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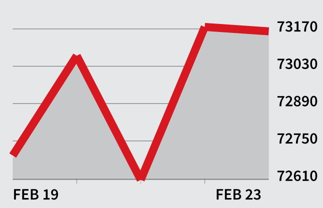

IN FOCUS

	Week's close	Week's change
Nifty 50	22212.70	+172.00
P/E Ratio (Sensex)	25.02	+0.25
US Dollar (in ₹)	82.94	-0.07
Gold Std 10 gm (in ₹)	61760.00	+264
Silver 1 kg (in ₹)	69653.00	-1269

CURRENT ACCOUNT. **Partner Hardik Shah explains** how KKR would prioritise future infrastructure investments **p9**

HUGE DISPARITY. **Top 5% of population in urban** India spends around 10 times more than bottom 5% **p2**

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QUICKLY.

EMERGING HUB

'Gujarat, a destination of choice for foreign tourists'

Ahmedabad: Pointing out that Gujarat has become a "destination of choice" for foreign tourists visiting India, Prime Minister Narendra Modi, while addressing a gathering at Dwarka, said one out of five tourists who came to India in 2022 visited Gujarat. Earlier, the PM inaugurated the ₹980-crore Sudarshan Setu at Dwarka, which links Okha on Gujarat's mainland to Beyt Dwarka, through a cable-stayed bridge. **p10**

FUNDRAISING OPTION

Banks eyeing bonds, rights issue amid stretched LDRs

Mumbai: Amid tight liquidity environment and stretched loan-to-deposit ratios (LDRs), banks are looking at alternative fund-raising options to support their balance sheets, leading to several of them tapping the capital markets to raise debt or equity through varied instruments. The surge in credit growth pushed Indian banks' LDR to a two-decade high of 80 per cent in December 2023, due to which incremental growth will "either come more slowly or be more expensive". **p10**

Tatas plan to list EV business

CHARGING UP. IPO likely in 12–18 months; listing part of investment monetisation plan

Hamsini Karthik
Mumbai

Makers of best sellers such as Nexon.ev and Tiago.ev, Tata Passenger Electric Mobility Ltd (TPEML) – India's largest electric vehicles manufacturer – is set to be the next big listing opportunity for the Tata Group.

According to multiple sources including investment bankers, the group is aiming at a $1–2 billion initial public offering (IPO) for its electric vehicles business.

BIG BANG LISTING

Housed as a subsidiary of Tata Motors, the company closed a $1-billion funding round with investment from US private equity major TPG in January 2023. The fundraise was part of the company's plans to infuse $2 billion by 2026.

"The listing of TPEML is to ensure that the Tata Group is able to monetise its investments in the electric vehicles business rather than to garner funds from the market," said a banker with knowledge of the development.

He added that though the group isn't working with any fixed cut-off date for listing its EV business, the internal expectation is that if the business climate for electric vehicles remains robust and the overall stock market sentiments are positive, the listing may happen in the next 12–18 months i.e., in FY25 or latest by FY26.

Presently, the group has committed to investing $1 billion in TPEML through internal accruals, and sources say this plan is well on track.

When contacted, an official spokesperson of Tata Motors dismissed the development as rumours and said "as a policy, the company doesn't comment on speculation".

The spokesperson added that in the December quarter (FY24) call with the media, the company had stated that it had no plans for raising funds.

ABOUT TATA EV

Incorporated in 2021, TPEML is among the newest additions to the Tata Group and the first business to be substantially backed by private equity investments.

With over 53,000 electric cars sold so far in FY24 and 73 per cent market share in the electric vehicles space, TPEML holds a leadership position in its segment.

According to reports, the company's valuations are pegged at $9.5–10 billion. Accounting for 12 per cent of Tata Motors' passenger vehicles portfolio, the EV business is just a shade away from overtaking the Tata Motors' diesel vehicles unit.

WHAT'S THE BIG DEAL

- Tata Passenger Electric Mobility is a market leader in EVs and among the youngest subsidiaries of the group
- Has sold 53,000 electric cars so far in FY24, with 73% market share
- EV biz to aim at $1–2 billion IPO
- Valuation of TPEML pegged at $9.5–10 billion
- Company closed a $1-billion funding round with infusion from TPG in January 2023
- Plans to raise $2 billion by 2026

WTO MC13: India to play hardball to protect farmers, fishers interest

Amiti Sen
New Delhi

Inclusion of new issues without mandate, including investment facilitation, has to be checked, say officials

India will need to negotiate hard at the WTO's 13th Ministerial Conference (MC13) starting Monday in Abu Dhabi to protect the policy space to extend subsidies to its poor farmers and small-scale fishers and stop new issues, including investment facilitation, that do not have a ministerial mandate or approval, from being brought in, officials said.

The initial draft texts of the agreement with many of New Delhi's demands, in square brackets, reflecting lack of consensus, indicate a challenging week for negotiators. Commerce Minister Piyush Goyal, leading a team of negotiators, will represent India at the WTO MC13 on February 26-29.

"In the fisheries negotiations, India has to ensure that its subsidies to small-scale fishers, at least up to the exclusive economic zone of 200 nautical miles, are not touched. Of course, it has to also see that rich nations responsible for depleting fish stock over decades with their large-scale industrial fishing do not get away through sustainability provisions," a Commerce Department official told *businessline*.

The draft text on curbing fisheries subsidies that contribute to overcapacity and overfishing circulated on February 16, allows exemption for small-scale fishers but the distance allowed for such fishing has been put in brackets suggesting that it could be anything between 12 nautical miles and 200 nautical miles.

Additionally, India sought a blanket exemption from subsidy cuts for all its fishers for a 'transition period' of 25 years that developed nations want to limit to not more than 7 years.

New Delhi will also continue to press for a permanent solution for public stockholding, to lift curbs on MSP, as the peace clause offers protection against legal action subject to onerous conditions and only for programmes that existed before 2013. "A permanent solution was promised in 2013 and is important as it will build-in the concessions into the Agreement on Agriculture," the official said.

NON-TRADE ISSUES

Then there are new issues, many of them non-trade, such as pacts on investment facilitation for development, MSMEs, gender and environment, which India has been opposing as these are not favourable for many developing nations and do not have the backing of the entire membership. "The new issues do not have ministerial mandate and cannot be formally allowed to be part of the WTO," he added.

'Impact of Red Sea crisis still moderate, could worsen'

Amiti Sen
New Delhi

World trade has witnessed a period of turbulence in 2023, as the continued Russia-Ukraine war and the conflict between Israel and Palestine, contributed to destabilising major economies. But with the US and China showing signs of improvement, global trade prospects for 2024 may be brighter, says Ralph Ossa, Chief Economist, WTO. On impact of Red Sea crisis, he says currently the economic impact is moderate, thanks to lower freight costs. If the crisis continues, the impact on trade and inflation could worsen significantly, especially in Europe.

Interview p3

QUICKLY.

FEMA case: Hiranandanis asked to appear before ED

New Delhi: Prominent Mumbai-based real estate developer Hiranandani Group's promoter Niranjan Hiranandani and his son Darshan Hiranandani have been asked to appear before the Enforcement Directorate office in Mumbai on Monday, days after their premises were searched by the sleuths in a foreign exchange violation case. OUR BUREAU

Delhi Excise case: Kavitha to skip CBI summons

New Delhi/Hyderabad: Former Telangana Chief Minister K Chandrasekhar Rao's daughter K Kavitha who was summoned by the CBI in the Delhi Excise Policy case under a CrPC section meant for 'suspects', on Sunday asked the agency to keep the notice in abeyance, citing upcoming parliamentary polls. The BRS MLC was asked to appear before the CBI on Monday, under Section 41A CrPC, under which a notice is issued to a person against whom a "reasonable suspicion" exists that the person had committed a cognisable offence. PTI

Top 5% of the population in urban India spends around 10x more than bottom 5%

SIGNIFICANT SHIFT. Household Consumption Expenditure survey shows fall in outgo towards food items

Shishir Sinha
New Delhi

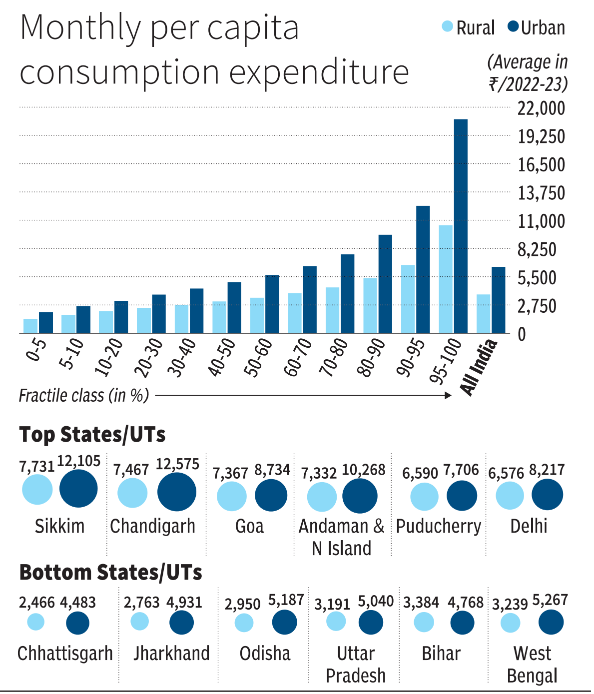
The Monthly Per Capita Expenditure (MPCE) of the top 5 per cent of the population in India is almost 10 times more than the lower 5 per cent of the population in urban areas, a consumption survey by the Statistics Ministry shows.

It also highlighted that Sikkim tops States and Union Territories in terms of MPCE, while Chhattisgarh is at the bottom.

Based on the Household Consumption Expenditure Survey (HCES: 2022-23), the estimates of MPCE are based on data collected from over 2.61 lakh households with over 1.55 lakh in rural areas and over 1.06 lakh in urban areas spread over all States and Union Territories of the country.

The survey was conducted from August 2022 to July 2023. It may be noted that results of the previous survey were withheld after data leaked showing huge differences and the government claimed discrepancies. "The bottom 5 per cent of India's rural population, ranked by MPCE, has an average MPCE of ₹1,373 while it is ₹2,001 for the same category of population in the urban areas. The top 5 per cent of India's rural and urban population has an average MPCE of ₹10,501 and ₹20,824, respectively," the fact sheet on HCES said.

This means the bottom 5 per cent of the population and the top 5 per cent of the population in rural and urban areas have consumption differential of over 664 per cent and 940 per cent.



Soruce: MoSPI

FOOD & NON-FOOD

Another important data point is expenditure on food and non-food items. While in rural India, the ratio is almost equal (46 and 54 per cent), people in urban areas have a wider gap. The urban population spends 39 per cent on food and 61 per cent on non-food.

Another important fact is that from 1999-2000 to 2022-23, the share of spending on cereals dropped to almost fifth in rural areas and almost fourth in urban areas. During this period, spending on education and conveyance in both rural and urban areas has gone up. Results of the survey indicated that the average MPCE (without considering the imputed values of the items received free of cost through social transfer) in rural areas rose to ₹3,773 in 2022-23 from ₹10,054 in 2009-10.

During the same period, MPCE in urban areas grew to ₹6,459 from ₹1,984. The survey has also given value after considering imputed values of items received free of cost through various social welfare programmes. Here, MPCE in rural areas surged to ₹3,860 from ₹1,084, and in urban areas, to ₹6,521 from ₹1,984.

In HCES, the usual practice of imputation of the value figures for consumption out of home-grown/home-produced stock and gifts, loans, free collection, and goods received in exchange for goods and services, etc has been continued; and accordingly, estimates of MPCE have been generated.

Besides, a provision for the collection of information on the quantity of consumption for several items received and consumed by the households free of cost through various social welfare programmes has been made in HCES.

Consequently, the value figures for food items rice, wheat/atta, jowar, bajra, maize, ragi, barley, small millets, pulses, gram, salt, sugar, edible oil; and non-food items laptop/PC, tablet, mobile handset, bicycle, motorcycle/ Scooty, clothing (school uniform), footwear (school shoe), received free of cost by the households through these programme, have been imputed using an appropriate method.

Govt excludes contentious provision, truckers relieved

TE Raja Simhan
Chennai

Truckers across the country are relieved as the Centre has excluded the contentious provision 106(2) from the Bhartiya Nyaya Sanhita 2023, which will be implemented from July 1.

The truckers were demanding withdrawal of the provision in the newly-passed Bharat Nyay Sanhita, which increases the period of imprisonment from two years to 10 years in hit-and-run cases. Recently, they went on a strike pressing their demand.

On Friday, the government, notified that the three newly enacted – the Bharatiya Nyaya Sanhita, Bharatiya Nagarik Suraksha Sanhita and Bharatiya Sakshya Abhiniyam – will be implemented from July 1.

The Bharatiya Nyaya Sanhita, replacing the IPC, will comprise 358 sections, down from the earlier 511 sections. Notably, 20 new crimes have been added, with compulsory minimum punishment retained in 23 crimes, and a penalty of community service established for 6 crimes. Additionally, 19 sections have been repealed.

The government has upheld its commitment to the All India Motor Transport Congress (AIMTC), drivers, truckers and transport fraternity by refraining from implementing the contentious clause 106(2) of the Bhartiya Nyaya Sanhita 2023, said a joint statement issued by the association's president Amritlal Madan, Chairman GR Shanmugappa, and Chairman of the Core Committee and former President Bal Malkit Singh.

P Sundararaj, Advisor, Southzone Motor Transporter's Welfare Association (SIMTA), told *businessline* that the law can have a huge impact on the public and the professional driver community. The basic stipulation in this case was that the accident should be reported immediately to the nearest police station or persons concerned. The law could be misused to demand bribb and that's why we are opposing this law, he said. R Lakshmaiah, General Secretary, All India Road Transport Workers' Federation, wanted the Centre to withdraw eh notification forthwith. The office-bearers of the federation will meet on February 27 and 28 in Thiruvananthapuram and discuss this issue.

Vietnam's VinFast breaks ground for ₹4,000-crore EV factory in TN

G Balachandar
Chennai

Vietnam-based electric vehicle maker VinFast Auto Ltd commenced construction work for establishing a new integrated EV manufacturing unit at Thoothukudi in southern Tamil Nadu where the company has planned to invest ₹4000 crore, spread over 5 years.

The company broke ground on Sunday as the State Chief Minister MK Stalin kicked off the construction work in the presence of State Ministers, senior government officials and top management of VinFast.

"This EV manufacturing investment by VinFast is the first big-ticket automotive investment in southern Tamil Nadu and this project will further strengthen the state's image as the hub of automotive manufacturing and EV capital of India," said Chief Minister MK Stalin.

Last month, the Vietnamese company, which makes and sells electric cars, electric scooters and electric buses, signed an agreement with the Tamil Nadu government to invest ₹16,000 crore over some time.

The company chose Tamil Nadu to set up its EV factory due to skilled workforce, progressive policies of the State government for the EV sector and the presence of the EV manufacturing ecosystem," Pham Sanh Chau, CEO, VinFast India said at the ground-breaking event at Thoothukudi.

JOB OPPORTUNITIES

The new factory will come up on a 400-acre site located at the industrial park of Tamil Nadu Industrial Promotion Corporation (SIPCOT) in Thoothukudi and it is expected to generate jobs for 3,000 to 3,500 people.

VinFast's entry into India reaffirms Tamil Nadu's progressive industrial policies and its role as a global automotive innovation and manufacturing hub. We believe the project will substantially contribute to the local economic advancement, job creation and technical skill development of the people of Tamil Nadu, said TRB Rajaa, Minister for Industries, Investment Promotion and Commerce, government of Tamil Nadu.

The upcoming EV unit is expected to have an annual capacity of up to 1,50,000 units. While it is gathered that the new factory is expected to produce electric cars and electric two-wheelers, company officials declined to comment on the same.

VinFast also plans to establish a nationwide dealer network to build the brand with the commitment of "good cars - good prices - excellent after-sales. The EV factory will not only cater to the Indian market but will also serve countries in South Asia, the Middle East and Africa. It is also learnt that VinFast has requested the Central government for a cut in import duties on its EVs for a couple of years till it establishes its brand and gets its factory commissioned. Top global EV maker, Tesla, has also been seeking a 100 per cent cut on import duty to bring its fully-built EVs into India. However, the Central government has yet to announce its decision.

VinFast sees India as one of the key markets in its global expansion plan. "Investing in building a factory in Tamil Nadu state not only aims to seize opportunities from the world's third largest automobile market but also affirms VinFast's global stature, making an important addition to the production ecosystem. around the world, including an existing factory in Vietnam, a factory under construction in the US and a factory to be built in Indonesia," it added.

STRONG FOUNDATION. Tamil Nadu Chief Minister MK Stalin with Pham Sanh Chau, CEO, VinFast India, during the ground-breaking ceremony of the company's plant in Thoothukudi on Sunday

Taxes on imported cars high, but people are able to digest them, says top Lambo official

S Ronendra Singh
New Delhi

Taxes/customs duties on imported cars are quite high in India, but people who can afford such cars can digest that kind of taxation, according to luxury sports car maker Lamborghini.

India imposes more than 100 per cent import duty on completely built units (CBUs).

"For sure, we know it is not a secret, there is taxation, especially on the luxury car, more than on luxury goods ... it is very high. And, for sure, it is something that can sometimes block the purchase. I think that anyway, people who can afford such a car, can also digest this kind of taxation," Federico Foschini - Chief Marketing and Sales Officer at Automobili Lamborghini S.p.A told *businessline* recently.

"All Lamborghini customers travel a lot, not only for business, but also for personal leisure and holidays, so they are also looking around and comparing, and in the global world that sometimes creates some debate," he explained.

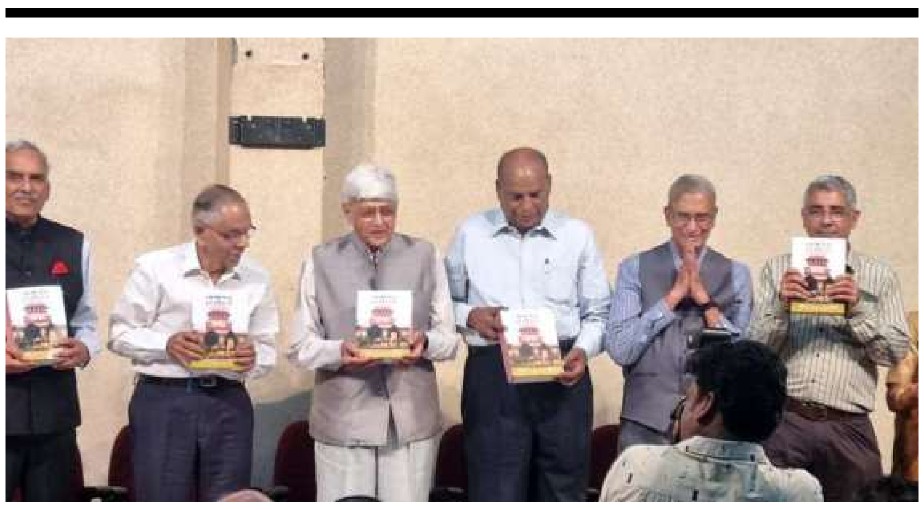
"This is the situation, we know that it is, we cannot do anything, we need to accept ... But, we also need to consider that these are luxury goods and for those who can afford and want to have it in India, this is the rule. And, the good thing is that at the moment, it is the same for everybody, it is a fair game," he added.

Asked about assembling the cars in India, Foschini said "it's not worth it" because it would be a complexity to manage an additional plant.

"We didn't do that for the US, for China...So, such a product, with such numbers, should stay in one plant and that's it. So, there is no way to have localisation. Everywhere in the world, the cars come from Sant'Agata (the only plant in Italy)," he said.

He said it's not only a combination of financial sustainability and complexity, but also giving the right value to the product built in Sant'Agata. Having said that, he added that India will not be behind any country in terms of getting the latest products.

A WEIGHTY ADDITION



AUGUST GATHERING. Veteran police officer and former CBI Director, RK Raghavan, on Saturday released his fourth book titled 'Criminal Justice: Myths and Realities'. The book is a collection of articles written earlier by Raghavan in various newspapers, but mostly in the *Frontline* magazine. The book was released in the presence of MK Narayanan and Gopalkrishna Gandhi, former Governors of West Bengal; D Sivanandan, former Director General of Police, Maharashtra; and AX Alexander, former Director General of Police, Tamil Nadu.

US sanctions on Venezuela threaten to disrupt India's crude oil imports

Rishi Ranjan Kala
New Delhi

The US' move to re-impose sanctions on Venezuela, if it fails to hold free and fair elections by April 18, again threatens to disrupt the crude oil trade with India.

India, which resumed importing Venezuelan crude oil in December 2023 after a hiatus of over three years, emerged the largest buyer in January for the South American nation that has the world's largest proven oil reserves.

However, the spectre of impending sanctions against the Nicolas Maduro government threatens to not just disrupt imports, but also attempts by PSU refiners to utilise stuck dividends by procuring barrels and investing in oil projects.

According to energy intelligence firm Kpler, India imported more than 2,54,000 barrels per day (b/d) last month and over 1,91,000 b/d in December 2023 from Venezuela. Until 2019, India was Venezuela's third largest purchaser, after the US and China, importing roughly 3 lakh b/d on an average.

Earlier this month, ONGC Videsh MD Rajarshi Gupta, on the sidelines of the India Energy Week, said the company is awaiting cargoes from Venezuela in lieu of stuck dividends. It is also in talks to operate two oil and gas projects.

OVL owns 40 per cent stake in Venezuela's San Cristobal project — a producing asset — and 11 per cent in the under development Carabobo project.

However, a top government source said since the US threatened actions against Venezuela, India is studying the situation. "There's no issue for now. But, there are no issues [importing crude] till April and investment decisions factor in such scenarios. Also, both sides are in constant touch," he added. In May 2022, the US's Office of Foreign Assets Control (OFAC) allowed Eni and Repsol to resume oil-for-loan exchanges, which also accelerated negotiations between state oil company Petroleos de Venezuela (PDVSA) and its foreign JV partners, including ONGC.

In August 2023, Venezuela's Vice-President Delcy Rodriguez met Oil Minister H S Puri, deliberating on ways to enhance the crude oil trade. After the US lifted sanctions in October 2023, as part of the six month deal with Maduro, oil cargoes of the heavy sour grade Merey flowed into India in December 2023.

TODAY'S PICK.

CAMS (₹3,112.50): BUY

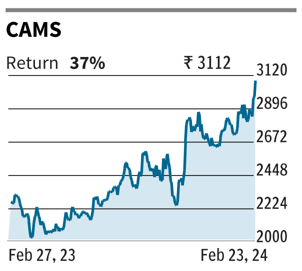
Gurumurthy K
bl. research bureau

The outlook for Computer Age Management Services (CAMS) is bullish. The stock rose over 3 per cent on Friday, taking the stock well above the psychological ₹3,000 mark. It has also closed the week on strong note.

The region between ₹3,050 and ₹3,000 will now act a strong resistance-turned-support zone.

A fall below ₹3,000 is unlikely as fresh buyers are likely come into the market at lower levels and limit the downside.

CAMS share price can rise to ₹3,350 over the next three-four weeks. Traders can



CAMS now at around ₹3,113.

Accumulate on dips at ₹3,070. Keep a stop-loss at ₹2,960. Trail the stop-loss up to ₹3,160 as soon as the stock moves up to ₹3,230.

Move the stop-loss further up to ₹3,280 when the price touches ₹3,310. Exit the stock at ₹3,335.

Note: The recommendations are based on technical analysis. There is risk of loss in trading

Anvil Wealth to shut down PMS business amid regulatory scrutiny

Ashley Coutinho
Mumbai

Anvil Wealth Management (AWM) is winding down its portfolio management services (PMS) business, said two people in the know.

The decision to shut shop comes in the aftermath of SEBI's interim order in March last year, which restrained six entities, including AWM's fund manager Kaushal Chandarana, for involvement in front-running trades of AWM.

AWM ran three strategies — Anvil Long Holding Strategy, Alpha 25, and Anvil Wealth Compounders — with assets totalling over over ₹1,300 crore at the end of April last year, data collated from industry body APMI showed. At the end of January this year, the combined assets of the three strategies fell to ₹189 crore. Anvil Long Holding Strategy, the largest scheme, has returned 21.3 per cent in the past five years and 18.3 per cent since inception.

The exit process was initiated a few months ago and may be completed before March 31, according to one of the persons. PMS investors were given three exit exit options: transferring securities to their accounts, receiving cash after selling the securities, or transferring holdings to Enam Asset Management. Several clients have chosen the last option and migrated to Enam AMC, which is the largest PMS manager in the country, with assets exceeding ₹39,000 crore. The AMC was co-founded by Vallabh Bhansali, Nemish Shah, and Jiten Doshi, who has served as its chief investment officer since 1997.

AWM was created in 2008 as a wholly-owned subsidiary of Anvil Share and Stock Broking to offer PMS. The latter was founded in 1989 by Anuj A Sheth, Shah's nephew, as a proprietary concern. In 1997, it emerged as a corporate entity. Doshi joined hands with Anvil in 2001.

AWM's disclosure document, however, states that it has initiated an internal restructuring, making Takshil Financial Services the 100 per cent holder of AWM, with Sheth and Nimesh Doshi as the ultimate beneficiaries.

IN A SPOT

- SEBI's interim order in 2023 implicated six entities, including AWM's fund manager, for front-running
- AWM's three strategies had assets totalling over ₹1,300 crore as of April 30, 2023
- Assets have slid to ₹189 crore
- PMS investors were given three exit options
- Several clients have opted to transfer their holdings to Enam AMC

'INTERNAL RESTRUCTURING'

"Most owners would have sold off the business due to its long history, but instead, they have made a strange decision to wind it up," said an industry official. "Many promoters are worried about getting caught up in regulatory issues and the SEBI order could have influenced the decision." In its interim order last year, SEBI had observed that Banhem Stock Broking and Ninja Securities traded in different securities ahead of the impending orders placed on behalf of AWM. It noted that Manish Mehta, a common director of Ninja and Banhem, was connected with AWM portfolio manager Chandarana.

AWM's disclosure document states that there are no pending litigation or proceedings initiated by any regulatory authority against the portfolio manager or any of its directors or employees. Furthermore, it states that it has taken action, suspending the concerned employee mentioned in the SEBI interim order and has submitted the relevant details to SEBI.

An email sent to AWM and Enam AMC, as well as a text message to Jiten Doshi, did not receive a response.

QUICKLY.

GST Council may soon clarify tax exemption to RERA

New Delhi: The GST Council is likely to soon clarify that Real Estate Regulatory Authority (RERA) will not be required to pay Goods and Services Tax (GST), an official said. According to the official, RERA, which functions as a regulator and facilitator for the realty sector, is covered under Article 243G of the Constitution dealing with powers, authority and responsibilities of panchayats. RERA was set up in different States to ensure transparency in real estate projects, protect the interest of consumers and to establish an adjudicating mechanism for speedy dispute redressal. PTI

STATE OF THE ECONOMY

We expect to have the first vessel which is capable of burning ammonia as a fuel on water by 2027, says **Ajay Singh**, a board member of Mitsui OSK Lines, in conversation with *businessline's* **Raja Simhan**

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'Impact of Red Sea crisis still moderate, could worsen'

COMMITTED TO DEVELOPMENT. WTO's consensus-based decision-making will remain fundamental at MC13 discussions: Ralph Ossa

bl.interview

Amiti Sen
New Delhi

World trade has witnessed a period of turbulence in 2023, as the continued Russia-Ukraine war and the conflict between Israel and Palestine, contributed to destabilising major economies. But with the US and China showing signs of improvement, international trade prospects for 2024 may be brighter, says Ralph Ossa, Chief Economist, WTO.

In an e-mail interview with the *businessline*, Ossa touches upon important issues ranging from prospects of world trade and the impact of the Red Sea crisis to the WTO's 13th Ministerial Conference in Abu Dhabi. Excerpts:

In its last projection in October 2023, the WTO downgraded its forecast for world merchandise trade growth to 0.8 per cent. With the Russia-Ukraine war and conflict in the Middle East continuing full steam and the Red Sea attacks disrupting shipping from mid-October, will 2023 projections be further downgraded?

Our 2023 merchandise trade forecast now seems overly optimistic, reflecting weaker-than-expected trade data for Q3 and subdued trade indicators for Q4.

This is mainly due to weaker growth in Europe, significantly impacting global trade.

However, services trade remains robust, with a 9 per cent y-o-y increase in value terms for the first three quarters of 2023, driven by a surge in post-pandemic demand for travel, especially from China.

> Conversely, challenges include weaker growth in Europe, the potential for persistent inflation and escalating geopolitical tensions, particularly in the Middle East
>
> **RALPH OSSA**
> Chief Economist, WTO

Will it be possible to continue with the reasonably robust growth outlook of 3.3 per cent in 2024? What are the factors weighing in favour and against?

We maintain our expectation for a rebound in international trade in 2024. Factors supporting this include an improved growth outlook for the US and China, declining inflation in advanced economies, and anticipated interest rate cuts in late 2024. Conversely, challenges include weaker growth in Europe, the potential for persistent inflation and escalating geopolitical tensions, particularly in the Middle East.

If the Red Sea crisis persists, how do you think the world should react to get through it? Which countries stand to be the worst affected?

Currently, the economic impact of the Red Sea crisis is moderate, thanks to lower freight costs compared to their 2021 peak, moderate demand, strong inventories and available container shipping capacity. If the crisis continues, however, its impact on trade and inflation could worsen significantly, especially in Europe.

In a September 2023 report, the WTO highlighted that after Russia invaded Ukraine in Feb 2022, trade flows between two hypothetical geopolitical blocs grew 4-6 per cent more slowly than trade within these blocs. Is fragmentation a considerable threat to growth in global trade?

The early signs of geoeconomic fragmentation, which we documented in our report, are indeed worrying. Our analysis suggests that full fragmentation could reduce global real incomes by an average of 5 per cent. We advocate instead for re-globalisation — understood as expanding trade integration to more countries, people and issues—as the most effective response to today's global challenges.

The WTO MC13 starting next week pits developing countries against developed nations in fisheries subsidies, food security and e-commerce moratorium. Is the development dimension of the Doha Round redundant now for developing nations?

The WTO's consensus-based decision-making process ensures every member's voice is heard, reinforcing our commitment to addressing development issues. This approach is fundamental to our discussions at MC13 and beyond, highlighting the ongoing relevance of the development dimension.

Without a functioning Appellate Body can the WTO lose its relevance? Is there a way out of the present situation in the face of continued US resistance?

At MC12, members agreed to have a well-functioning dispute settlement system by 2024. We remain hopeful that substantive progress towards this goal will be achieved at MC13 and beyond.

'No mandate for adoption of proposed investment facilitation agreement at WTO ministerial meet'

Amiti Sen
New Delhi

There is no mandate for the adoption of the proposed pact on `investment facilitation for development' negotiated by a group of WTO members, led by China, at the WTO's 13th Ministerial Conference (MC13) was an "attack" on India and South Africa by WTO Director General Ngozi Okonjo-Iweala for opposing it was appalling, some Civil Society Organisations have said.

"A sub-group of WTO members are set to celebrate the conclusion of a break-away agreement on investment facilitation and try to secure its adoption as a plurilateral agreement at this week's 13th ministerial conference, that can only be done by consensus," per a statement issued by a group of global CSOs.

Not only is there no mandate for these negotiations, but there is also a negative mandate, said Deborah James, facilitator of the Our World is Not for Sale network. "Countries who are trying to push this through at the MC13 are breaching fundamental WTO rules," she said.

India, together with South Africa, has been opposing the China-backed IFD, which is supported by 130 nations, as it believes that a "non-mandated, non-multilateral issue" cannot be brought to the formal process in the WTO. "Such an attempt will be in violation of the WTO framework and fundamental rule of consensus-based decision-making," an official said.

INVESTMENT DYNAMICS

WTO members have explicitly rejected attempts to get an investment agreement ever since 1996, the CSO release pointed out. A decision in 2004 said that there would be no discussion of investment negotiations in the WTO until the Doha round was over and the round was not over.

Moreover, in the 2015 Nairobi Ministerial Conference, it was decided that any such new issues would only be addressed if agreed by all members, the release said.

The WTO DG has gone far beyond her legitimate role as an international public official, who are legally required to be neutral, in her criticism of India and South Africa for opposing the pact , when what they have been insisting is that WTO acts in accordance with its own rules, said New Zealand law professor Jane Kelsey.

Pretending this investment facilitation agreement is for development is a sham, according to Simon Eppel of South African Union Centre (COSATU). "There is no 'development' in this agreement," Eppel said.

The main reasons that foreign investors don't come to many developing countries, LDCs and small island developing states are the stark realities of poverty, distance and geography, small scale, poor infrastructure and high costs, the release noted. Foreign companies that do invest are mainly seeking to extract super-profits from exploiting natural resources.

"The long history of investment agreements shows this won't address any of those issues. What countries really need is a commitment to actively facilitate investment to strategic sectors countries need and which is responsible and genuinely advances their development", said Lucia Barcena from Transnational Institute.

Several inconsistencies in Pak's application to EC seeking GI tag for its basmati

Subramani Ra Mancombu
Chennai

The European Commission (EC) has published the application of Pakistan seeking a Geographical Indication (GI) tag for its basmati rice in a significant development. However, there are several inconsistencies besides conflict with India in Islamabad's application.

It could probably face a setback and strengthen India's case, experts say. More importantly, the document which questions the sovereignty of India by showing Indian territories as those in Pakistan could throw a spanner in India's free trade agreement (FTA) talks with the EU.

The EC has published the application even as India's basmati GI application has been put in cold storage since July 2018. "The document prepared by the EC based on Pakistan's application represents and reflects its preliminary view," said S Chandrasekaran, a GI expert who has written the book "Basmati Rice: The Natural History Geographical Indication".

The Pakistan application has problems with the description of the product, "concise" definition of the geographical area where basmati rice is grown, conflict of interest with India's Pusa-1121 variety, environmental factors, historical origin and reputation. According to Chandrasekaran, the document published by the EC reveals a difference in the "approach and integrity of the growing area". "In terms of quality, the EC document reflects the fact that India is the authentic source of Basmati," he said, adding PK1121 is a notified basmati variety of Pakistan

WEAK CASE. Pakistan's application refers to certain literature that is contemporary in nature and does not have any historical reputation

as India's Pusa-1121 and it will give rise to a "conflict of interest".

REFERENCE TO J & K

The GI expert said the EC document describes that Basmati is "also being grown in specific areas of India". "When the EU published the Indian application, it did not include Pakistan. Since India applied to the EC in 2018, probably, the EC did not have an option but to mention Indian areas in the document published for Pakistani application," he said.

The contentious part of the document is the reference to Jammu and Kashmir areas such as Mirpur, Bhimber, Poonch and Bagh. Pakistan has mentioned Khyber Pakhtunkhwa as a growing region but this will be bitterly contested since it is a "non-contiguous" area. This is seen as questioning India's sovereignty and emerges as an impediment in the India-EU FTA talks, experts say.

"Areas such as Bahawalpur, Rahimyar Khan are adjacent to the Thar desert. These expose the lack of environmental determinism in the GI application," Chandrasekaran said.

For GI, the sanctity is the area where the rice is grown. In the case of Pakistan, it is deeply flawed in the published EC document. The GI expert said the approach to the roots of the word "Basmati" by India and Pakistan differ sharply. "The reputation of the word is also linked to language and its existence. The Pakistan document published by the EC loses ground on this account," he said.

PUSA-1509 AT RISK

The Pakistan application refers to certain literature that is contemporary and they do not have any historical reputation. "This will be a major setback for Pakistan," said Chandrasekaran.

Pointing out the differences in the Indian and Pakistan applications, the expert said India, dwelling on solar radiation and day length, said the length of the day in basmati growing regions is longer than in central or southern India.

The Pakistan application says from late September onwards the temperature drops and days become clearer. Such climatic conditions are ideal for the development of specific characteristics of basmati rice, Islamabad said.

eAmbrosia updated Pakistan's status on August 24, 2023.

CPAI advocates qualified jewellers for silver at IIBX

KR Srivats
New Delhi

Commodity Participants Association of India (CPAI) has knocked on GIFT City Regulator IFSCA's doors, seeking a more accessible entry point for Qualified Jewellers (QJ) in the silver segment of India International Bullion Exchange (IIBX).

"We have recently requested IFSCA to introduce a novel category for Qualified Jewellers in the Silver segment. Silver-focused jewellers and traders must be allowed with a lower net worth criterion that is commensurate with requirements of this category", Narinder Wadhwa, President, CPAI told *businessline.*

FPIs push the brakes on equity sell-off, Feb outflows plummet to ₹423 crore

KR Srivats
New Delhi

Resilient Indian equity markets, which saw key benchmarks Nifty50 and Sensex hitting an all time high this past week, may have prompted Foreign Portfolio Investors (FPIs) to put brakes on their aggressive equity selling spree, bringing down their net equity outflows so far this month to ₹423 crore, depositories data showed.

This net outflow of ₹423 crore till February 24 is sharply down from the net selling of ₹25,744 crore in January 2024. FPIs pumped a record $ 8 billion in Indian equities in December last year.

Interestingly, the slowdown in FPI selling in recent days comes despite the rising US Bond yields.

Normally when the US 10-year yield rises above 4.15 per cent, the FPIs sell heavily. But this is not happening now, V K Vijayakumar, Chief Investment Strategist, Geojit Financial Services, said.

"Since the DIIs, HNIs and retail investors are the dominant players now and their sustained buying is pushing the market to newer records, FPIs have taken a backseat", he added. The resilience of the market is preventing the FPIs from selling aggressively despite attractive bond yields in the US, according to Vijayakumar.

Jitendra Gohil, Chief Investment Strategist, Kotak Alternate Asset Managers Ltd, said "India is the 5th largest economy but the weight in global Indices is less than 2 per cent, this gives us confidence that FPIs will use any major correction as a buying opportunity after missing out on mark outperformance of Indian equities".

He also said that FPIs are taking note of marked improvement in Indian macro stability parameters, which is clearly reflected in the resilience of the INR and India's bond yields.

FPI DEBT BUYING

FPIs continue to resort to heavy buying in debt markets, pumping in as much as ₹18,589 crores in February so far. All eyes are on the FPI buying action this week to see if they would beat the January 2024 purchase level of ₹ 19,837 crore.

Shantanu Bhargava, Managing Director, Discretionary Investment Services, Waterfield Advisors, said the inclusion of Indian bonds in global indices has increased their prominence during a period when the US economy is experiencing difficulties and the USD appears to be reaching its peak. In contrast, India has an expanding economy characterised by favourable macroeconomic attributes and fiscal stability. "Consequently, bond inflows may eventually exceed what the mathematics underlying index inclusion might predict, as increased inflows have already demonstrated", he said.

NSE chief urges broking industry to aim for 100% households participation

KR Srivats
New Delhi

The broking industry must not bask in past glory even as it has played a huge catalytic role in the growth of Indian capital markets in recent decades, Ashish Kumar Chauhan, Managing Director and CEO, National Stock Exchange (NSE) has said.

There must now be a concerted effort by the broking industry to bring 100 per cent of Indian households into direct equity investing, Chauhan said at the 13th International Convention of Association of Exchange Members of India (ANMI), a national-level industry body with nearly 1,000 broker members.

Chauhan, who was part of the founding team of NSE in 1994, noted that about 20 per cent of Indian households now directly invest in stock markets.

"It is all your hard work. It is good you have reached this milestone. But now don't bask in your past glory. You have to make it 100 per cent.

Ashish Kumar Chauhan, Managing Director & CEO, National Stock Exchange

That is where we have to go," he said. In India has to grow, then it will have to do so on the back of this industry (Broking industry), he said, adding that it was also important for it to increase trust in the Broking fraternity as well as in the entrepreneurs that raise capital through capital markets.

TRUST & COMPLIANCE

"Our job is to maintain trust first in ourselves. That's why even by mistake, don't make mistakes. Don't do anything that takes away the trust of people in the Broking community," he said.

Chauhan underscored the need for the Broking community to completely abide by every regulation framed by the market regulator SEBI exchanges or any other government authority. This is because every regulation is intended to increase trust in the capital market system.

Noting that the modern framework allows one to create wealth without putting too much money, Chauhan highlighted that new capitalism is "capitalism with very little capital". The Broking industry has to help young entrepreneurs to raise capital using technology. " Trading is one part, derivatives is one part. First and foremost, we have to learn to raise capital for our young entrepreneurs.

That is the minimum requirement for India to grow. Some of those entrepreneurs will make a lot of money for themselves and their investors. Some of them will also go down", Chauhan said. If India has to grow to $50 trillion in market capitalisation by 2047, it will come on the back of technology-driven young start-ups, Chauhan said.

Number of M&A deals in India fell 10% in 2023: PwC

Press Trust of India
New Delhi

The number of merger and acquisition deals during 2023 dropped by 10 per cent on an annual basis to 793, said a PwC India report.

However, the total disclosed deal value for M&A declined much steeper at 38 per cent during the year, according to the report titled 'Deals at a glance'.

The report further observed that PE investments totalled $36 billion, marking a substantial 36 per cent drop from 2022.

IBBI boosts liquidation process with stakeholder engagement

KR Srivats
New Delhi

Insolvency regulator IBBI has mandated the involvement of Stakeholders' Consultation Committee (SCC) during the preparation of preliminary report in liquidation.

Liquidators should seek suggestions/observations of the members of the SCC while preparing the preliminary report, the IBBI said in a circular. They should finalise the preliminary report only after considering such suggestions/observations of the members of the SCC and thereafter submit it to the Adjudicating Authority (AA), Board and members of SCC, it added.

Simultaneously, IBBI has also mandated that liquidator must share progress reports on the liquidation with the SCC.

Currently, regulations provide that liquidator would have to submit progress reports, to the AA, IBBI and the Board within 15 days after the end of every quarter.

Hitherto, the regulation provided for submission of progress reports to the AA and the Board, it does not get shared with key stakeholders of the ecosystem, i.e creditors, thus leaving them unaware of the progress in the process thereby creating information asymmetry.

Hari Hara Mishra, CEO, Association of ARCs in India, said "The involvement of SCC at the time of preparation of preliminary report in liquidation, will help the liquidator have a more reasoned commercial perspective to finalise best fit strategy in the situation"

Padmaja Kaul, Partner, INDUSLAW, said this IBBI move would facilitate substantive engagement with stakeholders prior to significant decisions, thereby ensuring their interests remain paramount.

CHENNAI
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Sandeshkhali shame

Trinamool shown up for land grab, sexual abuse

For a party that rose to power on the back of a movement to protect agricultural land in Singur and Nandigram way back in 2006-07, the wheel would seem to have come full circle for the Trinamool Congress. The political maelstrom that has broken out over Sandeshkhali, a tiny village in North 24 Parganas district, virtually divests the ruling party in West Bengal of any claims of being a party committed to rule of law and gender justice – a dark irony indeed for a party which runs on the popular slogan of *'Ma, Maati, Manush'*.

This trope appears farcical in the face of testimonies of local women who have come out describing how men allegedly protected by the local Trinamool Congress strongman Sheikh Shahjahan and his aides Uttam Sardar and Shibaprasad Hazra have been sexually exploiting them for years. A particularly explicit video depicts a local woman protestor describing how these men would pick them out and force them to come to the Trinamool Congress party office where they would be sexually assaulted. This went on alongside widespread incidents of land grab allegedly aided by local Trinamool Congress henchmen led by Shahjahan Sheikh. The party brass clearly looked the other way as these men usurped arable land from the common people and converted them into prawn farms. The spoils of this lucrative land grab were shared among the goons for years.

What lifted the lid from this can of worms was an Enforcement Directorate (ED) raid on Sheikh Shahjahan on January 5 during which the ED officials were violently attacked. While Sheikh has been absconding since, it emboldened the local women to come out in large numbers to accuse him and his men of usurping their land and sexually exploiting them for years. These accusations sparked protests and tensions escalated when villagers carrying sticks and bamboo canes set Uttam Sardar's poultry farms in fire. The properties of the other man under fire, Shibaprasad Hazra, were also set ablaze. A large number of women have taken to the streets demanding the arrest of Sheikh Shahjahan and his aides.

That the BJP might have seized upon it for political advantage before the general elections can be no excuse to brush this off as mere political rabble-rousing. The harbouring and protection of men like Sheikh Shahjahan clearly speaks of a systemic perversion. The fact is that neither has the Chief Minister Mamata Banerjee come out with a strong condemnation of the sordid episode nor have the police arrested Sheikh Shahjahan so far. It is unfortunate that such brazen abuse of power and exploitation of women should happen under the watch of a woman Chief Minister. Instead of crying political vendetta, the urgent need is for the State Government to restore the public's faith by bringing the guilty to justice and restore usurped land to its rightful owners in Sandeshkhali.

FROM THE VIEWSROOM.

And the Oscar goes to...

B Baskar

The Oscars ceremony is just a couple of weeks away — on March 11. As always the speculation in media and of course social media is intense. The frontrunner is Christopher Nolan's Oppenheimer. The film has the tension and edginess that characterises Nolan's film-making style. Cillian Murphy, who plays Oppenheimer, is also the favourite for the Best Actor Oscar.

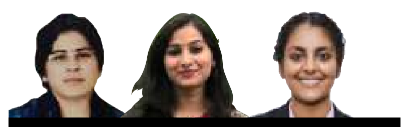
But another movie that could not be farther away from the big-budget 'Oppenheimer' is Alexander Payne's 'The Holdovers'. This film set in a New England boarding school for boys in 1970 where the students are preparing to visit home for their Christmas break. But some students -- The Holdovers -- are forced to stay back at school and spend their vacation there. Paul Giamatti who plays the grumpy school teacher assigned to look after these students has turned in a masterful performance worthy of an Oscar. Giamatti as Payne fans will remember missed out several years ago for the film Sideways.

'The Holdovers', in terms of content, narrative style and film-making style could not be more different from 'Oppenheimer', and therein lies its charm. How three very different people -- a teacher, a student and a cook -- bond during a Christmas break they are forced to spend together is brought out dark humour, tenderness and warmth. Da'Vine Joy Randoph, who has deservedly won the Golden Globe for Best Supporting actor, plays the grief stricken cook -- her grief also brings out the wedges in race and class relations in US society. Dominic Sessa, the lonely and depressed student searching for familial affection, makes an impressive debut. Giamatti, who tries his best to shun people yet craves for their friendship, a man who's often left to ponder what his life could have been, richly deserves an Oscar. Payne's movie tells us how humour is at its best when it is dissecting melancholy and loneliness.

Is de-globalisation a reality?

ISTOCKPHOTO

TRADE WINDS. Globalisation in services continues, even as we are past the era of hyperglobalised trade in goods



ANURADHA GURU
PRACHI SINGHAL
MEERA UNNIKRISHNAN

De-globalisation has become a pervasive narrative, fuelled by stories about big corporations relocating from China. Statements made by top officials (Janet Yellen and Christine Lagarde) on the need to friend shore their supply chains too have propelled this narrative. To understand if the world is de-globalising, we must first see the reality of globalisation.

China's heft in the globalised world had, in many ways, resulted in globalisation giving way to a greater degree of 'dependence' rather than 'connectedness'. The pandemic brought to fore the stark levels of dependency in areas ranging from semiconductor chips to active pharmaceutical ingredients.

Further, the costs arising from this dependency was felt more by countries that were geopolitically distant from China. In response, protectionist policies such as the Inflation Reduction Act in the US and the EU's green industrial plan were enacted to build domestic capacity in critical sectors. These de-risking strategies adopted by the world's top trading economies could result in a drag on global growth.

However, the de-globalisation rhetoric does not adequately reflect global trends. For instance, our calculations show that, with the US imposing a 25 per cent tariff on Chinese products (semiconductors, auto parts, furniture, and electronics), there was a 32 per cent decline in US imports of Chinese goods in these sectors between 2018 and 2022.

This resulted in US trade being diverted to nations such as Mexico and Vietnam. In this context, the de-globalisation narrative would have it that several sectors in these two countries are now de-coupled as a result of the policies in place.

However, there is a catch here. Research by the Bank for International Settlement (BIS) (https://shorturl.at/uLMO3) shows that despite its policies, the US continues to remain reliant on Chinese inputs. In fact, the rise in trade through Mexico and Vietnam is a result of Chinese firms re-routing their supply through these countries (or by locating themselves in these countries). Thus, a true de-globalisation between the two nations seems unlikely in the years to come.

However, globalisation should not be conflated for the positions taken by China and the US — which once formed the axes of globalised trade. If we view globalisation as an inter-connectedness of markets, in many ways the world is more globalised now than it was ever before.

Flows of services, international students, and intellectual property grew about twice as fast as goods flows in 2010-19. Despite the disruption caused by the Covid pandemic, most global flows continued to grow — or even accelerated — in 2020 and 2021. Trade rebounded quickly in all regions even as the pandemic raged on. This was especially true in Asia, a region where complex value chains are common.

> **Despite the disruption caused by the Covid pandemic, most global** flows continued to grow — or even accelerated — in 2020 and 2021

SWIFT SPIKE

On the financial front, payment gateways like SWIFT which enable a smooth and secure flow of financial transactions have been thriving with continuous onboarding of countries and an increase in financial information (FIN) messages. With 6.6 per cent growth in FIN messages in 2022, now more than 11,000 institutions are connected through SWIFT as compared to 518 in 1977.

What would happen if the world were to truly de-globalise and splinter into separate trade blocs? A recent IMF study (https://shorturl.at/kCFIQ) looks at this counterfactual scenario and observes that there would be permanent losses to global GDP, most severely in low-income countries.

In general, literature shows that the decoupling of nations can reduce labour productivity, result in sectoral misallocations, and adversely impact knowledge diffusion. Complete de-globalisation can therefore set the world on a regressive path.

It is pertinent to acknowledge that as countries seek to reduce the vulnerabilities arising out of their dependency in terms of sourcing products from one nation, the move towards aligning with geopolitically like-minded countries through bilateral or plurilateral arrangements may exacerbate the concentration of economic relations with a few sets of countries.

It is critical to explore what these changing paradigms mean for India. Policies need to straddle security concerns with economic considerations. India's push towards manufacturing in complex and niche sectors through schemes such as PLI and Make in India aims to balance these goals.

On the other hand, India's edge in services will catalyse our globalisation over the coming years. A recent paper by the Peterson Institute for International Economics (https://www.piie.com/publications/working-papers/trade-hyperglobalization-dead-long-live), asserts that globalisation in services is ongoing, even as we are past the era of hyperglobalised trade in goods. In turn, this implies that the global demand for India's services sector exports is here to stay.

India is simultaneously working towards unlocking the potential gains from growing integration by enhancing logistics. This is evident from the large infrastructure deals which have been signed to ramp up trade. For instance, the International North-South Transport Corridor (INSTC) is expected to shorten trade time for shipments to Russia and Europe.

Another major joint infrastructure deal, the India-Middle East Europe corridor (IMEC), will connect Asia with Europe via ports and railroads. Similarly, there is a concerted effort towards striking trade agreements with countries spanning geographies.

By being responsive to the changes in globalisation, India continues to be in lock-step with the world — which now dances to a new beat.

Guru and Singhal are officers of the Indian Economic Service and Unnikrishnan is a Consultant with the Office of Chief Economic Adviser. Views are personal

Trump has nearly made it to the finishing line

Nikki Haley's South Carolina loss is a big blow. Trump seems to have sewn up his nomination as GoP's presidential nominee

Sridhar Krishnaswami

Political pundits called her primary loss in Nevada as embarrassing as she came well behind the 'None of these Candidates' category at 30 per cent; and before that in Iowa and New Hampshire the losses were passed off as expected.

But after a dismal showing in her own home state of South Carolina, all but Nikki Haley have seen the writing on the wall. Haley will continue as long as she has money to pay for the lights, was apparently one murmur.

"I'm an accountant. I know 40 per cent is not 50 per cent. But I also know 40 per cent is not some tiny group," Haley maintained. But what she could not say was that her former boss had made his presence felt and endorsed in every segment of the voting population, especially men and white voters in the rural and suburbs. And at a time when there was perceptible outrage of Donald Trump mocking Haley's National Guardsman- husband doing a tour of duty in Africa, one exit poll showed the 45th President getting 70 percent backing from veterans.

TEFLON TRUMP

Even before polls opened in South Carolina, Haley knew that it was a long shot as Trump was leading by around 30-36 points. In retrospect everything seems to have fallen flat: four criminal indictments; a penalty of $450 million for inflating his possessions; $80 millions plus for defaming a woman who had accused him of rape; and a hush money payoff to a porn star trial set for next month. None of these mattered including that Trump had forked out millions in legal bills thus far.

Haley would have to pay close attention to where the numbers are coming from. For instance it has been pointed out that Haley's support in Iowa and New Hampshire came from Democrats and Independents; and Nevada was a humiliation of sorts, where Trump was not even on the ballot.

Some of the focus will be on Michigan that has a split schedule for a total of 55 delegates. The real test for Haley will come on Super Tuesday of March 5 that

NIKKI HALEY. Losing battle REUTERS

is seen as more difficult, not just because of geography but in voting. A good haul of delegates are in play —874 out of a total of 2,429 in 15 states and the territory of American Samoa. The problem for Haley is that many of Super Tuesday states in play are closed to Democrats and Independents.

One of the major planks of Haley has been the kind of electoral disaster Trump brings to the table, the bottom line being that while she may not score wins in primaries, Trump comes away empty handed in the bigger ones — 2018, 2020 and 2022 often cited as examples. Of late the run off in New York for the expelled George Santos from the House of Representatives has also been pinned on Trump. Both Republicans and Democrats are hanging on to razor thin majorities in the House and Senate respectively and in 2024.

For now the flow is in the direction of Trump sewing up the nomination by March 5. Candidate Trump boasted recently that even Black Americans have started backing him understanding what it means to be discriminated.

Amazing indeed for a person who hunkered down in the basement of the White House in June 2020, turning lights off, threatening to unleash vicious dogs and brutal force on "looters" protesting the brutal killing of George Floyd.

The writer is a senior journalist who has reported from Washington DC on North America and United Nations.

BELOW THE LINE

Pradhanyawaad!

Prime Minister Narendra Modi took a buggy ride around the stadium named after him during the golden jubilee celebrations of Gujarat Cooperative Milk Marketing Federation in Ahmedabad last week.

As about 80,000 dairy farmers cheered him, there was one soul that must've been rather disappointed-- the Amul girl, endearing mascot of the brand. The mascot's cut-out adorned the buggy which had Amul branding all over it. But about an hour before the PM's arrival, the Amul girl was sent packing from the buggy even as the vehicle was decorated with marigold flowers all over. According to someone in the know, the PM's protocol team wanted the change. Graceful as ever, the little girl responded with a "Pradhanyawaad" the next day in an ad featuring her with the PM and the Amul golden jubilee souvenir!

NSE's Nifty journey

You must give it to NSE Chief Executive Ashish Chauhan for lifting the spirits of assembled brokerage house representatives at ANMI's 13th International Convention in the Capital recently.

He went on to say as to how the Broking fraternity has also been a catalyst for the phenomenal growth of capital markets and prosperity it has created over the years.

He highlighted how India's market capitalisation in last 30 years (NSE turns 30 this year) zoomed from ₹4-lakh crore in 1994 to ₹399-lakh crore in 2024. In rupee terms, there has been a 95 times increase in returns. Even in US dollar terms, it has been 39 times, highest in the world. He recalled recalled his earlier saying — when America needed a Warren Buffet, India needed a Nifty. You didn't have to be a Warren Buffet to invest, you have to put money in Nifty and it just worked!

All of this has happened because brokers have worked hard, Chauhan noted. Moral of the story is hard work matters, don't look for incentives (like STT reduction etc)! Those assembled cheered.

Hopefully this enthusiasm remains when equity exchange trading time gets extended, quipped an observer.

Digital India conundrum

The leap Digital India has taken at our airports is nothing short of 'amazing'. The long queue for both DigiYatra travellers and not so tech-savvy people at Delhi airport are the same. After entering the airport and passing the security check with the online Vistara boarding pass, this reporter got a curious message at the entrance gate to flight, "We could not deliver the boarding pass online. Please go to the airport counter."

Poor Indians will do well only if "digital" is used for making life simple.

Ministry of Energy Transition?

Meanwhile, Hardeep Singh Puri, Minister for Petroleum & Natural Gas, was quoted as saying that "the Ministry of Petroleum & Natural Gas should be renamed Ministry of Energy Transition as State firms are making big investments in new energy."

Why not just have the Ministry for Energy clubbing all the Ministries dealing with natural resources and mining into one, an industry observer quipped. Our Bureaus

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A surgeon's saga

Stories of babudom, healthcare access and travels

BOOK REVIEW.

TCA Srinivasa Raghavan

It's a mystery why so few Indian doctors write their autobiographies. Especially surgeons. But here's one from a doctor who's had a most fulfilling career.

Dr Ratna Magotra is a cardiovascular thoracic surgeon. She isn't your celebrity doctor who "graces occasions" and adorns Page 3. But in her own profession she is very well known with a fine professional reputation.

Cardio, of course, means heart. Vascular means the vessels. Cardiovascular means, roughly, the blood flow activity of and around the heart. Thoracic means chest.

Dr Magotra, as we say in India 'hails' from Jammu. She became a doctor in 1970. Then she studied a lot more and held various responsible posts in hospitals in Mumbai.

She had joined the Lady Hardinge Medical College in Delhi in the mid-1960s and college life proceeded along predictable lines till the babus in Delhi University ruled that she couldn't take the MBBS exam because she was underage. Fortunately, the vice chancellor overruled them.

The other notable event was the discovery that one of the newly arrived residents in the hostel could be a spy. She had turned up suddenly and was given a single room. She was much older and behaved oddly.

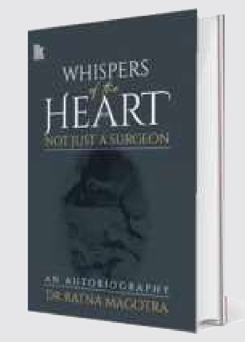
One day a student heard strange noises from her room and, as often happens in India, someone knew someone who knew YB Chavan the defence minister. The supposed spy left as suddenly and mysteriously as she had arrived.

Dr Magotra also makes it a point to remember the Sikh tailor who was the only person authorised to enter the hostels. Others, including relatives, had to be content with the visitors room.

With a degree in hand she went off to Bombay on her first job. Her career progressed but not without the usual roadblocks that Indian babudom can create. When she applied for a professorial post at KEM the file went walking.

It kept on wandering in the proverbial bureaucratic park till she decided to find it and push it for further action. Her story of this is as depressing as it's typical. Ironically, it was another bureaucrat who helped her get the job — but not before she had had to comply with rules that the bureaucracy had made, for no apparent purpose.

Then at the relatively young age of 55 she chose to retire from her job at the KEM Hospital in Mumbai. The job had begun to pall.



Title: Whispers of the Heart: Not Just a Surgeon
Author: Dr Ratna Magotra
Publisher: Konark Publishers
Price: ₹800

DEEP INSIGHTS

She decided to devote herself to the issues surrounding the practice of medicine. This book gives deep insights into that aspect of the medical profession.

These concerns can be found in five chapters in Part 4 of the book. They are about her work. She first got involved in this sort of extension work around the end of the 1980s in Amravati. How that happened is in itself a fascinating story.

(By the way, I can't resist adding here that my father was the Collector there from 1951 to 1953. The place names in her book are family lore.)

It was around then that she also became interested in the needs of the non-rich. She says the 1991 reforms raised treatment costs hugely, thus putting it out of reach of most people. She prefers state provision to private health care.

The book also has a section called "A Doctor's Diary" that has some really fascinating (and typically understated) stories about the riots in Bombay as it was called in the early 1990s and more recently the dreadful Coronavirus.

The last two sections are devoted to travels and the people who influenced her. All in all, despite its rather steep price, it's a book well worth reading. Hopefully a paperback edition will make it more accessible soon.

The great Madras exodus

More than 80% of Madras' population fled the city in early 1942 fearing a Japanese invasion that never happened

BOOK EXTRACT.

Mukund Padmanahban

Extract published from *The Great Flap of 1942: How the Raj Panicked over a Japanese Non-invasion* by Mukund Padmanabhan, published by Vintage Books

The Madras port was closed and banks were asked to move out of the Fortress area. Many private companies moved out of adjoining Georgetown, including one of the oldest and most famous ones — Parry and Co. Ltd, which was founded by Welshman Thomas Parry in 1788. The accounts department shifted to Coimbatore, but others went no further than the expansive bungalows of their managers — sugar and spirits to Hodgson's, chemicals to Davis' and sales to Wilkinson's.

Prisoners in the city's penitentiary, one of the oldest jails in the country, were moved to the one in Alipuram, near Bellary in today's Karnataka. The Madras Corporation ordered that the dead should be cremated sufficiently early in the afternoon so that smouldering pyres were not visible from the air after dusk.

The magnificent Ripon Building, where the Corporation was headquartered, wore a 'pall of grey' instead of the usual glistening white, which would have made 'a picture from the sea' and therefore an easy target for bombers. Among the other 'threatened' buildings painted grey was Queen Mary's College, the first college for women in Madras, located opposite the city's Marina beach.

In Madras, Hope's government took some steps to reduce the pain of departure. While maintaining normal railway services, special trains were announced to stations within 40 miles of the city at no cost to passengers. The six camps set up near these stations provided food, water and accommodation for a few days or until people made decisions to leave for places of their choosing.

However, most people opted to leave for other towns as paying passengers and the camp facilities were availed only to an extent. Banks were urged to stay open on the Tamil New Year holiday, Tuesday, 14 April, for people to cash cheques not exceeding ₹1,000 to 'meet necessary expenses' for leaving the city.

Explaining the reason for his government's sudden scattering, Hope told Linlithgow that the military was anxious to have everyone out of the way. They were particular about clearing Fort St George and the area around it, where the Secretariat and the Madras High Court functioned, before a landing.

Moreover, Hope felt he could not risk the whole government being captured. 'Madras is right in the front line and to have the whole administration involved in possible street fighting was unthinkable.'

As for the panic, he claimed it was the result of 'an accumulation of events', starting with the 'timidity of the people' and ending with the government communiqué based on false military intelligence. It was this wrong information that was entirely responsible for the evacuation of his government and its advice that non-essentials should leave.

'I would like to hear of military enquiry if possible,' he wrote to Linlithgow. The Viceroy replied that Commander-in-Chief Wavell was said to have ordered an inquiry to 'ascertain facts' and 'fix responsibility'. But it is not clear what, if anything, came of this.

So how many people fled Madras? Pre-exodus, the city's population was around 8,00,000. There was no overall official estimate of how many people fled between December 1941 and April 1943.

According to Chief Secretary Ramamurthy, 30 per cent of the population (2,40,000 people) left Madras by mid-February 1942. He also noted that in the seven tumultuous days between the air raid alarm and the end of 14 April, another 2,00,000 people fled.28 (Interestingly, The Hindu reported that 3,00,000 left the city during the same period.) Together, the two government estimates suggest there was an exodus of 4,40,000 people (or 55 per cent of the population). This is, of course, a gross underestimate for at least three reasons. First, by the government's own admission, there was a constant stream of people moving to the interior between February and April. Second, it was probably in the government's interest to play down the number of people who left Madras. And finally, 55 per cent is much smaller than a raft of other assessments about how many who took flight.

According to the Indian Express, Madras' population was reduced to about 25 per cent. This was exactly in line with the estimate of Rao Bahadur C. Tadulinga Mudaliar who said, just before becoming the city's Mayor, that a total of 75 per cent of the population had fled—a figure reaffirmed by another councillor.

CR Srinivasan, Editor of the venerable Swadesamitran, among the oldest vernacular newspapers in the country, estimated that five-sixths of the population (over 83 per cent) had left. But even this was smaller than the number ICS officer Paul M. Jayarajan threw up. In his reckoning, 7 lakh (7,00,000) out of the city's population of 8,00,000 took flight—a staggering 87.5 per cent!

While this figure may seem incredible, it is far from implausible. Those mandated to stay under the Essential Services (Maintenance) Ordinance issued in late 1941 were people working in specific sectors such as water supply, sanitary services, oil companies, banks and bus services.

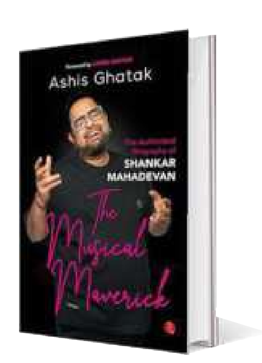
Of course, in Madras, from where most of the government dispersed, it raised the obvious but ironic question—did the government regard itself as non-essential? Moreover, the exodus had its own internal dynamic—the more people left, the more people had to go. The shortage of such things as labour and household help was one thing. But by April, the provision shops had shuttered, the restaurants were closed and there was an acute shortage of food — a situation that left people with no option but to depart.

Title: The Great Flap of 1942: How the Raj Panicked over a Japanese Non-invasion
Author: Mukund Padmanahban
Publisher: Vintage Books
Price: ₹599

ABOUT THE AUTHOR

Mukund Padmanabhan is the former Editor of The Hindu, and Businessline. He is currently a Visiting Professor of Practice at Krea University, Chennai, where he teaches philosophy

NEW READS.

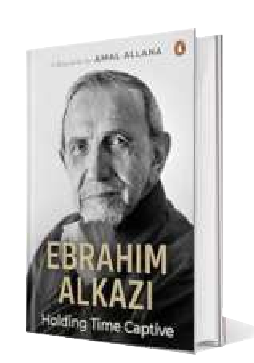


Title: The Musical Maverick: The Authorized Biography of Shankar Mahadevan

Author: Ashis Ghatak

Publisher: Rupa Publications

This biography captures Shankar at his most multifaceted: singer, composer, family man, and guru

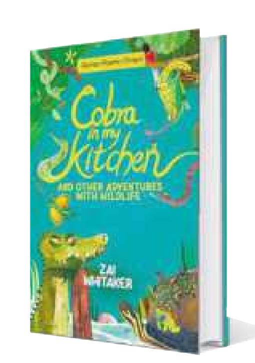


Title: Ebrahim Alkazi: Holding Time Captive

Author: Amal Allana

Publisher: Vintage

The first carefully researched, full-length account of the life, work and times of Ebrahim Alkazi, one of the giants of 20th century theatre.



Title: Cobra in my Kitchen and Other Adventures With Wildlife

Author: Zai Whitaker

Publisher: Hachette India

Beautifully illustrated, this book introduces you to wriggly snakes, jumpy frogs, lively lizards, colourful chameleons!

thehindu businessline.

TWENTY YEARS AGO TODAY.

February 26, 2004

Govt knows who's behind stock crash, says Shourie

Worried over the tepid response to public issues in various companies, particularly IBP Co Ltd, the Government has said it knows the identity of the people responsible for pulling down stock prices and fixed the responsibility on financial advisors to motivate and inform the public.

DCA may grant exemption to IT cos

Information technology companies may soon suffer lesser hiccups on disclosure requirements of remuneration to their employees posted overseas. The Department of Company Affairs (DCA) is likely to exempt the IT companies from furnishing such details as is presently required under the Indian Company Law.

BoI awards $150-m outsourcing contract to HP India

Bank of India today announced that it has awarded Hewlett Packard India Pvt. Ltd a $150-million 10-year outsourcing contract to provide a full suite of core-banking solutions and related services to the bank. This is one of the largest outsourcing contracts for HP in the Asia Pacific region, according to officials. BoI is the first Indian bank to outsource its entire IT-related requirements.

Short take

D-Word – Reclaiming our right to linguistic clarity

Pooja Sharma

The Greeks understood the power of language but misconstrued its true potential. They feared the use of specific words would upset the Gods and bring bad luck. Hence, throughout history, euphemisms exerted themselves, softening the blow of linguistic realities.

Of course, it was not long before people with disabilities were euphemized to 'differently-abled' and variations like 'specially-abled' and even 'handi-capable'. It is not exactly clear when this shift occurred, but many point to the late 1960s, when the Special Olympics were initiated.

People became convinced that disability was a bad word, an insensitive term of reference. However, the most profound impact of this linguistic shift was the reinforcement of stigma around disabilities. Even scientific studies and media focus on disabilities diminished as the millennium approached, likely an attempt to avoid controversies. Before we knew it, we found ourselves decades behind in our understanding of neurodivergence and disabilities. In the meantime though, society has grown more complex and sophisticated, catering to the needs of the neurotypical while carefully tip-toeing around those of the neurodivergent.

There is a silver lining in this seemingly bleak scenario. The fact that linguistic choices can create large cultural shifts is not a bad thing. This means that the extremely accessible tool of language can be used by the common man to initiate mass changes in the societal landscape.

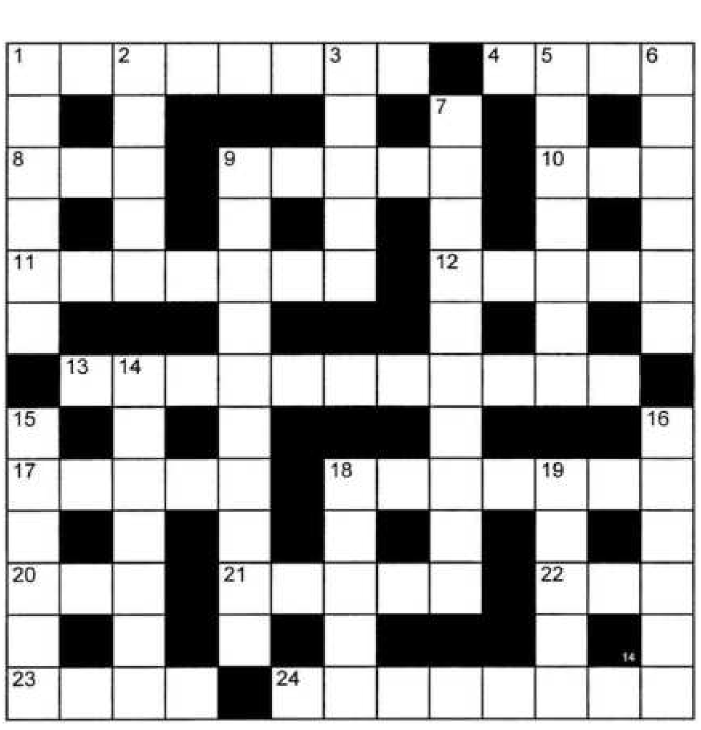
Let's look at the etymology of the word 'disability'. It reveals the foundational manner in which such conditions have been integrated on a social level. The word first came into usage in the 1570s, and literally translates to a lack of power, strength or faculty. The prefix of the word, 'dis-', indicates the "lack of", "opposite of", and even "apart, asunder". The word might seem harsh but it reveals the truth of how utterly unfit existing socio-cultural infrastructure and systems are when it comes to meeting the needs of persons with disabilities. In effect, the word surmises all the inefficiencies and biases that make modern society a difficult and challenging place for people with disabilities.

The covering up of this revelatory framework of meaning with vague soft words hides the true underlying problem, the systemic problem.

By using language that is fact-informed, we, as the common man and woman, can initiate localized shifts in perception, which in turn holds the potential of large scale paradigm-shifts. Let us reclaim our right to linguistic clarity so that the truth is not buried under soft layers of ignorance.

The writer is Founder & CEO of The Sarvodya Collective

BL TWO-WAY CROSSWORD 2383



EASY

ACROSS

01. Scatter (8)
04. Girdle, zone (4)
08. Look at (3)
09. Permit (5)
10. Sport, merriment (3)
11. Write music (7)
12. Cavalry weapon (5)
13. Itinerant (teacher) (11)
17. Florida city (5)
18. Smoke outlet (7)
20. Tea (3)
21. Lengthwise (5)
22. A charged particle (3)
23. Fruit pip (4)
24. Futile, helpless (8)

DOWN

01. To soak thoroughly (6)
02. Water vapour (5)
03. Ointment, remedy (5)
05. Former Turkish respectful address (7)
06. Offer for acceptance (6)
07. Overpoweringly hot (10)
09. Earliest, primitive, indigenous (10)
14. Arise, proceed from source (7)
15. Chastises (6)
16. Carrion-feeding animals (6)
18. Spice of dried flower-bud (5)
19. Ingenuous, artless (5)

NOT SO EASY

ACROSS

01. One pressed in order to make it vanish (8)
04. It can be responsible for a hold-up in the middle (4)
08. A seer can go back and forth (3)
09. Concede everything and nothing to the West (5)
10. Amusement got from the endless money supply (3)
11. How to write in noted fashion (7)
12. Cut first car in its traffic stream (5)
13. Make it cite paper for wandering (11)
17. Aim to return, via motorway, to one US city (5)
18. It has pot to smoke (7)
20. It is not in China one will get tea (3)
21. This side is close to one at sea (5)
22. One will take on such a particle (3)
23. Understand leading Democrat to be chosen tournament player (4)
24. Spiritless fellow, daredevil when beheaded (8)

DOWN

01. Thoroughly soak one with a dose of physic (6)
02. Vapour coming from tea's starting to moisten (5)
03. A classical greeting for ointment (5)
05. Find fee for creating old Turkish title (7)
06. Feeling sore, seeing it follow locomotive (6)
07. Maybe grew silent, it was so hot (10)
09. Naval rating, not a copy of one in Australia (10)
14. Name tea that could arise from a source (7)
15. Has a flavour of fishing-boats (6)
16. Has she any carnivores like this? (6)
18. Piece of garlic for a completely different flavour (5)
19. It is no sophisticated painting style (5)

SOLUTION: BL TWO-WAY CROSSWORD 2382

ACROSS 1. Fragrance 5. Tor 7. Inns 8. Crossing 10. Toymaker 11. Plot 13. Demons 15. Sudden 18. Don't 19. Moralist 22. Coverage 23. Wake 24. Sir 25. Wrestlers

DOWN 1. Flirted 2. Annoy 3. Nursed 4. Erse 5. Trilled 6. Right 9. Canny 12. Mural 14. Miniver 16. Natters 17. Toggle 18. Docks 20. Irate 21. Grow

THE BLOC INTERVIEW.

ICAI President pledges 'each one teach one' initiative

UNIQUE INITIATIVE. Ranjeet Agarwal on his plans to groom four lakh CA aspirants

KR Srivats

Ranjeet Kumar Agarwal, who has been a serving Central Council member of The Institute of Chartered Accountants of India (ICAI) since 2016, assumed charge as the 72nd President of the body on February 12. Currently, ICAI, which is the world's largest accounting body, has over 8.5 lakh students and 4 lakh qualified members. *businessline* spoke with Agarwal to understand what's in store for CA students and members during his Presidency. Excerpts from the interview:

After the change in CA curriculum from July 1 last year, how are the new registrations?

In the foundation course, we saw 49,000 registrations. In the intermediate course, 58,900 students registered and in the final course 21,185 students registered. We have been able to attract young talent after the new course curriculum.

Does the new curriculum help aspiring CAs to evolve into global professionals?

We have integrated subjects of ethics and technology in the course curriculum at the final level so that our students can evolve into global chartered accountants well versed with best practices and technological changes around the world. The new course curriculum will make our country prosperous as far as accounting is concerned. These students, once they become CAs, would therefore be well-equipped to compete around the world.

A GLOBAL VISION. Ranjeet Kumar Agarwal , President, ICAI

How were the campus placements last year?

Last year, 22,000 students became CAs. Of these, more than 9,000 had opted for campus placements offered by 138 companies. The average salary package in campus placement was ₹12.5 lakh per annum, with highest package internationally at ₹41 lakh per annum and highest domestic package was ₹24 lakh per annum. Note that the entire cost of this course is ₹75,000 for a five-year period.

What's the 'Each One, Teach One' initiative you have planned for this year (2024-25)?

We have four lakh members. We are going to introduce a programme — 'Each One, Teach One' where one CA will adopt one student. If one CA adopts one student, we can adopt four lakh students to nurture and groom and hand hold them. We are coming up with a portal so that each member can update how they are helping the student. This data can be used by us for further refinements in the programme and also motivate and better guide the students.

How is the reading room initiative that ICAI had unveiled earlier?

The reading room initiative, which was introduced to CA students across the country, will continue during my Presidency as well. This initiative is making sure that the students are not deprived of any reading material and opportunities towards realising their aspirations of becoming a CA professional.

What about plans for digitalised classrooms?

We are digitalising our classrooms so that students can benefit from the best of faculty from any part of the country. Skill development and educational materials would soon get seamlessly distributed across the country.

Any other initiative planned for this upcoming year?

We are planning one more initiative this year. We will be recording all the lectures given out by our faculty for all the subjects and give it to students free of cost. This will also be put on YouTube so that the best of content is always available to our students on demand.

How do you see AI impacting the CA profession?

I don't see AI replacing CAs, but it will be a tool that will help CAs perform their tasks proactively. It will be more of an enabler.

How do you plan to realise the government's vision of encouraging Indian firms to grow into global networks?

We have now set up a committee on 'Aggregation of CA firms'. This committee will deliberate and devise mechanism as to how Indian firms can become bigger. There is a long-pending demand of the government that Indian firms should become bigger. Taking a cue from that we have made a formal committee which will frame the standard operating procedures (SoPs) and guidelines.

What about joint audits and where does ICAI stand on this issue?

We had recommended joint audits to the government in 2019. We had debated this in the council and felt that joint audit is the need of the hour. We would be happy if the government brings this legal amendment.

TALENT OUTLOOK

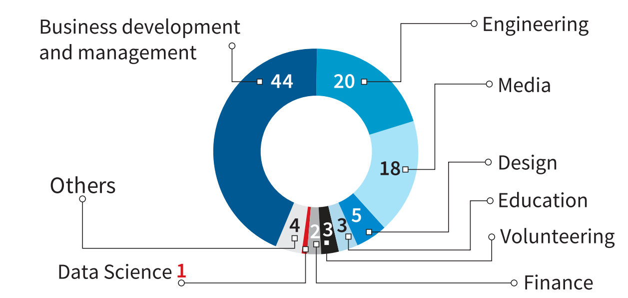
While internships are zooming, pre-placements decline

Anjana PV

Internships help students gain a better perspective on job profiles. The Annual Internship Hiring Trends 2024 by Internshala, a career-tech platform, suggests that there has been a 200 per cent increase in internship opportunities for Indian students over the past five years. This is based on the number of internship openings posted on the platform over the past five years.

"Internship opportunities have seen a remarkable 200 per cent growth in the past five years, that is, a 3x growth since 2018. With the consistent efforts made by stakeholders including students, recruiters, college faculties, parents, and platforms like Internshala, there has been a multi-fold increase in the internship openings for Indian students in the past 10 years," says Sarvesh Agrawal, the founder and CEO of Internshala.

Top fields in which interns were hired in 2023



Share of internship openings in percentage based on the 29,12, 511 internship postings listed on Internshala in 2023. Source: The Annual Internship Hiring Trends 2024 by Internshala

EVOLVING LANDSCAPE

The Annual Internship Hiring Trends 2024 report found that business development and management sector provided the maximum number of internships — 44 per cent. The report is based on the 29,12,511 internship postings listed on Internshala in 2023.

Says Kamal Karanth, Cofounder, Xpheno, a specialist staffing company, "From the executive office to HR, admin, finance, MIS, procurement, quality and more, enterprises have a lot happening in the typical management realm of responsibilities and projects and initiatives. This wide set of deliverables provide a lot of avenues for deploying talent."

Engineering was the second most sought after stream with 20 per cent of the total, providing technology-focused internships in programming, AutoCAD, Civil, Web and App development.

Media came in third with 18 percent.

Richy D Alexander, CEO and Founder of Davidson PR and Communications, also agrees that there has been an increase in the number of internship applications in 2023, "At Davidson PR and Communications, we've witnessed this trend first-hand, with 18 applications received in 2023 compared to nine in the previous year. One key reason behind this surge is the growing awareness among students about the importance of practical knowledge, especially in fields like public relations."

Meanwhile, finance and data science trailed in providing internship opportunities to only two per cent and one per cent, respectively.

The relatively smaller size of the finance function in corporates, provide only less bandwidth for engaging interns. The finance function is still known to take qualified finance MBAs and CA aspirants for specific engagements on projects as interns.

PRE-PLACEMENTS FALL

The report also found that only 23 per cent of internships provided a pre-placement offer (PPO). "Amidst sustained headwinds and macroeconomic uncertainties, campus activity and fresher absorption has seen one of its sharpest declines in nearly a decade. As a subset of this low-to-no hiring phase, a drop in PPOs is not unusual," says Karanth.

According to the report, the average stipend in 2023 was ₹8,000 per month, with maximum stipend reaching a whopping ₹1,35,000 per month. Internships varied in duration, ranging from 1 week to 6 months, averaging at 3.66 months.

When it comes to location, the report noted that Delhi-NCR held the lion's share of internship openings at 34 per cent, followed by Mumbai at 16 per cent, Bengaluru at 10 per cent, Pune at five per cent, Hyderabad and Jaipur at three per cent each. This distribution indicates promising opportunities for aspiring students in these cities in 2024.

Internships are vital for talent development, and it serves as a means for enterprises to identify and engage promising individuals early on. The evolving landscape will see internships become even more impactful as the gaps between institutions and industries diminish, creating better opportunities.

bl • gavel

CHEQUE & CLEAR

No liability for directors who resigned before cheque issue, rules SC

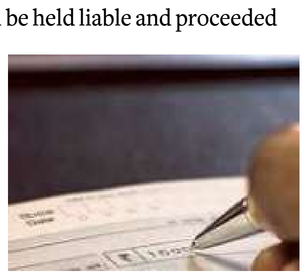
M Ramesh

While disposing of a case that relates to a cheque that bounced in 2014, the Supreme Court of India has cleared the air about the liability of a director of a company for the company's actions after he has resigned from his directorship.

Rajesh Viren Shah and Sanjay Babulal Bhutada were directors of Redington, a Chennai-based company engaged in distribution of IT hardware. Both of them had resigned from their directorships – on December 9, 2013 and March 12, 2014.

SC VERDICT

A bench comprising Justice Sanjay Karol and Justice BR Gavai noted that according to Section 141 of the Negotiable Instruments Act "every person who at the time of the offence was responsible for the affairs/conduct of the business of the company, shall be held liable and proceeded against under Section 138 of the N.I. Act, with exception thereto being that such an act, if done without his knowledge or after him having taken all necessary precautions, would not be held liable."



"The cheques regarding which the dispute has travelled up the courts have been issued on March 22, 2014. The latter is clearly, after the Appellant(s) have severed their ties with the Respondent- Company and, therefore, can in no way be responsible for the conduct of business at the relevant time. Therefore, they ought to be then entitled to be discharged from prosecution. Accordingly, all criminal proceedings pertaining to the instant Appellants arising out of the complaints filed by the respondent (Redington) herein are quashed," the judgment said.

"The complainant has not placed any materials on record indicating complicity of the present Appellant(s) in the alleged crime. Particularly, when the Appellant(s) had no role in the issuance of the instrument, nor has the veracity of their resignation is not under dispute. As such, the basis on which liability is sought to be fastened upon the instant Appellant(s) is rendered questionable," the verdict read.

How to save deals from falling apart

LESSONS FROM ZEE-SONY. The lowdown on how a planned merger of two media heavyweights fizzled out in the face of legal hurdles

Lalit Kumar

A gigantic merger that could have been one of India's largest at a whopping $10 billion was called off recently. The parties involved, Sony and Zee, after having inked the merger agreement two years back saw it ending up on a bitter note. They are now caught up in a messy legal battle.

Sony has terminated the deal and alleged that Zee couldn't meet certain financial conditions and breached the terms of merger agreement. It has demanded $90 million as termination fee and referred the matter to arbitration. Zee, denying all allegations, has accused Sony of acting in 'bad faith'. Calling the termination wrongful and legally untenable, Zee wants the termination and $90 million claim withdrawn. Zee has approached National Company Law Tribunal (NCLT) to implement the merger, as it was approved by them. On Zee's plea, NCLT has sought Sony's response within three weeks.

The matter will next be heard on March 12. This begs this question. Can regulators and authorities implement mergers approved by them? Mostly, all mergers have a clause that provides that once all regulatory clearances are obtained, the merger will be effective when all other pre-conditions ("Conditions Precedent") are met. So, regulators may be unable to push the merger with a scheme having such a clause.

Conditions precedents (CP) include legal, financial, business, regulatory and other conditions. If they are not met, a party is free to walk away without incurring any liabilities, unless a liability clause is provided in the contract. Further, unless parties choose to have a contractual remedy, such as, a break away or termination fee, such agreements do not have any remedy for non-closure of a deal if CPs are not met.

Generally, in all deals there's an interval between the signing and closing of a deal for parties to meet the pre-agreed conditions, seek lenders' and shareholders' consent and other regulatory clearances. Deals with a long period have stringent standstill obligations, certain valuation assumptions, impact of unforeseen material adverse events, which add up to deal uncertainty making it fragile. So, it is advisable that such clauses are carefully drafted and wherever possible suitable resolution mechanisms should be provided. Further, parties must try to shorten this deal period and expedite closure.

BROKEN PROMISES. Deals close not because agreements provide for them but because the parties want to REUTERS

In listed entity deals, this problem gets aggravated. Imagine if a deal results in an open offer — which is legally required to be launched on the signing date and not the closing date. What would happen to the deal if the open offer is successful but the underlying deal (that triggered the open offer) is itself in trouble. It would be a mess. Also, the news of aborted deal would lead to a sharp fall in stock prices.

An unfortunate part of the Sony-Zee's case is that despite having shareholders' nod and clearance from the Competition Commission of India, stock exchanges/SEBI and NCLT, it could not materialise as parties couldn't reconcile their differences.

In any merger, the most critical part is the intention of parties to close. Deals close not because agreements provide for it but because parties want to. A disruption to a deal can be overcome by finding amicable ways, such as adjustment of valuation (where required), compensating a party for its loss, resolving differences with good intentions. So, it is best to resolve and avoid long legal tussles.

The author is a partner in JSA. Views are personal

Interpreting Sec 29A(c) of insolvency law: NCLAT shows how

Vasanth Rajasekaran
Harshvardhan Korada

Section 29A(c) of the Insolvency and Bankruptcy Code (IBC) bars a person or promoter who has an NPA classified account of the corporate debtor under their control from taking part in the insolvency resolution of the corporate debtor. In a recent case, the National Company Law Tribunal (NCLT) had to conclude whether Section 29A(c) of the IBC disqualified individuals who were not in charge of the company when it became a non-performing asset (NPA) but were in charge when they submitted a resolution plan. The decision would have far-reaching implications for how the section should be interpreted.

The case was an appeal filed by Navayuga Engineering challenging its disqualification from presenting a resolution plan for the corporate debtor, Athena Demwe Power Ltd, a company set up for executing a hydroelectric project in Demwe, Arunachal Pradesh.

The bone of contention and the reason for disqualification was Navayuga's close business ties with Athena. In 2013, Navayuga invested ₹235.35 crore through its wholly owned subsidiary Regina Infrastructure for 21.55 per cent stake in Athena. Subsequently, in 2016, an MoU was signed stipulating further investment by Navayuga for an equity share of 51 per cent in Athena.

In 2013, Athena's loans were declared a NPA On October 22, 2017, Navayuga transferred its entire shareholding in RIPL to two other individuals. Soon after, insolvency proceedings were initiated against Athena by Indian Bank, a short-term lender, triggering the Corporate Insolvency Resolution Process (CIRP) on October 29, 2017.

Navayuga submitted a resolution plan for the lenders' consideration and approval. However, the committee of creditors informed Navayuga that it was not eligible to submit a resolution plan under Section 29A(c) of the IBC. Navayuga argued that the objective of Section 29A(c) was to disqualify only those individuals or promoters who caused or were responsible for the corporate debtor's account being declared NPA. It said that Athena's account was classified as an NPA long before the 2016 MoU. Further, Navayuga also argued that it did not have any control over Athena either before or after the signing of the MoU in 2016.

When the IBC was enacted, the concern was that individuals who contributed to the default of a company could misuse the Code to gain control of the company after forcing heavy 'haircuts' by the lenders. To prevent such individuals from misusing the law, Section 29A was brought in.

The NCLAT opined that given the object of Section 29A(c), giving a restrictive interpretation to the provision would be incorrect.

NCLAT felt that the MoU could not be read to mean that the management and control of Athena was to be given to Navayuga only upon fulfilment of certain contingencies—so, Navayuga may be right in arguing that it was not a promoter of Athena from the beginning. However, after the execution of the MoU in 2016, Navayuga was given control and management of Athena. Thus, Navayuga was held to be ineligible to submit the resolution plan under Section 29A(c) of IBC.

The NCLAT's decision marks a significant development in strengthening jurisprudence concerning the prohibition outlined in Section 29 of the IBC, shedding light on its interpretation and application in insolvency resolution process.

The writers are advocates at Trinity Chambers, Delhi

OFFICE BUZZ.

More women exit firms over work-life balance

A new study by The Udaiti Foundation in collaboration with the Center for Economic Data & Analysis says that 34 per cent of women exit firms citing lack of work-life balance, while only four per cent of men do. The report titled 'Women in India Inc HR Managers Survey" uncovers significant contrast between rhetoric and action in gender diversity initiatives in corporate India. It finds that despite 73 per cent of Indian organisations setting gender diversity goals, only 21 per cent have supporting strategies. While 55 per cent of firms set goals for women's advancement, only 37 per cent tackle gender imbalances in hiring. The study was based on an online survey conducted among 200 senior HR managers across various sectors.

Adecco India's salary guide

For 2024, Adecco India anticipates significant salary hikes ranging from 15-40 per cent across sectors such as manufacturing, electric vehicles, engineering and GCC, particularly for niche roles and top performers. Technological transformations will reshape workplaces, demanding new leadership skills, it says in its 2024 Salary Guide. Key highlights of the report are:

1. Growing demand for consultants with expertise in digital transformation, ESG, business intelligence and automation.

2. When switching jobs, Indian job seekers prioritise salary hikes in the 20 per cent range within roles but expect even higher when switching employers compared to their APAC counterparts.

3. Compensation and benefits emerged as the primary motivators for talent movement, with 67 per cent of respondents citing it as the top factor influencing their decision to change roles.

GOLDEN GLOW

Emami@50: A tale of big buyouts and clever exits

MAKING OF AN FMCG GIANT. The Kolkata-based conglomerate's five-decade journey has been marked by profitable acquisitions

Mithun Dasgupta

TAKEOVER TYCOONS. RS Goenka and RS Agarwal, co-founders of Emami

Emami has been likened to a hungry Bengal tiger often. The Kolkata-based conglomerate set up by two friends — both called Radhey Shyam incidentally — has voraciously acquired companies during its five-decade long journey. Perhaps that hearty appetite explains its rapid rise from humble origins. As an emotional RS Goenka, co-founder and joint chairman of the Emami group, said during a glittering event to celebrate 50 years of the group's operations, "From the lanes of Burrabazar to now being available in 70 countries across the globe, with a diversified portfolio of business, we have come a long way."

Burrabazar, Kolkata's business district, means a "big market". The sprawling area in the central part of the city has witnessed the rise and fall of many budding entrepreneurs — but none as unique as that of Goenka and his friend RS Agarwal.

The two childhood friends had started manufacturing cosmetic products under the brand name of Emami from a small office at Khyengra Patty, Burrabazar, in 1974, with very little funds.

After 50 years, the diversified group now has a turnover of around ₹30,000 crore with three listed entities — FMCG major Emami Ltd, Emami Paper Mills and Emami Realty. The group is keen to also list its edible oil and bio-diesel arm Emami Agrotech, which makes the largest contribution of over 60 per cent to the total turnover.

In terms of margins, the group flagship Emami Ltd is a major contributor. The home-grown FMCG maker has major brands like Fair and Handsome, Navratna, Zandu, BoroPlus, Kesh King, Mentho Plus, 7 Oils in One and Dermicool. Significantly, five of its brands were market leaders in their respective segments.

Emami Ltd has grown mainly through acquisitions. Its major acquisition was in 2008, when it bought Mumbai-based Zandu Pharmaceutical for ₹750 crore in one of the most expensive takeovers in the Indian FMCG space at that time.

Although such an expensive acquisition had raised the eyebrows of many analysts, Agarwal, an astute strategist, understood the "long term value" that the Zandu takeover would bring. Goenka supported him in the risky buyout, which paid off and later proved a game changer.

"Agarwalji was a trailblazer. I am yet to meet a person who has so much energy, who has never been scared to take any risk or had brilliant foresight... his innovative ideas about products or communication were unparalleled," recalled 77-year old Goenka during the celebrations.

After Zandu, Emami bought Kesh King for ₹1,651 crore in 2015 to enter the haircare segment. The company's brand-strengthening initiatives like strong digital campaigns, smaller stock-keeping units (SKU), incorporating influencers, focusing on direct-to-consumer website and launching an organic haircare product range resulted in increased penetration and distribution for Kesh King. The brand has witnessed higher household growth compared to the category growth. In the Ayurvedic hair oil category, Kesh King gained market share, in terms of both volume and value.

The company's latest big acquisition was Dermicool in 2022 from consumer giant Reckitt for ₹432 crore. The company has since become a market leader in the niche category of prickly heat powder and cool talc with two major brands — Navratna Cool Talc and Dermicool.

CURRENT STRATEGY

Emami is aiming to create a "balanced portfolio" of brands that cater to summer, winter and year-round needs. Products like Zandu, Kesh King, Fair and Handsome and 7 Oils in One are perennial with no seasonal impact.

Moreover, the company has strategically invested in start-ups with unique products in categories like natural or organic personal care, Ayurveda, nutraceuticals, healthcare, male grooming, ayurvedic pet care and healthy and nutritious food.

The hunger has not abated. The group has hired consulting giant McKinsey to identify different ventures for the group, as it is looking to enter new consumer-facing businesses.

"Emami has always believed in growth through both organic and inorganic routes. For any dynamic organisation like us, sustainable growth should come from diverse sources," Aditya V Agarwal, Emami Group Director and Agarwal's son told *businessline*.

Emami has made many strategic investments in new age digital start-ups such as The Man Company, Brillare, Trunative, The Furball Story and the recent addition of Alofrut Juice. "In course of time, we have acquired majority stake of some of them like The Man Company and Brillare which are now our subsidiaries," adds Agarwal.

Meanwhile, the group has recently gone through some restructuring to pare debt. It has also exited non-core businesses. For instance, it divested an 84 per cent stake in AMRI Hospitals to Manipal Group for around ₹2,450 crore. It also sold its cement business, Emami Cement, to Nuvoco Vistas, part of the Nirma Group, for an enterprise value of ₹5,500 crore, in 2020.

On the management front, while both Goenka and Agarwal's children — Manish Goenka, Prashant Goenka, Mohan Goenka, Aditya V Agarwal, Harsha V Agarwal and Priti Surekha are active in the business, now the third generation is entering.

An analyst commenting on a couple of listed companies of the group, says that for Emami Ltd, between rural and urban, winter and non-winter revenue splits, the average revenue growth is expected to range in mid-single digits. "Once commodity costs decline and advertising and promotion costs are reined in, the EBITDA margins may start improving. The stock is trading at lower multiples of 32 times trailing EPS which is low considering the FMCG tag. The company is now net debt positive (cash higher than debt)," he explains.

To mark the 50-year milestone, the group is establishing an Emami Legacy Centre which is expected to be completed by June this year.

DRILLING AHEAD

Hindustan Oil heading for a big pump-up

M Ramesh

For investors of Hindustan Oil Exploration Company (HOEC), it has been a long wait to see the company live up to its potential. The wait might be coming to an end now.

The company produces a million barrels of oil and oil-equivalent-gas as of today. A three-year, ₹1,000-crore investment programme has just begun — to triple production.

Looking at the activities underway in its five hydrocarbon assets, one gets an impression that these efforts are to converge to fruition in a 2-3-year time frame.

HOEC was set up in 1983 by HT Parekh, the man who founded the HDFC group. Over time, HOEC saw many changes in its promoters, and in 2015, two oil industry veterans — Pandarinathan Elango and Ramasamy Jeevanandam, friends and colleagues from their early days in ONGC —walked into the company as promoters and took over the reins.

Elango hung up his boots in September 2023 and Jeevanandam took his place as the Managing Director. For years, Elango had been the public face of the company, while the CFO, Jeevanandam, kept himself away from the limelight. In a chat with *businessline*, he explained why the next 2-3 years, when many programmes mature, would be epochal for the company.

SET TO SCALE UP

HOEC's five assets are: Dirok in Assam, B80 in Bombay Offshore, Kharsang in Arunachal Pradesh, Cambay in Gujarat and PY-1 in Bay of Bengal.

The story of each has just begun. Dirok and B-80 are in production, but neither is producing to its full potential. Dirok is now producing about 23 million cubic feet (mcft) of gas, less than half its potential from the existing wells.

Lack of demand in the region is holding back production. HOEC is waiting for the PSU, Indradhanush Gas Grid Ltd, to complete the project of laying a 1,656 km pipeline linking Northeast to the national gas grid. The completion of the pipeline is two years away. "By 2026-27, all our gas can go to the national grid," Jeevanandam told *businessline*.

Meanwhile, HOEC is preparing to raise production from Dirok. Wells Dirok-1, 2 and 4 are being worked over (repaired); once this is over, the plan is to drill two more producing wells, to raise production to 70 million cubic feet.

B-80, a Bombay High oil and gas field that HOEC won in a 2016 auction of 'discovered small fields', has been facing some teething problem or the other. When one gets solved, another pops up, but the company believes it is a matter of time before both the wells there — D1 and D2 — will start full production. Today, D1 is not producing because of clogged holes at the bottom of the well. Baker Hughes of the US has been hired to de-clog it.

B-80 can produce 15 mcft of gas and 4,000 barrels of oil per day, but in Oct-Dec 2023, its production averaged 5.7 mcft of gas and 1,044 barrels of oil. Three more wells are to be drilled in 2026-27.

PY-1 in the Bay of Bengal is a legacy field that HOEC has had in its portfolio for years. All the infrastructure, built over the years with an investment of $383 million, is in place — enough to handle production of 55 mcft of gas, but the current production is barely a million cubic feet. Drilling more wells can raise this dramatically, but that has proved to be a challenge — unlike in other places, you must drill through hard rock here.

It is a tough challenge, but not insurmountable. HOEC had been putting its money on B-80, which meant that PY-1 had to wait but now B-80 is done; the focus has shifted to the Bay of Bengal. The plan is to spend another $50 million over the next two years to drill three wells.

In May 2023, the ratings agency, India Ratings, had said that given the large capex already incurred "any output from PY-1 would have a high impact on profitability", but had cautioned that "the production from the asset could be some distance away." The company has said that a "third party expert" in London was reviewing the data; "if everything goes as per plan" the first well could be drilled in April 2025.

In Kharsang, HOEC plans to drill 15 wells, including one for exploration. In the three fields in Cambay, Gujarat, it will pump up production from 75 barrels of oil to 300, before drilling three more wells.

In 2022-23, HOEC earned revenues of ₹567 crore and net profit of ₹197 crore, against ₹167 crore and ₹19 crore respectively in the previous year. In the first three quarters of the current year, it reported revenues of ₹475 crore (84 per cent of full year 2022-23) and net profit of ₹163 crore.

HOEC has not paid a dividend since 2010 — the ₹1,000 crore investment is all from internal generation, no loans. Such an investment programme should mean something — answering a question about internal rate of return (IRR), Jeevanandam told *businessline* that it would "not do any project less than 21 per cent, post-tax".

HOEC's growth pipeline

Asset	Potential	Current production	Status
Dirok, Assam	50 mcft of gas per day from existing wells	23 mcft per day	The completion of Indradhanush Gas Grid Ltd's gas pipeline linking the North-East region to the national gas grid is expected by early 2026
B-80, Bombay offshore	15 mcft of gas and 4,000 barrels of oil per day	5.7 mcft of gas and 1,044 bopd	Baker Hughes is unclogging pores at the bottom of D-1 well; production will be ramped up thereafter
PY-1, Bay of Bengal offshore	1 mcft of gas per day	Potential not disclosed but equipped to handle 55 mcft of gas per day	$50-million drilling project set to commence. First well likely in April 2025
Kharsang, Arunachal Pradesh	Potential not known; company says consultants Gaffney Cline have identified, evaluated substantial upsides	No production as yet	Company plans to drill 15 wells for exploration and production over the next two years
Cambay, Gujarat	Potential not known	Negligible	Company plans to install three sucker rod pumps to pump-lift 500 barrels of oil per day.

*HOEC's participating interest: Dirok 27%; B-80 60%; PY-1 100%, Kharsang 35%; and Cambay 25-50% in three different blocks

Ramasamy Jeevanandam, Managing Director, HOEC

The fresher hiring cauldron is boiling over

PEOPLE@ WORK.

KAMAL KARANTH

We had offered ₹4.5 lakh per annum salary to an MBA fresher after she had interned with us; the Dean of the college told her not to take the offer as they had benchmarked ₹6 lakh as the cut-off this year. Ninety per cent of that batch is still not placed this year. But it seems they would rather wait it out.

I asked one of the VPs in a large GCC to get a job for my niece, who is a computer science engineering graduate. He said he didn't want to ask any favours from his company this year as his daughter was also graduating. "I want to keep all the influence for my daughter when she passes out this year. As you know, it's becoming tougher for freshers and I don't want to exhaust my best options before she graduates."

A friend's daughter declined a job offer from a 17-year-old MSME IT firm where she interned as a software developer for a month. "Many of my batchmates who passed with lesser CGPA have got offers from larger brands. I don't want to spend five minutes explaining what my company does. When I take the name of my employer, it should ring a bell," she said.

An MD of a large tech company called to say his daughter had got a good campus offer but was concerned about the bond and penalty if she leaves within two years.

My neighbour's son who has done his BBA got a contractual job with a 'Big four' consulting firm but felt downgraded as it's not direct employment. He is now in Melbourne after his post-graduation, working through a staffing agency with a large bank.

This is just my experience amongst the 1.07+ crore students who pass out in various specialisations each year. By now, you would have a fair idea of what's broken in our system.

CAMPUS HIRING

There is huge outrage when large IT services companies don't visit campuses for hiring as three million Indian homes have engineering students. The total value of education loans disbursed has grown in leaps and bounds post-pandemic. The current fiscal's outstanding education loans are said to be well above ₹1.1-lakh crore, an over 20 per cent growth over the previous year. With loans for engineering streams accounting for 40 per cent of the total disbursals, there are at any given point 7-8 lakh engineering graduates with an education loan liability and hence the heartbreak is understandable.

The data speaks for itself. The intake of freshers from large Indian tech firms has been significant over the years. In the post-pandemic over-hiring race, an all-time high of 6 lakh freshers were recruited by tech companies in 2022. This resulted in an additional 20,000 students enrolling for computer science courses in 2022 over 2021. When 8 lakh plus engineers graduate and about 2.2 lakh are specialised in computer science, enterprises are spoilt for choice. Beyond the imminent but unquantifiable Gen AI threat to IT jobs, there is a demand issue thanks to the multiple wars being raged globally, which is impacting the macroeconomics.

There are very few high-paid jobs for freshers and unfortunately, the attractive Day 1 campus placements at premium colleges can be misleading. Less than 10,000 engineering graduates get a campus placement of more than ₹10 lakh. With 8.2 lakh engineers passing out every year, the supply has always exceeded demand by a large margin. So, would you be on the side that criticises the IT companies for paying most of their campus recruits a 20-year dated ₹3.5 lakh per annum salary or appreciate that these companies hire lakhs of them every year? Even in a bad year like the current, they will end up hiring 75,000 freshers.

THE MBA POOL

There are about 44 lakh MBA graduates in India now, and their count increased by about 11 per cent last year. The IT sector is the top industry for employment of MBAs, i.e. 19 per cent of them with less than 2 years' experience. One can complain about the mushrooming of the MBA institutes or commend that the reach of this higher education form has reached Tier 3 towns of India. However, 2024 is bad timing for MBA freshers. Picture this: there were about 4,000 open jobs for MBA freshers in 2022, which dropped to 2,000 in 2023.

THE PRODUCTIVITY PARADOX

Enterprises are punished for poor productivity/results by shareholders. In developed European countries, apprenticeships ensure the workers are relatively more job-ready and productive when they are hired. Whereas in India, in the absence of strong apprentice and internship programmes, enterprises are forced to invest heavily in training freshers and it takes 3-4 quarters for these employees to turn productive. However, the low wage entry points also mean enterprises have a higher attrition at the bottom of the pyramid leading to lower productivity.

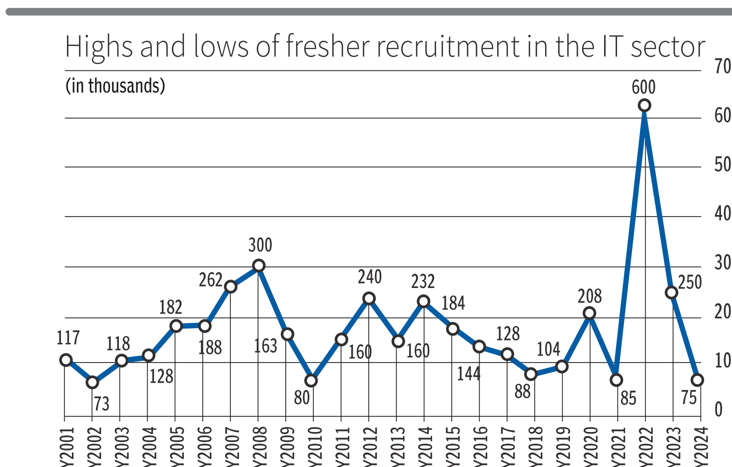
Organisations are also caught in the web of Employer Value Propositions. Even before the freshers have joined them, they start flaunting their badges like Great Place to Work, Hybrid culture and unlimited leaves where wellness precedes work. The entitlement mindset enterprises breed at the entry point of employment is worth reflecting on while hiring freshers.

With more than 6,000 listed companies, 40,000 MNCs and 3 crore MSMEs, there are substantial opportunities for freshers who are getting into the job market. The friction of Skills/Salary/Location/Timing has to be solved by all of us.

Peter Drucker said if we want something new, we have to stop doing something old!

We can start by bringing in a mindset of 'some work vs no work' into our kids. The urban students are spoilt by lack of work orientation, how many of our college going kids intern in their summer breaks instead of taking an overseas vacation. Do our urban fresher grads suffer from a positioning problem, and the freshers from the hinterland from a skill gap and opportunities challenge?

Kamal Karanth is co-founder of Xpheno, a specialist staffing firm



IT bellwethers' talent shock...

	Closing headcount	Attrition %	Q3 2023 net change	12-month net additions
Wipro	2,40,234	14.20▼	-4,473 ▲	-21,875
Infosys	3,22,663	12.90▼	-6,101 ▲	-24,182
TCS	6,03,305	13.30▼	-5,680 ▲	-10,669
HCL	2,24,756	12.80▼	36,17 ▲	2,486
LTIMindtree	82,471	14.20▼	-1,061 ▼	-3,991
LTTS	23,298	15.80▼	-582 ▼	1,649
TechM	1,46,250	10.00▼	-4,354 ▼	-10,818
Cognizant	3,47,700	13.8▼	1,100 ▲	-7,600
Total	**19,90,677**		**-16,534 ▼**	**-75,000**

*Arrows denote comparison over previous quarter
Highest YoY headcount degrowth in Q3 2023. CY 2023 talent action lower than pandemic year.

FUND FACTS.

$25.32 million

Edunetwork Pvt Ltd received Series D funding from British International Investment (CDC Group), and Nekkanti Sea Foods Ltd on February 16, taking the total funding to $179.34 million

$25 million

Infifresh Foods Pvt Ltd received funding from Nuvama Private Equity (Edelweiss Private Equity), Chiratae Ventures (IDG), and Magnetic on February 21, taking the total funding to $69.51 million

$22.64 million

Lohum Cleantech Pvt Ltd received Series B funding from Baring Private Equity Partners India, VenturEast, Cactus Venture Partners, Manas Tondon, Stride Ventures, Anish Vora, Kunal Babani, Chhattisgarh Investment Limited, Michael B Schwab Living Trust, and Singularity AMC on February 9, taking the total funding to $62.93 million

Source: PrivateCircle Research, a private market intelligence platform

RE POSTS.

Reflection Point For Startups: As India becomes a global economic powerhouse, it is imperative that Indian Startups create benchmarks in corporate governance. Startups must adhere to corporate governance and financial management best practices. By following these practices, startups will build trust with stakeholders, attract investors, and ultimately, achieve sustainable growth. Start-ups must adhere to a self regulating ecosystem with a governance framework designed to establish a culture of accountability, transparency, and ethical behaviour in Startups.

Amitabh Kant
@amitabhk87

I've said this earlier: for India to grow inclusively, wealth has to be created locally. Today, much of the success of homegrown startups goes to investors outside India.Staying in India and incorporating at home also saves the future hassle of paying huge taxes to flip back. Also, the growing local pools of capital, ever-improving regulations, and the growth of IPO markets have made India a much more attractive destination than it ever was.

Nithin Kamath
@Nithin0dha

Someone has to say it - Startup Ecosystem in India needs better founders as role models! The highly-valued, media-hyped, self-proclaimed champions, and pretending to be holier-than-thou have let all of us down..

pj
@BeingPractical

NEW HIGH

Start-ups pour a stiff competition

MORE AND MERRIER. Newly minted makers of alcoholic beverages put up spirited fight in a market ruled by legacy corporations

Haripriya Sureban

BOTTOMS UP. Amid rising alcohol consumption in India, newer and local brands are increasingly in demand

The wines and drinks list at popular hangouts around the country — long dominated by big brands Kingfisher, Old Monk, Bombay Sapphire, Royal Stag, et al — is being shaken and stirred by new-age brews from a host of Indian start-ups.

As many as 42 alcoholic beverage (alcobev) makers were launched in the last five years, even as the sector pulled in funding of $247 million during the period, peaking at $116 million in 2021.

Of the 200-plus alcobev companies in India, more than 80 were founded in the past decade alone, according to data intelligence platform Tracxn. Bira 91, Grover Zampa, and Fratelli wines are some of the poster children birthed during this period.

Banking on innovations, the alcobev start-ups are putting up a spirited fight for a share of the market ruled by old favourites bottled by large corporations. It's all about understanding the gaps in the market, responding to evolving customer tastes, and zeroing in on price ranges that are accessible, they say.

CRAFTING SUCCESS

Explaining how the newbies are breaking away from established practices in the alcohol manufacturing industry, Abhinav Jindal, founder and CEO of Kimaya Himalayan Beverages, the makers of BeeYoung beer, says, "The process of making a beverage has been side-lined and the production is in a very industrial fashion. In this scenario, what is helping is a very honest, authentic attempt at doing things... understanding the needs of a customer and solving for them have been the reasons for the growth [of the alcobev start-ups]."

He points out that an affordable premium gin did not exist in the Indian market until Nao Spirits entered the scene, and similar gaps remain in the affordable premium vodka, rum and single malt segments.

The growing demand for new-age brands also stems from changing consumer behaviour. In a country where alcohol consumption is on the rise, consumers are willing to experiment, looking for more options, and eager to try newer drinks.

As Ajay Shetty, CEO of Salud, a lifestyle beverage brand, says, "For the longest time, consumers went in for a set of brands and the only experimentation possible was when international brands came to India. Now, people seek out new brands and many are also proud of local Indian brands."

Adding to the cocktail of enabling factors is the rise of e-commerce and other digital media.

"Start-ups are reshaping the spirits sector through e-commerce integration and social media engagement, facilitating direct brand-to-customer connections and online sales. Sustainable practices and other advancements are fostering environmentally conscious production, introducing varieties of flavours and ingredients," says Neha Singh, co-founder of Tracxn.

She also highlights the importance accorded to customer preferences, in terms of tailoring products and marketing strategies to meet specific needs. Smart distilleries optimise production through brewery automation.

Social media has proved to be a potent means for alcobev start-ups to reach more consumers and build a niche following for their brands. Many founders acknowledge the power of social media in driving their brand narrative, given that alcohol advertising is restricted in traditional media.

OLD MEETS NEW SPIRIT

The rapid ascent of the newer players has forced legacy brands to rethink their old ways. Consequently, mergers and acquisitions are on the rise in the alcobev start-up segment as the biggies augment their portfolios with the young and energetic brands. Tilaknagar Industries, for instance, bought a 10 per cent stake in Spaceman Spirits Lab, makers of Samsara Gin, for ₹9.75 crore, and United Spirits Ltd (Diageo India) acquired a minority stake in craft gin maker Nao Spirits.

The slow but steady growth of alcobev start-ups is also fuelled by rising investor interest in the segment. Shetty says the returns from the funding deals that backed some of the successful start-ups are spurring more investors to jump onto the bandwagon. Seed-stage investors, small venture capital firms and high networth individuals are among those drawn to the alcobev start-up sector.

However, the challenges include the regulatory hurdles in the alcohol manufacturing and marketing space, and the capital-intensive nature of the business. Jindal unpacks the finer details, saying, "The start-up jingoism doesn't extend to the alcobev space. Innovation, craft, authenticity are not the first words used, more so because the regulators and the government are sleeping when it comes to anything that can g change or upset the apple cart of established players. Since lobbying is so important, it becomes difficult for smaller start-ups to cut through the clutter and showcase something to customers and find appreciation."

START-UPS: VAI-THEE-FUSS?

The many failures behind each 'success story'

VAITHEESWARAN K

A few years ago, I was talking about success and failure at a start-up event. The convention is to end by wishing the assembled entrepreneurs great success, which, honestly, no one notices because it's a bit like asking "How are you doing?" and not waiting for an answer. Instead, I started by wishing the audience lots of failures. After the initial surprise, I managed to get their undivided attention and we had a wonderful discussion on the following points.

"Behind every successful man there is a woman" has been a popular saying for years. Today's politically correct version is: "Behind every successful woman there is a man".

While researching for my book *Failing to Succeed*, I spent quite some time thinking about failing and succeeding, and I think the correct saying should be: "Behind every successful person there are many failures".

I believe the intrinsic value of highly successful people is proportional to the number of people who fail at reaching such astronomical heights.

Imagine a world where anyone can bat like Sachin Tendulkar, compose music like Ilayaraaja, play tennis like Roger Federer, make movies like Steven Spielberg, paint like Michelangelo, write fiction like RK Narayan, or attain superstardom like Amitabh Bachchan. That world would be quite boring because there would be no special value for unique talents and skills. The reason we are crazy about these successful people is because there are millions working hard to emulate them but fail.

It is said that success and failure are two sides of a coin. I have a different analogy.

I think success and failure are like the numerator and denominator of an inversely proportional fraction. The numerators are the successes and the denominators are the failures. The higher the denominator, the lower is the value of the fraction, thus enhancing the value of the success.

The more the failures, the higher is the value of the successful people. In other words, if no one failed, we wouldn't attach much value to successful folks.

A large percentage of start-ups fail and this is unlikely to change anytime soon. Entrepreneurs must learn from failures, for sure; but contrary to popular opinion, even successes can teach us. Unfortunately, few make the effort to learn from success.

It's as important to know why we succeeded as asking why we failed. What varies is how much we can learn from them. Like a good friend pointed out once: "Success is a subject. Failure is the entire course curriculum."

The writer is a serial entrepreneur and best-selling author of the book 'Failing to Succeed'; posts on X @vaitheek

Quiet venture: A honk meter for Indian roads

Ahmedabad techie designs app-based device to keep horn-happy drivers in check

KV Kurmanath

HUSH. The palm-sized Yhonk device tracks honking in real-time

The million-dollar question that torments road users in India is why some drivers revel in honking.

The numbers speak for themselves. India is home to about 30 crore vehicles, according to the Union Ministry of Road Transport and Highways. If each of these vehicles were to honk 10 times a day, that would tote up to 300 crore shrill auditory assaults every single day.

Government norms prescribe a noise cap of 55 decibels during daytime and 45 decibels during nights. Any sound beyond 85 decibels is considered harmful, potentially leading to permanent hearing damage, stress, irritation, hypertension, and disturbed sleep.

In the absence of efficient measuring tools, violators go unpunished even when they honk near no-horn zones such as hospitals and schools.

Why honk... at all? This question gnawed at Satyen Engineer, a techie from Ahmedabad, and pushed him to design a product that can measure honking intensity in real time, as well as geotag the source of noise. The product, Yhonk, is meant to keep tabs on honking and assist authorities in clamping down on it. The device is remotely connected to an app, which comes with a dashboard.

Currently involved in pilot testing the device, Engineer, who is the founder-CEO of Laboratory for Environment Technology, shares an interesting insight from Telangana, where the device was deployed on five state transport buses. The palm-sized box is connected to the vehicle and sends live updates to the utility's headquarters via the app. The app's dashboard helps track honking instances in real-time.

Data from two buses plying the same route showed that while one honked 24,000 times over a span of 30 days, the other honked a whopping two lakh times.

"Since we have the data, we can modify the driving behaviour. We can sensitise, incentivise and or even punish [to promote responsible driving behaviour]," he explains.

Besides noise pollution, honking leads to fuel wastage too, he adds.

"Each honk requires 0.02 ml of fuel. This may be minuscule. But when you honk two lakh times in a month, it costs you much more."

Other pilots involved Uber cabs in Ahmedabad, in association with the city police, and ongoing tests in Baroda and Delhi.

CROWDSOURCING AID

Engineer invested ₹40 lakh, including ₹10 lakh in grants, to develop the product with the help of nine associates.

"None of them have taken any fee for chipping in with their expertise. While one is an expert in hardware, another is good at software development and yet another in data analytics," he says.

The product managed to grab the attention of CXOs, fellow start-ups, and policymakers at the recent annual conference of the Hyderabad Software Enterprises Association (HYSEA). It even won a jury special mention award for novelty and utility.

It will be commercially released on completion of the pilot tests.

"We are not looking at direct sale to individual consumers. We are looking at working with transport utilities and other such communities. The device could cost ₹5,000-6,000 initially. If volumes grow, the price can drop to ₹40," Engineer says.

Lending funds... and a hand

bl.interview

Anchal Verma

Our strategy evolved to prioritise untapped market opportunities in sectors like food-agri, infra-tech and fintech

MUKUL GULATI
Managing Partner, Zephyr Peacock India

Zephyr Peacock India (ZPI), a venture capital firm focusing on the agri, infra and fintech sectors, has received approval for its fourth fund. It expects to close the $200-million fund raise by 2025, says Mukul Gulati, Managing Partner.

Started in 2007, the firm has till date deployed three funds — including two global funds. The average investment from the new fund is likely to be $9-10 million. Gulati says the firm provides its portfolio companies handholding in addition to funds. Edited excerpts from the interview:

What is your investment strategy?

Ever since we entered the Indian market in 2007, we have been investing in small and medium enterprises. Our strategy evolved to prioritise untapped market opportunities in sectors like food-agri, infra-tech, and fintech. We focus on early- to growth-stage enterprises, ranging from pre-series to series B financing.

Our approach goes beyond providing capital, encompassing valuable advice and strategic support. We aim to average five investments per year. In the current year, we expect to close at least three deals from the existing fund and two from the new fund. Over the four-year investment horizon for the new fund, we anticipate around 20 investments.

Which are some of the marquee companies in your portfolio?

Our current fund has nine companies. Our investments include the likes of ZippMat, Ripplr, Loanzen, Vidyut, BatX, and MPower.

How much of your $100-million third fund has been deployed?

We've allocated 80 per cent of the fund, with 60 per cent invested in new ventures and 20-25 per cent reserved for follow-on investments. We aim for a ticket size of $7-8 million, but may start with $2-3 million and adjust exposure based on performance... expect three to four more investments in the next six months.

What is the status of the planned new $200-million fund?

We've received regulatory approval. The next 12 months will be the fundraising cycle for this new fund. The investment strategy remains consistent.

Apart from your focus sectors, are there any others that interest you?

Sectors such as financial services, infrastructure services including metro/railway infrastructure design and port management software, logistics, and clean energy hold potential. Others like EV [electric vehicle] financing, EV servicing, and battery manufacturing and recycling also have high growth potential in India.

What exit strategies are in place for your portfolio companies?

About 25 per cent of our companies go public. Sales to financial sponsors have been surprisingly successful in India due to the market structure.

While M&A exits have taken longer, we have executed some, like Miles Software being acquired by Ebix. We have completed around 15 exits.

VAULT MATTERS.

HAMSINI KARTHIK

e-Re: No small change, please

A few weeks ago, the Reserve Bank of India announced it would add a new feature to the central bank digital currency (CBDC), popularly known as e-Rupee. For retail users, the upgrades would enable offline usage too and programmability — namely an e-Re can be set aside for a specific purpose and, if required, have an expiry date.

Both measures are expected to get more people to use the digital currency. But the lingering question is why go for the e-Re when the Unified Payments Interface or UPI is already doing all this?

With UPI being used as a quasi-proxy for cash, there is little to distinguish it from e-Re apart from differences in technology and the promised anonymity of transactions under e-Re. However, for transactions below ₹1 lakh and those that are domestic or retail in nature, anonymity isn't a make-or-break factor. In fact, without need for a wallet, UPI offers every convenience ahead of retail CBDC.

Social media was recently abuzz with whispers of how a section of bankers who receive a part of their compensation, such as food expenses and reimbursements, through e-Re are resisting this forced adoption of the digital currency. If this is the reception from those who are supposed to be the change agents in digital currency adoption, then will sops such as programmability or offline usage be enough to induce common Indians to switch to e-Re?

While it is undeniable that demonetisation was an important factor in hastening the adoption of UPI, due credit must also go to the efforts taken by fintechs in the UPI ecosystem to popularise the technology among users. These go well beyond the gift scratch cards and discounts that they have offered from the start. More importantly, UPI promised safety, security and ease of transaction — features that are of paramount importance in the digital payment system. These are offered by e-Re, as well. Therefore, policymakers must come up with use cases that can make the e-Re irresistible to millennials and those newly joining the workforce. This may not only lead to wider adoption, but digital currency usage may also become a habit for them, rather than being thrusted on them. The attempted use of direct benefit transfer schemes alone to spread the reach of e-Re may not do the trick.

SMALL TALK.

In the boss's good books

This large bank has seen some rejigs at the senior leadership level. A few of them with piled-up responsibilities had offloaded some to their newly elevated colleagues. An exec who is being groomed as the next corner-office occupant now has an unprecedented load on his back. We are told he is working on ways to divide up the responsibilities, but that could apparently prove tricky as it would entail an addition to the already crowded boardroom table. Now, what we don't know is whether these changes are taking place on the orders of the big boss of the banking sector. That's a question no one is willing to answer, not even the big boss! Well, it appears that after the bank's flawless and painstaking efforts of the last five years, it is in everyone's good books today. Moreover, no one wants to do anything to upset the apple cart.

BUILT SPACE

'India's infra market remains attractive'

ASSET PLUS. Why KKR India is raring to deploy its second fund in India's infrastructure sector, scouting beyond airports and roads

Hamsini Karthik

With 50 per cent of a recently raised $6.4-billion fund committed to assets in the infrastructure sector, Hardik Shah, partner at private equity major KKR India, is confident that foreign investors will continue to focus on the country.

Pointing out that India is among the few countries offering top-quartile risk-adjusted returns, Shah outlines to *businessline* how KKR will prioritise future infrastructure investments. Edited excerpts from the interview:

Whenever there is action in the infrastructure space, it is assumed that the economy is at an inflection point. Are we at that stage now?

I think success begets success (and I don't mean this as KKR raising a second fund!). You continue to see interest in the Indian infrastructure sector and more assets becoming available. We see more opportunities to deploy capital in a sensible manner, into asset creation, and I think foreign investors will see more opportunities to deploy here.

During 2016-17, you would have seen an influx of new investors in the Indian infrastructure market; whether it's general partners such as KKR, direct investors, sovereign wealth funds, pension funds, or insurance companies. There are interesting investment opportunities with extremely fair risk-adjusted returns.

You believe that India is among the most rewarding markets even on a risk-adjusted returns basis?

Yes. The market is so deep that there's enough for everyone to do. There's a real opportunity to deploy very sensibly in the market and investors are broadly happy with what they've done.

KKR sees infrastructure as more than just airports and roads. How do you see the spectrum widening?

Infrastructure has a lower cost of capital than private equity because, generally speaking, infrastructure assets have lower risk. We look at the underlying business and risk in the cash flows and define whether it deserves an infrastructure cost of capital.

Take, for example, a renewable power plant that is selling into the merchant market. This asset may be infrastructure in theory. However, in our definition, it is not infrastructure because there is no certainty on cash flows.

The flip side is businesses like LEAP India (a pallet pooling platform), which may not fit the classic definition of infrastructure but has characteristics such as an extremely robust business and high cash flow generation, and operates in a market that's growing.

About 50 per cent of your second fund is committed. What is the India focus in the pipeline of investments?

India is a key market for KKR's Asia-Pacific infrastructure strategy, just as the market is a key part of our wider investment strategy across the region.

Our funds broadly have investment periods of six years. So, in theory, we could be deploying capital from this fund for the next six years. Past experience has shown that we end up deploying in three years.

In the past decade, power and road assets didn't deliver great returns and were often stuck in litigation...

Over the last 15 years, foreign investors have seen the markets mature a lot.

There's more precedent in dealing with government authorities, especially in sectors like roads and renewables, where there are many private assets. Valuations and pricing have turned sensible for everyone.

But in the last six to eight years, I'd say most infrastructure investments have actually been quite successful.

FOLLOW THE CASH FLOW. Hardik Shah, partner, KKR India

From hybrid annuity model (HAM) we are moving back to build-operate-transfer (BOT) model for roads. How can mistakes of the previous cycle be averted?

I think the government has done a really good job at listening. There has been a lot of consultation with investors and bidders. HAM was launched when domestic developers, who are the main bidders for BOTs, didn't have capital. When the market regained capital, they said let's expand the amount of work. Being able to deploy more assets in response to market circumstances has created more assets for the country.

Infrastructure pockets like data centres, storage batteries are still in infancy. Would you rather build here or acquire?

Yes, we are deploying in batteries. We have also invested in SingTel's data centre business, which has several ongoing greenfield construction projects for new data centres. We're doing both battery storage and data centres with Serentica. At Hero Future Energies, we are building a lot of greenfield renewable capacity. We're not shying away from asset creation. We are quite conscious about which sectors we will go into and which we won't. If risks can be underwritten properly and they're well defined, it's something we're willing to look at.

Is Hero Future ready to be taken to market?

It's a good question. I think it would be best answered by the company.

In the case of IndiGrid, which is built as an annuity model, when is KKR likely to seek an exit?

IndiGrid is a core part of our business, and we will continue to be the long-term managers. In an InvIT [infrastructure investment trust], the manager is different from the owner, and we will continue to see ourselves in the management role for a longer term. It's something that we've scaled up six times in the last five years.

SPOTLIGHT

A loan mix that repays well

Anshika Kayastha

It's been over a year since the three-way merger of Shriram City Union Finance and Shriram Capital with Shriram Transport Finance, but the integration is still a work in progress. YS Chakravarti, MD and CEO, explains to *businessline* how the financials are expected to improve in the months ahead. Edited excerpts from the interview:

What is the status of the post-merger integration?

It's a work in progress; it will take us some more time to have a fully integrated unit. In states such as Tamil Nadu or Andhra Pradesh, where both the teams (Shriram City Union and Shriram Transport Finance) have strong volumes, we cannot just merge the branches or have one person handling all the products. We're trying to introduce other products at these branches and place people who are trained in these branches, either new [appointees] or from erstwhile SCUF branches.

That will probably take another year before we have all products in all branches. We have introduced gold loans at 600 branches that handle commercial vehicle loans. We have recruited, trained and placed close to 2,000 people. It's an exercise we're reviewing regularly.

The proof that it's working is that in nine months of FY24 we grew 20 per cent against the estimated 14-15 per cent at the time of merger. We'll close FY24 at 20 per cent growth and grow 15-18 per cent in the next two years.

What about synergies in the vehicle loan portfolio?

The product mix has about 30 per cent new vehicles and 70 per cent used. Both are growing, but in the new PV [personal vehicle] loan segment, we are mostly into entry-level cars because our customer segment comprises those upgrading from two-wheelers or a CV [commercial vehicle] owner who is buying a car. Since our reach has extended almost overnight from 2,000 to 3,000 branches, we are able to offer PV loan products to customers. CV loan segment has grown by about 13 per cent, wherein LCV [light CV] loan growth is slow; the heavy vehicle loan segment is growing.

MERGING INTERESTS. YS Chakravarti, MD and CEO, Shriram Finance

What would be your ideal portfolio mix?

MSME [micro, small and medium enterprises] lending has grown by 30 per cent, two-wheeler loans by 21 per cent and gold loans about 30 per cent. In personal loans, where 99 per cent goes to existing customers, we have around 2.3 million live customers, of whom 50 per cent have completed 60-70 per cent of their loan tenor. Another 10 lakh loan contracts expired last year. Ideally, PV should be 25-26 per cent and CV 35-40 per cent. Construction and farm equipment should be 6-7 per cent, and personal loans we have capped at 8 per cent of our portfolio. But it will take at least 3-4 years to reach 8 per cent, because it's a short-tenure product. The 65 per cent growth in Q3 FY24 looks high because of a small base, but it could grow at 20-25 per cent.

Where do you see pricing competitiveness?

Between new and used vehicles, I would prefer to fund used vehicles. At a blended level, the share of new vehicles will reduce because banks are lending at 9-10 per cent, which we can't do. We're happy funding existing customers but we don't want new vehicles to be a big portion of the book. Prices of new medium and heavy CVs have crossed ₹40 lakh. Drivers who want to become owners will never be able to afford a new vehicle, and it's mostly fleet owners who are moving towards new vehicles. We don't want to compete there because they're already being funded by other banks or NBFCs [non-banking financial companies] at lower rates. We don't want to lend at those margins, or ramp up the top line at a cost of the bottom line. We will continue in used vehicles because that is our core strength.

Your profitability has been constrained given higher opex and pressure on margins. What is the guidance on return ratios, given talks of the stock entering Nifty 50 index?

Opex is 25-27 per cent, which includes a hit of ₹100 crore every quarter because of merger-related intangibles, which should be absorbed in 2-3 quarters. Staff cost has gone up because we onboarded nearly 13,000 people last year. The nine-month NIM [net interest margin] improved to 8.77 per cent in FY24 from 8.31 per cent a year ago, which should sustain. Cost of funds should be stable. The change in the portfolio mix due to the growth in personal and MSME loans is helping us hold NIMs. Also, we have a negative carry of about three months of liquidity on the books. That is reducing and should help improve margins and return ratios. RoE [return on equity] right now is 15 per cent and should improve to 16-16.5 per cent and RoA [return on assets] from 3.11 to 3.50 per cent.

Banks in race to gather low-cost deposits

RETURN TICKET. Funds seek better yielding products

IN MY VIEW.

KARAN GUPTA

Deposit growth in the Indian banking system continues to lag credit growth at 16.1 per cent. There was some improvement with a 12.5 per cent year-on-year growth in the December quarter of FY24, compared with 9.6 per cent in FY23. However, following the increase in policy rates and bank rates on term deposits, the deposit mix has changed and the CASA (current account–savings account) deposit ratio has declined (despite HDFC Ltd's amalgamation with HDFC Bank) by around 200 bps since the March quarter of FY22. Funds have moved from CASA to better yielding products. The higher rates on term deposits has further widened the interest rate gap.

It should be noted that with the current interest rate cycle expected to reverse in the latter half of FY25, some of the funds could return to CASA and elevate the CASA ratio. Further, as system credit growth improved in FY22-23, most public sector banks (PSBs) had on average a loan-deposit ratio (LDR) of around 65 per cent, way below the 82–83 per cent at private banks, which allowed them to drive loan growth and profitability without the need to grow deposits commensurately.

However, now with most PSBs also operating at the higher end of their LDR range (around 75 per cent), they will need to grow their deposits to match the strong systemic loan growth. With LDR at an all-time high, the long-term growth and profitability of banks will depend on their deposit mobilisation and the quality of their deposit franchise.

HOUSEHOLDS LOOK AWAY

One should also note that households, which are the main drivers of bank deposit growth with a nearly 60 per cent share, have been gradually moving away. The growth of this segment has slowed from 9–10 per cent year-on-year over FY19-23 to about 1 per cent over FY23–H1FY24, which has been a drag on deposit growth.

The primary reason for households moving away to other financial assets (mutual funds, small savings schemes, and so on) and physical assets (homes, vehicles, and so on) is the expectation of better returns alongside housing and personal mobility needs. Banks have also increased the weighted average domestic term deposit rates on fresh rupee term deposits by 269 bps (since January 2022) to 6.49 per cent in December 2023, as against 250 bps hike in repo rates since May 2022.

A few scheduled commercial banks and most small finance banks, which are building their low-cost CASA franchise, are offering higher tiered interest rates on savings account balances that exceed certain thresholds. Banks with established CASA franchises have mostly stayed away from such offerings as these would impact their margins. Banks also continue to use wholesale deposits, including bulk deposits, opportunistically to meet the demand for lending.

COVETED BANK BALANCE

Outstanding certificates of deposits (CDs), at ₹3.45 lakh crore, is up 17.3 per cent year-on-year, though the incremental CD contribution to overall deposit growth stood at 2.15 per cent in the December quarter of FY24 after peaking at 12.65 per cent a year ago. Banks are exploring multiple strategies to increase deposit growth. A few are selectively offering higher savings bank rates to attract deposits.

Banks have also been tinkering with deposit rates in select maturity buckets to make them attractive to customers as part of their asset-liability management. Banks (especially private banks) are also opening more branches, with some focusing on semi-urban and rural areas.

To build customer loyalty, banks are offering longer tenor products such as home loans, which helps increase savings account balance, as the customer is likely to keep the account steadily funded for EMI payments. Strategies also include getting the customer to register for bill payments through the account, which again can keep the account funded for the payments on an ongoing basis.

The writer is Director and Head–Financial Institution, India Ratings & Research

QUICKLY.

China names manned spaceship, moon lander

beijing: China's space agency has unveiled the names of a new manned spaceship and a moon lander for its mission to send astronauts to the moon before 2030. The new crew spaceship is named Mengzhou, which means dream vessel in Chinese. The moon lander is called Lanyue, meaning embracing the moon, in Chinese. BLOOMBERG

London's Heathrow shelves third runway plan

London: London's Heathrow airport is shelving plans to add a third runway, and will examine other options to handle more passengers, the *Sunday Times* reported. CEO Thomas Woldbye has begun the processing of disbanding a team focussed on the project. The airport saw passenger numbers rise about 29 per cent to 79.2 million last year. BLOOMBERG

Banks looking at bonds, rights issue amid stretched loan-to-deposit ratios

ALTERNATIVE ROUTE. Surge in credit growth pushed banks' LDRs to two-decade high of 80% in Dec last year

Anshika Kayastha
Mumbai

FOCUS ON LIQUIDITY. Over the past two months, lenders have hiked FD rates for shorter tenure deposits of upto two years

Amid tight liquidity environment and stretched loan-to-deposit ratios (LDRs), banks are looking at alternative fund-raising options to support their balance sheets, leading to several of them tapping the capital markets to raise debt or equity through varied instruments.

The surge in credit growth pushed Indian banks' loan to deposit ratio (LDR) to a two-decade high of 80 per cent in December 2023, due to which incremental growth will "either come more slowly or be more expensive". At present, credit growth is 1.5x nominal GDP, while deposits are rising in line with nominal GDP, said S&P Global in a note. "Private banks are most exposed to this risk, as their LDR could cross 97 per cent in our alternate scenario. Banks will have to supplement deposits with onshore and offshore wholesale borrowings, potentially at a higher cost. The hit to NIMs could double, falling 20 bps to 2.8 per cent, and could translate to a 10-15 bps impact on return on average assets," it said.

Since the beginning of the calendar year, State Bank of India has raised $1 billion overseas for ESG financing, followed by ₹5,000 crore through additional tier-I (AT-1) bonds. Bank of Baroda first raised ₹5,000 crore through long-term infrastructure bonds, and then ₹2,500 crore via tier-II bonds. Canara Bank, too, raised ₹2,000 crore via AT-1 bonds.

HDFC Bank raised $750 million in two tranches of its sustainable finance bond issue, whereas South Indian is in the process of raising ₹1,151 crore through a rights issue in March 2024.

Even as credit growth is seen moderating to 14 per cent in FY25 from 16 per cent in FY24, it will continue to outpace deposit growth, leading to fall in NIMs to 2.9 per cent in FY25 from 3 per cent in FY24, and ensuring that deposit accretion remains competitive well into FY25.

The current scenario of muted retail or CASA deposit growth has also prompted banks to hike fixed deposit (FD) rates to attract customers that are shifting to higher-yielding investments such as mutual funds, equity and real estate, leading to further deterioration in banks' LDR levels.

HIKE IN FD RATES

Over the past two months, several lenders have increased FD rates, largely for shorter tenure deposits of upto two years. Large private lenders such as Axis Bank, HDFC Bank and ICICI Bank are offering up to 6 per cent returns on one-year FDs, 6.7-7.1 per cent on 1.5-2-year deposits, and upto 7.2 per cent on two-year FDs.

Smaller private players such as Federal Bank and IndusInd Bank are offering upto 6.5 per cent for one-year FDs, and 7.50-7.75 per cent of 1.5-2-year deposits.

ARCs want banks to sell bad loans at an early stage

K Ram Kumar
Mumbai

Asset reconstruction companies (ARCs) want banks to sell bad loans at an incipient stage as the scope for recovery is brighter. As bad loans age, the possibility of recovery goes down drastically.

"We need to deep dive and understand that the accounts being sold to ARCs [by banks] are at a dead-end. When we buy there is nothing left. There are minuscule chances of their revival.

"...the expectations [of lenders and investors in security receipts/SRs] from ARCs are unrealistic. We need to be realistic...it is easy to blame ARCs that there are not doing anything," said Pradeep Goel, Chairman, Assocham National Council for Stressed Assets, and MD, Prudent ARC.

STAGE OF DISTRESS

He observed that one of the ways that the businesses underlying non-performing loans (NPLs) can be revived, rehabilitated and reconstructed, is by selling them at an early stage of distress.

Raj Kumar Bansal, Chairman, Association of ARCs in India, and MD and CEO, Edelweiss ARC, emphasised that ARCs have been focussing on restructuring viable cases for value maximisation and contribution to the economy at large. "The rate of turnaround is higher if non-performing assets are sold to ARCs early, instead of after exhausting all means of resolution by the sellers, by which time there may be substantial erosion in value," he said.

> **As bad loans age, the possibility of** recovery goes down drastically

Goel underscored that there is no regulatory hurdle for sale of Special Mention Accounts/SMA (accounts showing signs of incipient stress) to ARCs. This will result in maximisation of recoveries for lenders. The RBI requires banks to identify incipient stress in loan accounts by creating three sub-categories under the SMA category.

An account gets into the SMA-0 sub-category when the principal or interest payment is not overdue for more than 30 days, but it is showing signs of incipient stress. An account gets into the SMA-1 and SMA-2 sub-categories when principal or interest payment overdue between 31-60 days and 61-90 days, respectively.

Goel opined that banks need to be encouraged to sell loans showing signs of incipient stress.

FOCUS ON CORE BIZ

"Banks should aim for timely solution, timely decision making so that they can focus more on their core business – enhancing credit growth, thus helping the economy and nation-building," he said.

According to RBI data, as of March-end 2023, the cumulative book value of assets acquired by 28 ARCs increased to ₹8,48,119 crore (against the ₹6,38,008 crore cumulative book value of assets acquired by 29 ARCs as of March-end 2022).

The cumulative security receipts issued by ARC Trusts grew to ₹2,46,290 crore (₹2,04,844 crore). The cumulative amount of SRs completely redeemed was at ₹41,058 crore (₹31,331 crore).

Bruised by Paytm crisis, Softbank may find solace in 3 likely IPOs

Janaki Krishnan
Mumbai

Fintech firm Paytm may be proving to be a drag on Softbank's $14-billion India investment portfolio, but it will be looking at selling stake and booking handsome gains in at least three companies, which will make their stock market debut this year, with a combined valuation of over $20 billion.

Among its IPO-bound portfolio companies are Firstcry.com and Ola Electric, which have already filed their draft prospectuses, while on the anvil is food delivery firm and aggregator Swiggy, which is slated to file its papers soon. The first two companies will be looking for IPOs worth a combined $250 million, according to reports, while Swiggy may have a $1-billion IPO.

Flipkart accounts for 9 per cent of Softbank's total India portfolio. It did not make any investments in India in 2023, but that is set to change in 2024 as it is preparing to infuse fresh funds into companies that are in the growth stage. Over the last decade, the firm has invested around $15 billion in India, reports said.

PAYTM CRISIS

The crisis in the fintech platform has cost Softbank a pretty packet with its market value plunging, taking a hit of around $100 million in the immediate aftermath of its crackdown by the Reserve Bank of India, which barred the payments bank unit from accepting new deposits and credit transactions.

On February 16, Paytm's shares were trading at less than a third of their 52-week high reached on October 20, 2023. Since that low, its shares have gained more than 28 per cent, with the RBI giving it breathing time to make other arrangements for its payment app's back-end transactions.

At the end of December, Softbank's investment in Paytm had a value of ₹2,606.5 crore, down from ₹5,051 crore at the end of June, during which it had slashed its stake in the fintech firm to 6.46 per cent from 9.18 per cent, according to data provided by Prime Database.

In January, just before the RBI crackdown, Softbank sold a further 2 per cent stake in Paytm, bringing it down to 5.06 per cent, according to an exchange filing. Softbank has been steadily reducing its stake in the fintech firm over the years. At the end of 2021, it held a stake of 17.47 per cent in Paytm.

PROFITABLE EXITS

In December, Softbank exited Zomato, and last month PB Fintech (which runs Policybazaar) made decent returns on both. According to Prime Database, its stake sales in Paytm, PB Fintech, Zomato, and Delhivery in 2022 and 2023 were worth around $1.1 billion.

It has bought down its stake in logistics firm Delhivery to 11.77 per cent at the end of December from 18.5 per cent at the end of June in 2022, selling stakes along the way. At the end of December 2023, Softbank's total global portfolio had a fair value of $146.6 billion, according to its performance snapshot.

'Gujarat, a destination of choice for foreign tourists'

Our Bureau
Ahmedabad

GLOBAL CONNECT. An aerial view of Sudarshan Setu, India's longest cable-stayed bridge, which will connect Okha mainland and Beyt Dwarka island in Gujarat PTI

Pointing out that Gujarat has become a "destination of choice" for foreign tourists visiting India, Prime Minister Narendra Modi, while addressing a gathering at Dwarka, said one out of five tourists who came to India in 2022 visited Gujarat.

"Today, Gujarat is becoming a destination of choice for foreign tourists visiting India. One in every five of the total 85 lakh foreign tourists who visited India in the year 2022 has visited Gujarat. As of last year till August, 15.5 lakh tourists have already visited Gujarat," said the Prime Minister, who is currently visiting the State.

E-VISA BOOST

PM Modi said the Central government's decision to issue e-visas to foreign tourists has also benefited Gujarat. "This increase in the number of tourists is creating new employment and self-employment opportunities in Gujarat," he added. The Prime Minister also shared his experience of taking a under-sea dive to see the submerged portions of Beyt Dwarka, which is believed to be the ancient kingdom of Lord Krishna. In the morning, PM Modi inaugurated a ₹980-crore Sudarshan Setu at Dwarka, which links Okha on Gujarat's mainland to Beyt Dwarka, through a cable-stayed bridge.

"Six years ago, I had the opportunity to lay the foundation stone of this Setu... It is a marvel an example of engineering. I wish students of structural engineering to study this Sudharshan Setu. It is India's longest cable-stayed bridge," said Modi, adding that the new bridge will ensure that tourists and pilgrims do not have to depend on ferry boats to reach Beyt Dwarka "The lighting on the bridge has been done using solar panels. There are 12 tourist galleries on the bridge where people can view the open sea," he said, highlighting the features of the bridge.

Highlighting a number of projects built during his tenure across the country, the PM said: "When the connectivity improves, it directly affects tourism in the country.

"The increasing connectivity is making Gujarat a tourist hub."

AIIMS INAUGURATION

Later in the evening, PM Modi inaugurated AIIMS at Rajkot, which has been built at a cost of ₹1,195 crore. He also inaugurated four other AIIMS at Kalyani, Mangalagiri, Bhatinda, and Raebareli.

"Till the last 50 years of Independence, there was only one functional AIIMS in Delhi. Seven AIIMS were given approval in the last seven decades, but even they were not completed. In the last 10 days, foundation stones or inauguration ceremonies have been held for seven AIIMS," said Modi.

Air India, Vistara place 93 passengers in no-fly lists for unruly behaviour in 2023

Aneesh Phadnis
Mumbai

Air India and Vistara placed 93 passengers in no-fly lists in 2023 for unruly in-flight behaviour. Together, this accounted for over 90 per cent of all no-fly list cases last year, data obtained from the Directorate General of Civil Aviation (DGCA) show.

DGCA, in September 2017, framed rules on the handling of unruly passengers. The rule was triggered after then Shiv Sena MP Ravindra Gaikwad beat an Air India employee with slippers for not giving him a business class seat on a Pune-Delhi flight.

Between 2017 and 2022, domestic airlines collectively banned 140 passengers from flying for various periods of time. Interestingly, not a single passenger was banned by Air India under the rule in those five years. However, Air India seems to have gone on a safety overdrive in the aftermath of the peegate incident of November 2022.

The airline faced flak for its handling of an onboard urination incident on a New York-Delhi flight, resulting in regulatory fine of ₹30 lakh and suspension of the pilot for three months. The case is now subjudice. While Air India put 71 passengers on a no-fly list, Vistara banned 22 in 2023. Akasa Air and IndiGo placed 14 and one passenger in no-fly lists, according to data obtained under the Right to Information Act 2005. None of the four airlines replied to email query on the topic.

"Air rage and unruly passengers are a huge problem, and airlines need to take them seriously and file charges against obnoxious behaviour," said aviation expert and lawyer Sanjay Lazar. Legal system must also ensure that passenger rights are balanced and due process is followed, he added

DANGER LEVELS

The 2017 rule classifies unruly incidents in three levels based on their seriousness. It lays down steps that airlines need to take against unruly behaviour, including setting up a three-member committee for banning disruptive passengers. According to industry sources, a majority of the occurrences are classified as level 1 (verbal abuse, lewd gestures) or level 2 (physically abusive behaviour, sexual harassment). Level 3 includes dangerous acts such as causing damage to aircraft and murderous assault.

"There are several instances when passengers are angry with the service or have an altercation with fellow passengers. Our duty is to calm such passengers and control the situation. If possible we change their seats.

"We have to be firm and warn passengers about unacceptable behaviour. However, earlier incidents like minor altercations among passengers would go unreported after the situation was brought under control. This is not the case anymore. We make safety reports of all such incidents," said an Air India crew.

"We don't take sides in such matters. We simply report them," another crew member remarked.

Air India is taking unruly passenger behaviour seriously and backing up crew members to report such incidents, said an executive.

Eyestem's promising products catch the eye of traditional pharma firms

PT Jyothi Datta
Mumbai

WAITING PERIOD. The cell therapy company's potential therapy for dry age-related macular degeneration awaits regulatory approvals in India for trial in humans

Two pharmaceutical companies and a vaccine-maker invested in Eyestem in 2022, putting the spotlight on the cell therapy company's product pipeline.

The six-year-old company's potential therapy for dry age-related macular degeneration, a global unmet medical need, awaits regulatory approvals in India for trials in humans, even as the company prepares to take the investigational new drug to Australia, says Eyestem co-founder and Chief Executive Officer, Jogin Desai.

Explaining Alkem, Natco and Biological E's investments in Eyestem, Desai recollects how he had approached the companies' promoters. And while a future scale-up or in-licensing may be of interest (when there is a final product), it is the science that caught their eye, Desai told *businessline*.

"The research was good, the team they liked ...and this allows them a way to understand how the research is developing at a much more micro level...and that would hopefully allow them to create decisions down the line," he said, explaining the traditional pharma/vaccine companies' interest in the fledgling company.

'RAISING FUNDS TOUGH'

It's hard to raise risk investment from venture capital in India as they seek a sweet spot, not wanting to enter a firm too early or late, says Desai. His approach was to find investors who understood the risks and rewards of this business, its regulatory nuances and so on, he added.

The company's pipeline includes potential therapies for dry AMD, retinitis pigmentosa, and idiopathic pulmonary fibrosis. In August 2022, Eyestem raised $6.4 million in a Series A round, led by Biological E Ltd, Alkem, Natco, and Anurag and Karan Bagaria, promoters of Kemwell Biopharma, said Eyestem.

Existing investors, Endiya Partners and Kotak Private Equity, also participated in this round, valuing Eyestem at $46.4 million that year.

HEALING FOR ALL

"Over the next few years, a lot of diseases that are currently incurable will start becoming treatable because of cell and gene therapy," says Desai. Dry AMD is the largest cause of incurable blindness in those over 50 years, and 170 million people suffer from it globally, including 40 million in India.

Eyestem's research involves identifying the specific cell "because [if] that cell is lost in the human body you get the disease. So, we create those cells inside through a repeatable predictable process and then hope that we can replace that cell inside the human body".

The Phase I/IIa clinical trials will involve one-time subretinal injections to prove safety and efficacy of the product. Regulatory approvals for commercialisation come only after that, and Desai expects the entire process to take about two years.

The current trial involves about 36 patients across LV Prasad Eye Institute, Hyderabad; AIIMS, Delhi; and Ganapati Netralaya (Jalna, Maharashtra). The trial will recruit those over 50 years, and older patients would be included, depending on the doctor's assessment.

While its early days to discuss pricing, Desai said "we have to create [a] therapy which decreases [the price] and by a significant factor. How much we will be able to decrease, I do not know completely at this moment".

'State-backed hacktivism rising'

KV Kurmanath
Hyderabad

The recent geopolitical flashpoints across the world have resulted in a sharp increase in hacktivism, a form of cyber attack or campaign launched by hacker-activists. State actors, too, join the fray, making the cybersecurity threat landscape much more complex, according to Check Point Research.

"This type of hacking, once a tool for individual activists, is now being used by governments as a way to attack adversaries indirectly. This was especially noticeable in the wake of events like the Russia-Ukraine war and the Israel-Hamas conflict," it said in its latest report, '2024 Cyber Security Report'.

"By hiding behind hacktivist group facades, nation-states can foster an illusion of popular support, and distance themselves from the attacks and avoid retaliatory actions," it said.

Similar to the Russian cyber-operations during the Ukrainian conflict, Iran's cyber activities also extended their reach westward.

"In the first weeks of the Israeli-Hamas war, the cyber warfare landscape saw numerous regional hacktivist groups, predominantly with Islamic affiliations, step up their activities together with the formation of hundreds of new anti-Israeli hacktivist groups," it said.

Check Point Research flags a sharp increase in cyberattacks targeting IoT devices, with a 41 per cent increase in the average number of weekly attacks per organisation during the first two months of 2023, compared to 2022.