsibility in this case also had multiple layers. The plant was owned and operated by UCIL, which was an Indian company, but a majority stake in it was held by US-based Union Carbide. In the aftermath of the MIC gas disaster, both entities blamed each other for poor safety and maintenance standards. They even withheld the true nature of toxin exposure, which further delayed appropriate treatment for victims. Like in the Deepwater case, the regulator had failed, resulting in deaths and permanent impairment for tens of thousands of innocent people. And like almost every other disaster or financial scam (IL&FS or Satyam, for example), Bhopal too was a tragedy waiting to happen, as people working in the organization knew that they were skating on thin ice but the structure of diffused accountability enabled risks to worsen without being addressed by anyone.

Large organizations have a penchant for diffused accountability. Almost every major decision, ranging from the hiring of key personnel to operationalizing strategic projects, are routinely decided by panels of leaders who have a lot of say in planning and implementation, but none of them seems to step up during failures. Diffused accountability can also lead to inaction on account of the 'bystander effect': critical tasks get ignored because everyone assumes someone else will take responsibility. Even auditors and regulatory watchdogs appear to wriggle out. As former US president John Kennedy remarked after America's Bay of Pigs debacle, "Success has many fathers, but failure is an orphan."

Organizations have to make a choice. If they believe that good governance is a prerequisite for sustainable growth, then they mustn't allow unaccountable leadership or a coterie of sycophants to emerge. Thankfully, there are some exceptional examples of how leaders step up to the plate and accept accountability instead of shirking it.

Recall, for example, Starbucks CEO Kevin Johnson's response to a racially charged incident in 2018, when he not only publicly apologized, but also shut down stores, insisting on employee education about racial biases. Or that of E. Sreedharan, Delhi's 'Metro Man' who offered his resignation in 2007 after a section of a bridge collapsed, citing moral responsibility. Or the response of Admiral D.K. Joshi, a Navy chief who resigned, taking moral and personal responsibility for the sinking of the submarine *Sindhu Rakshak*. Or of Major General Aharon Haliva, chief of the Israeli military intelligence, who resigned over last October's failure to anticipate Hamas attacks. These leaders—who weren't personally responsible for these failures—set a culture of accountability by reinforcing the cardinal principle of leadership: that if it happens on your watch, you are responsible. It is an irony, however, that most leaders who preach accountability often fire blank rounds themselves.

10 YEARS AGO

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MANAGEMENT: Is the old Kishore Biyani back?

CORPORATE: Naaptol in talks with PE firms to raise $50 million

NATION: Govt gives 18 names to Supreme Court in black money case

VIEWS: Revamping agriculture and PDS

PWC FINDINGS

MCX reveals audit report on FTIL ties

Audit finds MCX still dependent on Financial Technologies, raises questions on related party transactions

THE FINAL STRETCH

KEY SEATS AND CONTESTANTS

Airtel profit jumps 89% on data plans, less freebies

QUICK EDIT

Outside support

Containing competitive monetary easing

GROWING POLARIZATION

Bihar still votes on lines of identity even as faces change

MINT METRIC

by Bibek Debroy

A Belgian man has auto brewery disease.
The cops never left him at ease.
Accused of driving with drink
He was driven to the brink,
Until the court listened to his pleas.

MY VIEW | TRUTH, LIES AND STATISTICS

India needs a reliable database for its welfare schemes

PRAMIT BHATTACHARYA

is a Chennai-based journalist.

Of every rupee spent in the name of the poor, only 15 paise goes to poor households, former Prime Minister Rajiv Gandhi once observed, drawing attention to widespread leakages in India's welfare programmes. The Indian state's welfare delivery apparatus has improved a lot since then, much of it over the past decade. Even critics of Prime Minister Narendra Modi acknowledge his government's ability to aim welfare spending towards the deserving.

How did the government learn to identify deserving beneficiaries better? The answer lies in a caste census conducted by the Manmohan Singh government. Almost all of the Modi government's flagship welfare schemes derive their list of beneficiaries from the Socio-Economic Caste Census (SECC) conducted in 2011. Beyond caste, the SECC contains a vast trove of data on household earnings, assets and amenities. So, depending on the state of your house in 2011 (for instance, whether it had a *kuchcha* or *pucca* wall), your occupational category, or your caste (Scheduled Caste or general category), your family may be automatically included or excluded from certain schemes.

In the pre-SECC era, welfare schemes were run on the basis of below-poverty-line (BPL) lists compiled by local authorities. Inclusion or exclusion from these lists was often influenced by local political activists who could get you enlisted if you paid the right price (a bribe). Hence, both inclusion errors (non-deserving households that became beneficiaries) and exclusion errors (poor households that could not become beneficiaries) were very high. While the Planning Commission would compute state-level poverty numbers using a nationally representative survey conducted by the ministry of statistics and programme implementation (Mospi), the actual identification of beneficiaries in each state was based on controversial BPL lists.

The SECC was conducted jointly by the Union and state governments, and the rural data was published online during the early phase of the exercise. Greater transparency and a more vigilant set of officials ensured that the database was robust in comparison with the old BPL lists. To be sure, the SECC had its share of problems. But everyone in the policy ecosystem—politicians, bureaucrats and policy wonks—agreed that the SECC database was a huge improvement over the old system based on problematic BPL lists. No wonder then that SECC-based welfare schemes have been more popular than their leaky predecessors.

However, the very success of the SECC has created hurdles in updating the database. Any attempt at updating it might lead respondents to overstate their deprivation levels now. Government officials are not sure they will be able to collect accurate data on the same parameters as before. This is one reason (apart from the postponement of the 2021 census) why the government has continued to use out-of-date SECC numbers even in 2024.

> **Official schemes are much better aimed now but we need fresh socio-economic data to identify the poorest**

Even in 2011, the SECC may have overstated deprivation levels to some extent. A *Mint* analysis ('The targeting challenge in India's welfare programs', 8 May 2019) showed that the 2011 census and SECC produced very different rankings of districts based on asset deprivation. The census-based deprivation rankings were far closer to deprivation rankings based on the National Family Health Survey (NFHS) 2015-16, even though the NFHS and census were conducted five years apart. Government officials fear that SECC 2.0 could end up being much less accurate than SECC 1.0.

While the Union government has dragged its feet on updating its main welfare database, state governments have gone ahead with their own socio-economic (and caste) surveys. They are facing their own share of problems. Within a few years, their databases become unreliable, and it gets difficult to identify deserving beneficiaries solely on the basis of their surveys. Attempts at using administrative data-sets to update the beneficiary databases haven't been successful, according to a policy consultant advising state governments.

Some state governments have turned to party activists to help fill the gaps in their beneficiary database. These booth-level workers run quick-and-dirty surveys to update the official database. This '*jugaad*' or workaround brings back the same problems that afflicted BPL lists: political biases and corruption in beneficiary selection. Others have tried to hide behind 'algorithms.' These run on flawed and incomplete data-sets, and also end up with biased results.

India's welfare delivery model stands at a crossroads today. The public debate on poverty tends to centre on the poverty line and ways to measure it accurately. But we need to start paying more attention to how poor beneficiaries get identified. Even with a universally-agreed definition of poverty, governments will still need granular data on household characteristics to be able to reach poor households. They will also need to find a way to update such data regularly, so that a household that escapes poverty is eased out of the social security net, while one that becomes poor is included.

Without a reliable and dynamic database, governments will find it hard to reach the poorest of households in need of state support. They will have to either rely on extra-official agents to help identify the poorest lot, or devise quasi-universal schemes to cut down exclusion errors. After a decade of rapid progress in welfare delivery, India may be headed back to the pre-SECC era.

THEIR VIEW

There's much ado about a decline in India's household savings rate

It shouldn't worry us as the money is merely shifting to other assets and isn't as stark a phenomenon as some critics suggest

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MINT

On 21 April, *The Hindu* carried an opinion piece on the decline in household savings in India (*bit.ly/3xPFXOR*). There are several aspects to this. One is whether households are reducing their savings in absolute rupee terms. Is it declining as a proportion of gross domestic product (GDP)? If households are not drawing down their overall savings, but are adding to it slower than before, what are they doing with the money? Is it a sign of financial distress? What are the macroeconomic implications of it?

India's household savings rate has declined from 22.7% of GDP in 2020-21 to 18.4% in 2022-23. The 73-year average rate is 14.8%. The post-1991 average is 20.5%. The new millennium's average is 21.5%. The savings-rate decline happened in the two years after the pandemic shock, which caused economic activity to contract in 2020-21.

Has this happened before?

Between 2004 and 2008, an economic-boom period that had neither a shock like the pandemic, nor balance-sheet problems at banks, non-banks and corporations, and when employment and household incomes had supposedly surged, India's household savings rate dropped from 23.6% of GDP in March 2004 to 20.6% in March 2008. The private corporate savings rate shot up from 4.3% to 12.2% during this period. Back then, the corporate sector was raking it in, as households spent more and saved less. So, what we are witnessing is not a new phenomenon and has been seen before, even when there was no major shock to contend with.

Now, let us look at household savings in absolute rupee terms. Between 2018-19 (pre-pandemic) and 2022-23, household net financial savings have declined from ₹14.92 trillion to ₹14.16 trillion because households' financial liabilities doubled. In rupee terms, the rise in financial liabilities was ₹7.86 trillion. But the physical savings of households in this period (including gold and silver ornaments) increased from ₹23.52 trillion to ₹35.47 trillion, an increase of ₹11.95 trillion. Thus, the rise in households' physical savings has far outstripped the decline in financial savings—so much so that their overall household savings went up from ₹38.45 trillion to ₹49.63 trillion.

The picture is the same if we narrow our lens to 2020-21 and 2022-23, a period that includes the pandemic years. Households' net financial savings declined from ₹23.3 trillion to ₹14.16 trillion. But physical savings rose significantly to ₹35.47 trillion in 2022-23 from ₹21.76 trillion in 2020-21. So, overall household savings have gone up by nearly ₹4.6 trillion. It is clear that household savings have not declined; they have shifted a lot more towards physical savings.

Peer closely and one notices that households' financial savings jumped by ₹8.37 trillion between 2018-19 and 2020-21. In the same period, households' physical savings dropped ₹1.76 trillion, for a net swing of ₹10.1 trillion in favour of financial savings. In the next two years, households did the opposite with a vengeance. Their financial savings declined by ₹9.13 trillion, and physical savings increased by ₹13.71 trillion. The volatility over the last four years, which included the covid phase, should settle down in the coming years.

Between 2004 and 2008, household savings—both physical and financial—rose in rupee terms, no doubt. But the household savings rate (share of GDP) dropped nearly three percentage points between March 2004 and March 2008. Furthermore, their share in the gross savings of the economy plunged. Household financial savings/gross savings of the economy cratered from 37.9% to 24.3%, a drop of 13.6 percentage points. Physical savings of households/gross national savings dropped from 41.7% to 30.2%. So, as a result, household share of overall gross savings in the economy dropped a whopping 25 percentage points from 79.6% to 54.5% in the period 2003-04 to 2007-08. In contrast, the private corporate sector's share of gross savings climbed nearly 18 percentage points, from 14.5% to 32.3%. The private corporate sector gained significantly more than households during the economic boom of that era.

Is the household sector in distress now, having had to withstand the effects of balance-sheet problems in the financial sector (banks and non-banks) as well as the corporate sector in the second decade of the century followed by the impact of a once-in-a-century pandemic in the early 2020s?

A major public-sector bank notes that the default rate on loans of less than ₹1 lakh made mainly to those with salary accounts is less than 1% (0.99%, to be precise). The National Bank for Agriculture and Rural Development tracks the default rates of self-help-group loans annually. Non-performing assets among loans to self-help groups (below poverty line) have declined from 4.73% in 2020-21 to 2.79% in 2022-23.

Among microfinance institutions, portfolio-at-risk, or PAR 31-90 (denoting repayment overdue for 31-90 days), was 1.1% in December 2023. Its recent peak was 6.7% in September 2021. PAR 91-180 is 0.9%. Its recent peak was 3.9% in March 2021. PAR 180-plus is 7.3%, and its recent peak was 10% in September 2022. It has been falling since.

What about macroeconomic consequences? Households' lower financial savings in the last two years have not leaked outside the economy. India's current account deficit has been trending lower. The trailing four-quarter current account deficit to GDP ratio decreased from 1.98% in March 2023 to 0.93% in December 2023.

In sum, the hysteria being whipped up about a decline in household savings appears excessive, especially considering that the fall was more precipitous in the boom period of 2003-2008, when there was a big rise in private corporate savings.

With strong private as well as banking sector balance sheets, private sector capital formation is picking up. The manufacturing sector has begun to hire in large numbers, as evident in the RBI-KLEMS data for 2021-22. With household employment and income growth in the coming years, we can expect household financial saving rates and absolute amounts to increase.

MINT CURATOR

FTC non-compete-clause ban is a victory for the US economy

Workers must be free to take their skills where they're valued more

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Labour market dynamism is better served if switching jobs is easy ISTOCKPHOTO

It's easy to understand why the US Chamber of Commerce is so upset about the Federal Trade Commission (FTC) decision to ban non-compete agreements. The problem for businesses is not that they will lose trade secrets or valuable investments in workers to competitors. It's that they just lost bargaining power to workers—and that's exactly what the FTC intended.

Despite the common perception that non-compete clauses are relevant only for employees with access to critical trade secrets, the reality is that they are often imposed across various industries on a wide spectrum of workers, many of whom do not handle any sensitive information. It's also the case that most hiring in the US involves people leaving one job for another, a critical factor shaping labour market dynamics. To see why non-compete deals matter, it's important to understand the value of the right to quit one job and take another. The question is: Who should hold that right?

When parties can negotiate without cost and rights are clearly defined, noted the Nobel laureate Ronald Coase, they will reach agreements that result in efficient outcomes. The FTC's ban shifts the bargaining power from employers to workers: Employers must make more competitive counteroffers to retain talent.

Previously, if you were governed by a non-compete agreement, you could pay your employer to let you out of it. Now, according to Coase's theory, even though the number of workers switching jobs might not change, the ban will have a distributional effect: Workers with more bargaining power could get higher wages.

But wouldn't workers simply have negotiated higher wages to compensate them for signing non-compete agreements in the first place? If this is true, then a ban on them would have little effect on wages. The evidence suggests that most workers don't have such negotiations and many sign such clauses without realizing that they may not even be legally enforceable.

Workers often face significant challenges in negotiating terms, especially when they lack information about their options and the job market. The process of understanding and negotiating non-compete agreements can be daunting without legal assistance, leading to a negotiation that is cheaper for—and favours—employers.

Moreover, non-compete clauses exploit behavioural biases that lead workers to underestimate their future cost. Some workers are shown that cause only after they say they're set to leave. In comments received by the FTC, many workers noted that they weren't aware of such clauses until the last minute.

These arguments imply that banning non-compete clauses might be important not just for higher wages, but for greater labour competition as workers become more mobile and make more job transitions. Research suggests such agreements can restrict economic activity and personal career growth. And it's not just labour market competition that suffers. By restricting labour supply, existing businesses can prevent new rivals from entering their markets and driving down prices.

Non-compete-clause supporters argue that they are necessary to protect business secrets and justify investments in employee training. But existing laws already protect confidential information. And businesses can adopt alternative strategies such as training-repayment deals, which are more directly tied to the specific investments made in employees. Coase's work shows no difference in these outcomes if payments are made to retain workers, as businesses can offer to pay workers not to take jobs with competitors.

The FTC's ban on non-compete agreements will help enhance labour market efficiency and economic growth. The US needs a competitive economy to stay strong in the global marketplace. And that requires workers who are able to take their skills where they are most valued—and new businesses that have access to the full talent of the US labor force.

In most other advanced economies, workers have rights to keep a job. The US, however, does not require employers to give reasons for terminating jobs, provide performance-improvement plans before such terminations, or offer a sufficient paid notice period before it is done.

The argument against those policies is that they would make it hard for the US to have a dynamic labour market. But the same logic applies to non-compete agreements: If it should be easy for employers to fire workers, then it should also be easy for employees to quit. And that requires US workers to have the right to take a better job. By allowing workers to move freely to roles where they are most valued, the FTC is fostering a competitive and fair labour market.

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MY VIEW | IT MATTERS

Can IT service firms close their gap with GenAI rivals?

SIDDHARTH PAI

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As earnings announcements from Indian and other information technology (IT) service providers have been making headlines, people who have seen their dismal figures have been asking me why generative artificial intelligence (GenAI) companies seem like an existential threat to Indian IT services firms. It's simple. They 'know' more.

Along with OpenAI, giants like Google, Meta and Microsoft lead the AI development race and thus shape the discourse and access to these technologies. This starkly contrasts with traditional IT service companies such as IBM, Infosys and Wipro, which appear to be playing catch-up. This information asymmetry has significant implications and is highlighted by classic economic theories.

Information asymmetry occurs when one party in a transaction has more or superior information than another. This concept was vividly captured in seminal work by George Akerlof, Michael Spence and Joseph Stiglitz, who shared the 2001 Nobel Prize in Economics for their analyses of markets with asymmetric information. In their view, such asymmetries can lead to adverse selection, moral hazard and market inefficiencies. As the chief buy-side negotiator for global clients seeking to dole out billion-dollar contracts to these service providers, I made a living straightening out such asymmetries for many years. Back then, IT firms with specialized knowledge could withhold information from buyers, leading to an unfairly negotiated deal that benefited the service provider. With a specialized sourcing negotiator on the buyer's side (who has been a service provider before), the client would no longer be at a disadvantage.

In today's context, firms like Microsoft, OpenAI and Google have amassed vast datasets and advanced algorithms, bolstered by substantial R&D budgets and strategic partnerships. Their rapid progress in developing GenAI, machine learning models and neural networks is already well-documented.

Conversely, despite their formidable tech prowess and client networks, traditional IT service companies need help in accessing cutting-edge AI technologies and methodologies. This gap is not just technological. There is also a knowledge gap. And so an information asymmetry now exists between these two types of IT firms. The pioneers of AI operate in a milieu where the latest breakthroughs, be they in natural language processing or robotics, are part of their internal discourse well before they reach the broader market (including IT service providers).

This asymmetry can skew the innovation capabilities of IT service companies. Let's not forget that the latter often rely on established technologies. An SAP or Oracle creates a software product such as Enterprise Resource Planning (ERP), and a Wipro or an Infosys provides the services needed to integrate and maintain it. Now companies like Google or OpenAI are creating new technologies, positioning themselves at the forefront of innovation and defining the direction of the AI market. The difference between those ERP solution providers and GenAI providers is that at the end of the tech integration, they need little maintenance from service providers going forward. Like the praying mantis, they would likely devour their mate—the IT services programmers, i.e., who integrated their systems into their clients' technology portfolio.

> **Indian IT service providers must strive to reduce information asymmetry vis-a-vis GenAI companies**

Separately, with superior AI capabilities, companies like Microsoft can offer more advanced solutions to clients, attracting business that might have gone to traditional IT service providers. I would not be surprised to see a Google or an OpenAI consulting arm bloom. This would consolidate power and market share among firms leading the AI revolution. As a result, investors are more likely to place their bets on companies at the cutting edge, exacerbating the disparity between AI innovators and traditional IT service providers. The effect of information asymmetry can already be seen in their diverging valuations.

There is also a stark difference in the attraction of talent. Top AI researchers and engineers are more inclined to work with companies at the cutting edge. This often means choosing companies like OpenAI or Google over traditional IT firms. Meanwhile, most low-cost service providers look to hire fresh graduates, especially in India, where we have far more engineers graduating each year than there is demand for. This has granted Indian IT services firms the luxury of paying abysmally low wages, but at some point, these businesses need to realize that they get what they pay for. At current wages, what they get is a bunch of young employees who, though armed with shiny new degrees, need prolonged training before they can be of any use to clients.

Drawing lessons from economics, it is clear that this disparity could widen without strategic interventions, affecting not just individual companies, but the broader economic landscape. Bridging this gap is essential for fostering a competitive and inclusive AI market. The hope is that IT service companies can form strategic alliances with AI leaders to gain access to advanced technologies and expertise. Partnerships for the development of specific AI applications or research-sharing will probably help.

Investing in the skills and knowledge base of existing employees through continuous AI training and machine learning can improve the capacity of IT service companies to compete on a more equal footing. As the field evolves, so must the strategies of companies looking to stay relevant in the AI era.

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