SURESH & CO.,

EMERGING THOUGHTS

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Contents

Foreword

We, at SURESH & CO. are extremely glad to release the series "EMERGING THOUGHTS". This publication is a consolidation of events occurring all around the world and ideas put together by articled assistants (Interns undergoing Chartered Accountancy course) who will be emerging as Chartered Accountants in near the future and employees.

Keeping yourself updated with the history, news and events, happened or happening, around the world is very important. Knowing the latest news and updates and events which are occurring throughout the global world, is necessary, as these occurrences may affect our lives, either directly or indirectly.

The response we receive from the readers is always overwhelming and this eternal ritual has been an amazing journey reaching milestones as the learning opportunities have always illuminated our path with the essence of knowledge.

At SURESH & CO., every individual is empowered to be bold in the name of innovation and wisdom and our encouraged to think beyond their capabilities. This not only helps them to purify their thoughts, enriches their vision but also gives them an opportunity to reconnaissance various things that are beyond their study domain.

We at SURESH & CO., wanted to share these gems of initial thoughts as conceived by these young minds. It is to be noted that these updates may or may not have been reviewed by any senior or a technical expert and thus these should be used only to kindle thoughts in certain positive direction. Readers are advised to do further research and analysis on the topics which they find interesting.

"The road to success and the road to failure are almost exactly the same"

"The future belongs to those who dare to dream and then work to make those dreams a reality"

Update for the day #1801 | Your EV could be hurting the world. And your pocket.

There are only a couple of reasons why you might buy an electric vehicle.

Environment! You see ads about 'zero emissions' and you want to play your part in keeping the world clean and green. You don't want to burn fossil fuels just to get from Point A to B.
Long-term cost! You think you can justify the high cost of an EV because you'll spend less money on fuel over its lifetime. And you see the government doling out subsidies so you know it's the future. You don't want to be stuck trying to sell a diesel car in 10 years when the world has moved on.
Now carmakers in India know that most people are thinking along these lines nowadays. So they're cutting back on the number of petrol and diesel-powered models or what's known as the internal combustion engine (ICE). In 2018, they sold 168 such models. But that has now fallen to just 136. On the other hand, they've stepped up the EV game. The EV models have jumped from just 3 to 18 during this same period.

But what if we told you that there's a small problem with EVs in their current state?

They aren't the best. Not for the environment. Not for your pocket.

If you're shocked, then we suggest that you take it up with the folks at the Indian Institute of Technology,Kanpur. Because their researchers crunched the numbers, ran a lot of permutations and combinations and finally said, "Guess what? The future should be hybrid. Not electric!"

Yup, it seems like cars that have an electric battery but also come fitted with an internal combustion engine (ICE) that uses fossil fuels are simply better. For the environment and for your pocket. At least from an Indian context.

And what did they find you ask?

So they ran some simulations assuming that the cars have a life of 10 years. And that they run for 20,000 km a year. They then calculated the emissions through the entire life cycle or what's known as cradle-to-grave—which means right from production to maintenance and then recycling.

And the numbers speak for themselves.

The EV emits 187 grams of carbon dioxide per kilometre of use (gCO eq./km). The hybrid is at 167 gCO eq./km. The regular petrol car emits 244 gCO eq./km.

And if you're wondering which cars were used in this analysis, it's the petrol and electric variants of the Tata Nexon and the Maruti Suzuki's hybrid Grand Vitara.

And if you're wondering why EVs aren't coming out trumps, remember, emissions aren't just about what comes out of the tailpipes alone. In that case, EVs don't emit anything and they're a clear winner. But think how the massive batteries that power these cars are produced. They require a lot of nickel, cobalt, and lithium. And mining and refining them emit a lot of greenhouse gases. So producing an EV can actually be quite counterproductive at the moment.

That means if you decide to change your EV after driving it for say 30,000 km, you might have just bought a regular petrol car instead.

Another big factor over the lifetime is the electricity needed for charging EVs. In India, we're still quite heavily reliant on thermal power for our needs—80% of it comes from burning coal. So each time you juice up your EV, you burn a little bit more coal giving way to increased CO2 emissions.

Hybrids like the Grand Vitara on the other hand use a much smaller battery. That means it needs fewer scarce metals. And in the end, the emissions from mining and processing also drop. And it doesn't even need to be plugged into a power source to charge because the battery is also charged whenever the car's brakes are applied. And by using a combination of the electric battery and the regular engine, it can help boost the mileage.

Not to forget that India has increasingly been adding ethanol (derived from sugarcane) into its fuel. And as per the paper, this blended fuel succeeds in bringing down the emissions by quite a bit too.

So yeah, hybrids simply seem to be better for the environment right now.

Oh, and the cost aspect?

Now there are quite a few things to consider here—the initial price of the car, the annual maintenance charges, the fuel or electricity cost for running it…you get the drift. But there are two scenarios to consider.

In the first case, we have to deal with the subsidies that the government has been doling out for EVs. Naturally, this is an added boost just to make the pricing more palatable. So once you consider this and the non-existent fuel costs, you'd think that over a 10-year period running 20,000 km a year, the EV would win, right?

Not quite. It seems that the Total Cost of Ownership (TCO) per km is around ₹13 for both an electric and a petrol-powered vehicle. Whereas it's ₹14 for the hybrid version.

But what if the government chooses to give hybrids a similar incentive after seeing the impact on emissions?

Well, then the hybrid emerges as the clear winner. Its TCO falls to just ₹11 per km.

That's quite something, isn't it?

Anyway, bear in mind that no analysis is going to be perfect.

We might suddenly unearth those rare metals and be able to mine them more efficiently. We might see a complete overhaul of our energy mix and we might generate more electricity using wind or solar. All this might cut costs drastically. On the other hand, the price of petrol might shoot up significantly and these calculations may not pan out exactly as the researchers envisioned.

But at least as of now, the research paper suggests that hybrids are the winner in the battle to cut emissions. And if you convince people of the lower ownership costs, it could accelerate its demand too.

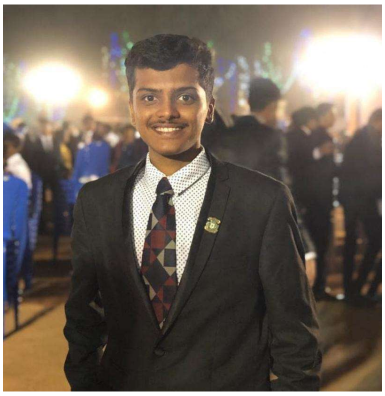
So will this paper shake up the established order?

We don't know. But it'll be quite interesting to see what happens because currently hybrid vehicles are treated as the stepchild of the automotive industry. Just look at how we're taxing hybrid vehicles. EVs are taxed at 5% whereas large hybrids attract 43% GST. That alone could dissuade people from buying these vehicles. And maybe that's why only of all cars sold in India in FY22 were hybrids.

But the voices in support of hybrids are growing. India's top carmaker Maruti Suzuki said last year that if we want people to ditch ICEs and cut back emissions, we need to give them affordable hybrid alternatives first. And now we have one of the top engineering schools in India pitching for hybrids too.

So will the government listen? Well, we will just have to wait and watch

By Vishnu Bhushan B D



Update for the day #1802| Snowball effect- is this India's decade ?

India is going to be the fastest-growing major economy in the world this year. We're a bright spot in a world that's struggling to deal with inflation and faltering growth. And Borge Brende, the President of the World Economic Forum (WEF) thinks it'll only get better. A couple of days ago, he likened India's growth trajectory to the snowball effect.

What's that, you ask?

Okay, it's not an obscure economic theory. But it's an analogy that can be pretty much applied to everything. Imagine a snowball that's rolling down a big slope. It might start off as a small snowball but it keeps picking up more snow along the way and it gets bigger and bigger. It has momentum on its side and it grows exponentially. Now imagine this happening to an economy. As the production of goods and services, investments and disposable incomes rise, the economy grows and gathers momentum. There's no stopping this snowball!

And it's not just Brende who thinks this is India's time to shine. McKinsey's CEO Bob Sternfels believes it's not just India's decade but India's century. Morgan Stanley estimates we'll become the third-largest economy by 2027.

So, what does everyone think is driving the snowball effect in India, you ask?

For starters, there's the population. Nearly 70% of the population falls in the working age group of 15–64 years. And the outcome of that is that there will be fewer 'dependent' people in the country as a proportion of this working-age population. That also means that we'll have a larger part of the population who can spend and drive consumption growth in the economy. Also, with the proliferation of nuclear families and then the children of these families migrating to big cities for work, it could spur urban consumption. You could see demand for housing and vehicles increase too. Then there's the government's focus on spending money on infrastructure.

Of course, that's anecdotal evidence. But the hard numbers speak for themselves—we're actually spending more on things that can have a multiplier effect by generating more jobs. We used to spend just 0.3% of our GDP on roads and railways and now that's up to over 1.5%. That's a figure that The Economist called 'eye-watering' because it's around 2 times what America and most of Europe are spending.

The end result is projects like the dedicated freight rail corridors which, for instance, can cut the time taken for transporting goods from Delhi to Mumbai by 50%.

But it's not just building infrastructure for the sake of it. You see, quite often, you might have noticed a new road being laid. And then you'd see roads being dug up to lay pipelines a few weeks later. And a few months after that, you'll see a few folks digging it up again maybe to lay telecom cables. That's certainly a waste of resources.

Now that's just an example at the micro level. But similar things can happen in the process of building large-scale infrastructure too. And that the government has launched programmes such as the Gati Shakti Mission to reduce such inefficiencies. Try and get different departments to coordinate with each other so that capital is resourcefully used. In fact, 102 critical projects under the Gati Shakti master plan worth nearly $8 billion are to be completed by 2024.

And in the midst of all this, the socialist roots are being catered to as well. Not by extensive reliance on subsidies, which investors always place a red flag on, but by improving the distribution of welfare subsidies. You see, back in 2012, then Finance Minister Pranab Mukherjee had said, "I lose my sleep not when I look at the volume of quantum of subsidy, but because it is not reaching to the poor and needy and targeted group." Well, it's a much better situation now because the leakages are being plugged with the help of the Aadhar card and the Direct Benefit Transfer. Together, this identifies the beneficiaries and deposits the money directly into their bank accounts. And apparently, we've saved $27 billion by preventing leaks in the system this way.

This can help uplift those who need the subsidies the most. And they could even contribute further to India's consumption story.

And what do you think happens when companies see all this change taking place?

They ramp up their investments too. Slowly but surely, they start announcing and building new projects. For instance, the new project announcements from private companies have jumped from ₹5 lakh crores in FY21 to a massive ₹26 lakh crores in FY23. Foreign companies like Apple decide to set up manufacturing units here instead of in China.

That's the snowball effect kicking in.

By M Aman Jain

Update for the day #1803 | A golden affair and the Wonderla resurgence

Across India, in April every year, the school bell rings one last time. And there's one plan in particular that crops up without fail—a trip to the amusement park!

And one company has a monopoly on this kind of fun in India. We're talking about Wonderla Holidays.

Okay, it may be a stretch to call it a monopoly because it just has 3 operational parks. One each in Kochi, Bengaluru, and Hyderabad. And there are 170 odd parks across India. But, look around and you'll there isn't anything else that operates at Wonderla's size and scale. One with pan-India ambitions. Most of those 170 parks are small ones run by some regional entrepreneur or the other.

So from an investment standpoint, if you want to bet on the growth of amusement parks, you've only really got Wonderla.

But here's the thing. Despite, Wonderla has had a bit of a bumpy ride since it went public in 2014. For 6 years, the stock price did nothing. It languished and barely returned 9% per year. It seems that investors just didn't love the amusement park business. Even though brokerages kept releasing report after report about the growth potential in the country.

But maybe things have finally changed. Because in the past year, the share price has zoomed by 125%.

See, we know that FY21 and FY22 were washout years. The government has placed restrictions to fight the pandemic and hobnobbing with strangers in a pool was the last thing on anyone's mind. But FY23 was different. The pandemic faded away and Wonderla's revenues rose by nearly 60% over the pre-pandemic period of FY20. The footfalls or the visitors to the parks soared by nearly 40%.

Over the years, Wonderla seems to have figured out the game.

Firstly, they actually began to manufacture their rides for the amusement park in-house. And apparently, the cost of in-house manufacturing is just 30% of what they'd have to pay if they were importing it instead. And you don't need to rely on others to help with the maintenance either. So that reduces the cost a bit too. Now it isn't self-sufficient in this aspect yet. But, 42 out of the 160 odd rides across its parks have been made in-house.

And now, they're taking this cost-cutting to a whole new level. They want to turn into an 'asset-light' model.

Okay, we know that sounds confusing because it's an amusement park that needs land and rides. But, Wonderla is now trying to convince state governments that it's in their best interest to have a high-quality amusement park in their big cities. That it'll attract tourists from nearby areas and such recreational facilities will improve the overall quality of life. So they're trying to strike deals for a long-term lease (the 99 years type) and get it at concessional rates. This way, the company doesn't have to buy the land outright. In fact, if you look at the most recent park in Hyderabad that was set up in 2016, 40% of the costs were for land acquisition. So, a lease could save quite a bit of cash. And that's the route Wonderla has taken for the park that it is currently setting up in Bhubaneswar.

And if you think about it—competition isn't intense either. Sure, regional parks could spring up but it'll be tough for anyone to compete with the Wonderla brand name. When Monarch Capital decided to check the Google Trends results for theme parks in India, they found that Wonderla was receiving twice the interest of other big parks such as Imagicaa, EsselWorld, and Ramoji Film City. And in terms of costs, small players will find it hard to compete since they'll probably have to buy the land outright and import equipment too—areas in which Wonderla seems to be excelling in for now.

As per a report by Monarch Capital, amusement parks seem to be quite resilient to recessions. They looked at the number of visitors at these parks across the US, Europe, Asia, and South America and found that even during 2008 and 2009, when the world was going through its biggest financial crisis, the numbers held up. The parks kept seeing a steady influx of visitors. This played out even at Wonderla back then. Not only did the footfalls inch up, but they were even able to improve the average revenue per visitor.

It sounds quite bizarre, Then why would people visit an amusement park when there's a financial crunch and uncertainty?

Well, one reason for that could be that everyone opts to down-trade their leisure activities. Some folks might feel a trip to the amusement park is too expensive and opt for window shopping at the malls. So the park loses this business. But then there could be others who're cancelling their fancy weekend trips and holidays and seeking more affordable alternatives. For them, an all-day outing to an amusement park can feel like an indulgence they can afford. And this segment makes up for the other business lost.

For starters, it's still quite a seasonal business. Amusement parks typically make 40% of their annual revenues during the holiday season. And things like an early monsoon can often affect this significantly. Also, these places need a lot of water. And when Bengaluru faced a Cauvery water dispute in FY17, Wonderla had to close its gates for a while.

Also, Wonderla has not been able to get over its speed bump of 'capacity utilization'. Its parks are quite massive and can easily accommodate over 10,000 guests per day. But if you look at the daily average visitors, it was roughly 2,000 guests. That means only 20% of the capacity is actually being utilized effectively. Remember, these are parks that aren't in the city center either and it's quite a drive to even get there.

So how Wonderla can ramp this up, and that's what investors will be keeping an eye on.

By Deepali S Jain

Update for the day #1805 |MPC meet: RBI to maintain policy repo rate at 6.5%, say experts.

In the previous Monetary Policy Committee (MPC) meet, the central bank paused its rate hike cycle and stayed with the repo rate at 6.5%.

The Reserve Bank of India (RBI) will maintain the policy repo rate at 6.5 per cent during its upcoming June 8 announcement, considering the easing of retail inflation in April and the potential for further decline, indicating the effectiveness of previous policy rate actions, anticipate experts.

Headed by Reserve Bank Governor Shaktikanta Das, a meeting of the six-member Monetary Policy Committee (MPC) is scheduled for June 6-8. The decision of the 43rd meeting of the MPC would be announced on Thursday, June 8.

After the last MPC meeting in April, the RBI paused its rate hike cycle and stayed with the 6.5 per cent repo rate. Prior to that the central bank had cumulatively hiked the repo rate by 250 basis points since May 2022 in a bid to contain inflation.

The MPC is meeting in the backdrop of consumer price-based (CPI) inflation declining to an 18-month low of 4.7 per cent in April. The Reserve Bank governor recently indicated that the May print would be lower than the April numbers. The CPI for May is scheduled to be announced on June 12.

Madan Sabnavis, Chief Economist, Bank of Baroda, said the RBI is most likely to continue to pause on the interest rates and retain repo rate at 6.5 per cent.

"The reason is that inflation has come in lower than 5 per cent in April and will be even lower in May. This being the case, the view would be that past repo rate actions have had an effect on inflation and hence there can be another pause taken," he said.

The policy stance, he added, will however remain with withdrawal of accommodation since there has already been an increase in liquidity as deposits increase due to the announcement of the exchange of the ₹2,000 notes.

The RBI will also be monitoring the progress of the monsoon and the possible ill effects of El Nino which can affect the kharif harvest and hence impact prices, experts said.

"For the year, however, we see 25-50 bps cut in repo rate which will be post October only," Sabnavis said.

The government has mandated the RBI to ensure CPI inflation at 4 per cent with a margin of 2 per cent on either side.

Bankers too expect that the central bank will continue its pause in the forthcoming policy.

"As far as bankers are concerned I would only say that RBI's repo rate has already been increased 2.5 per cent. Expectations from the market or the banking side is that we do not expect that any rise in the repo rate would be there because already the interest rate has been raised by 2.5 per cent on the repo side and inflation is moderate," Rajneesh Karnatak, Managing Director, Bank of India, told PTI.

He said the inflation is also moderate. "If you see the data of wholesale inflation and retail inflation, it is now moderate. I think there will be a pause from RBI and there will not be any increase in the repo rate," Karnatak said.

Echoing his views, Bank of Maharashtra executive director Asheesh Pandey said RBI would continue its stance of wait and watch before tinkering with rate.

Keeping inflation, liquidity in the banking system and recent GDP number into consideration, it seems that RBI is likely to maintain pause as far as interest rate is concerned, Pandey added.

The actual decisions made by the RBI, experts said, will depend on various factors, including economic data, inflation trends, global economic conditions, and the prevailing challenges.

President of PHD Chamber of Commerce and Industry Saket Dalmia said that at this juncture, status quo by RBI will support the demand trajectory in the country and maintain GDP growth on high road.

"We congratulate the RBI that the effectiveness of policy rates have proven strong with an increase of 250 bps in repo rate, inflation has come down by 310 bps. The ERPR (Effectiveness Ratio of Policy Rate), the ratio of increase in repo rate and decrease in inflation is 1.24; means with an increase of 1 basis point in repo rate, the country was able to reduce inflation by 1.24 basis points," he said.

"Growth surprised on the upside as well, ruling out early rate cuts. The market will keenly await cues on liquidity management from the RBI, including the impact that is foreseen from the ₹2,000 notes coming back into the banking system," he said.

The other members of the MPC are: Shashanka Bhide (Honorary Senior Advisor, National Council of Applied Economic Research, Delhi); Ashima Goyal (Emeritus Professor, Indira Gandhi Institute of Development Research, Mumbai); Jayanth R Varma (Professor, Indian Institute of Management, Ahmedabad); Rajiv Ranjan (Executive Director, RBI); and Michael Debabrata Patra (Deputy Governor, RBI). The meeting is chaired by RBI Governor Shaktikanta Das.

By Shreedhara A V

Update for the day #1806 | Can the EU save our forests

What if we told you that the European Union outsources deforestation?

It might seem confusing at first. But, think about it this way- The EU doesn't have the capacity to produce a lot of commodities. They may not have suitable land and weather. They may not have the right resources so they rely on other countries to feed their consumption.

But these countries can't produce goods out of thin air, no? If they're cultivating palm oil (an ingredient that permeates most products including chocolate and biscuits), they might have to mow down their forests to make way for this. In fact, the EU's consumption patterns are responsible for 16% of deforestation activity across the world!

It's quite crazy.

But why are we talking about this now, you ask?

Well, the EU has finally woken up to its role in all of this. The folks in power have realized that cutting down forests anywhere in the world isn't really a sustainable affair. After all, forests are important carbon sinks. They absorb the carbon dioxide from the air, store it, and help us fight climate change. But if we're losing forest cover rapidly, it hurts the collective effort.

And guess what's the biggest contributor to this deforestation?

Agriculture!!! Between 2001 and 2015, agriculture contributed to 39% of global tree cover loss.

So the EU is doing something ambitious now. It recently adopted a law called the European Union Deforestation-Free Products Regulation (EUDR) with a singular goal—slow down deforestation.

That means if a product traces its origins back to a land stripped of its forest after December 2020, the EU simply won't let it enter or leave the region. It's banning such trade. Both imports and exports. And to kickstart this initiative the rule will apply to what it believes are some of the biggest culprits—palm oil, beef, cocoa, coffee, soya and wood.

So imagine that you are a company exporting cocoa to Belgium. Before your goods can cross the border, you have to prove that the cocoa hasn't been sourced from plantations cultivated on newly deforested land. You'll have to show proof of your due diligence. And you'll have to label the farmland with precise geographical information. This way, the authorities can use satellite imagery, go back in time, and verify if you're telling the truth or not.

And once you satisfy these rules, your cocoa can make its way into Belgium.

Sounds like quite an elaborate plan to save our trees, doesn't it? If all of it works out, the EU might be able to save 72,000 hectares of forest land each year. For context, that's roughly the size of 101,000 football fields.

But not everyone's happy with this well-intentioned rule, of course.

Countries such as Indonesia and Malaysia which are palm oil exporters are already heading to Brussels to complain. India too is feeling jittery since we export over $1.3 billion worth of products like coffee and leather hide to the EU every year. In fact, we've already raised objections at the World Trade Organization. We sent out a strongly worded letter a couple of months ago. And pointed out that some countries are using environmental measures to limit the import of certain products to protect local trader (which maybe in contravention of international trade laws). That these rules were an indirect tariff. And that while exporters lose money, it's the verification agencies (in Europe) that'll stand to gain.

Even Finland, which is an EU member, has raised its eyebrows. See, around 75% of the Nordic country is covered by forest. And they're concerned that such rules would hamper any future agricultural development it undertakes.

The thought in everyone's head is basically, "Look EU, you deforested your land over the years and made money. Now that it's our turn, you can't shackle us as per your whims and fancies. We need to make money too."

But for now, it doesn't look like the EU is going to budge.

So, the only question that's remaining is—could the EUDR be a practical success?

Well, it's tough to say because it's the first such regulation of its kind anywhere in the world. But maybe we can draw a parallel from Brazil's voluntary Soy Moratorium.

You see, before 2005 the Brazilian Amazon rainforests were being heavily razed to cultivate soy—30% of soy originated here. The only thing multinational companies that operated here cared about was access to the cheap raw material for chicken feed. But after a huge public outcry, everyone voluntarily decided to stop the purchase of soy cultivated on newly deforested Amazonian land. And it seemed to have worked like magic. By 2019, just under 2% of the soy crop was linked to deforestation. It saved the Amazon! Or at least that's the popular narrative.

So yeah, if a voluntary moratorium could have such an impact, you'd imagine that a heavily regulated region like the EU could be quite successful in its efforts too, no? And since we're all in a race to cut emissions and save our planet, you can be sure that the EU won't be the last country to try out such regulations.

By Shanu Jain

Update for the day #1807 | Tata is building a giga factory to fuel its EV dreams

Calling Tata an EV giant may be a bit of a stretch considering the nascent stages the EV market is at. After all, EVs just make up 1% of cars sold in the country. But since Tata Motors enjoys an 80% market share in this space, we think it's fair to label it as one. Don't you?

But how did a struggling entity take the crown as India's favourite EV carmaker?

In one word—jugaad (which just means a hack).

Let us explain. Think back to the pre-EV era of 2018. Maruti Suzuki was the pre-eminent carmaker (and it still is). It knew the pulse of the Indian market and realized that almost 80% of car buyers in India shop in the "lower than ₹10 lakhs" category.

But creating EVs in that price range was going to be hard because the batteries alone cost a bomb. They can make up over a third of an EV's cost because of the use of rare earth materials like lithium. And they'd have to import most of the components. Maruti Suzuki was clear that it made sense to foray into EVs only if it could sell at least 10,000 a month.

Since there just wasn't enough demand, the numero uno carmaker stayed on the sidelines. Even the government's clarion call to shift to EVs and the subsequent subsidies they doled out couldn't budge Maruti.

But, that was enough for Tata Motors. They didn't care about the big numbers. They just wanted the first-mover advantage. They latched on to the opportunity. But rather than build a factory and an EV from scratch they resorted to 'jugaad'.

See in 2016, their R&D team in the UK took up a hatchback ICE (internal combustion engine) vehicle and simply swapped out its engine for an EV battery and electric motor. It worked. The car managed to deliver a range of 100 km on a single charge. And when it realized that this strategy could save a lot of money, the company doubled down on it. It simply used its existing unused floor space to hand-fit batteries into the bodies of regular fuel vehicles. Yup, it was fit by hand and not by fancy robotic equipment. It was a low risk play.

Quite ingenious, no?

And two years and multiple tests later, Tata's Tigor EV with a range of about 213 km was ready for sale. And guess what? Tata managed to price it below the fabled ₹10 lakh barrier.

Sure, a 5-seater EV sedan at that sort of price got everyone's attention. But it still wasn't enough for Tata to stamp its authority.

So they went back to the drawing board. They ran a survey and realized that the biggest problem people had with EVs was, "What if I run out of juice on the way somewhere?" People wanted a bare minimum of 200 km guaranteed range on the road. That meant that Tata needed a pack that would have a certified range of at least 300 km. This would push the price up. But the survey also said that customers wouldn't pay more than a 25% premium for an EV.

And when Tata Motors crunched the numbers, they found that they could either put a 300km pack in their hatchback or in their SUV. The pack would cost the same for both. But, putting it into the hatchback would increase the price above 25% premium customers said they'd be willing to shell out.

So they took the results of this survey. And instead of the hatchback, they opted to launch its popular SUV Nexon in a new electric avatar in January 2020.

Needless to say, the ₹14 lakh price barrier didn't put people off. It was a roaring success. At least in the tiny world of EVs. Within a year of its launch, the Nexon accounted for 70% of the nearly 3,000 electric cars sold in the country. It left the Tigor EV in the dust.

And since then, the Tata Group has doubled down on its EV efforts by building out the Tata UniEVerse.

What's that, you ask?

Well, just look at the entire Tata ecosystem and it becomes quite evident. The group has Tata Power to handle setting up EV chargers across the country—it has already set up over 3,600 public chargers and wants to ramp this up to 25,000 in the next five years.

It has Tata Chemicals that aids in lithium-ion cell production. Yup, that ₹13,000 crore battery plant we mentioned at the start? Well, the only reason Tata is so confident about it is because of its existing chemicals business. These folks will help create batteries to go into Tata EVs.

Then there's Tata AutoComp which assembles battery packs. And helps to localise EV components for the cars. These localisation efforts have meant that Tata EVs meet the criteria for availing Production Linked Incentives (PLI) too.

As you can see, the Tata Group is quite the EV powerhouse.

But Tata Motors realized that to really push the envelope further. It couldn't simply keep converting an ICE vehicle into an EV. It needed a distinct EV platform that could churn out newer models. And it needed an EV subsidiary that was unencumbered to do that. So it raised $1 billion and set up the Tata Passenger Electric Mobility company last year.

Now with this kind of a headstart, it certainly looks like it'll be tough to dethrone Tata Motors, no?

Unless…some speedbumps appear.

Most of those subsidies we mentioned?

Well, that was only applicable if the car was priced below ₹15 lakhs. And with more and more features being added to the car with each passing year, the Nexon EV's price has inched higher. Autocar says that Tata doesn't qualify for subsidies anymore. And that means for the first time since its launch, they've had to entice people with discounts instead. Just to keep the sales momentum going.

And we don't know how feasible this will be for the company in the long run.

Then there's competition too.

Like Mahindra which has made a name for itself in the SUV space. While its first electric SUV, the XUV400, is still just a tiny sliver of the market, it has the ability to change the dynamic quickly.

Or there's Honda, Maruti Suzuki and Toyota that have decided to push hybrids instead of EVs. And these cars are selling like hotcakes now. They've beaten pure EV sales in the past couple of quarters. But despite that, Tata doesn't intend to test the hybrid waters for now. Simply because it doesn't want to toy with a transitional technology if going electric is the ultimate way forward to reduce emissions globally.

Also, the companies in the Tata UniEVerse don't exclusively serve Tata Motors.

They're autonomous companies and are free to go about their business as usual. For instance, Tata Power has a partnership with Hyundai to help build charging stations too. And Tata Chemicals could create lithium-ion batteries that can be used by other EV carmakers as well.

So yeah, while the Tata Group and its entities might have an iron grip right now in the EV ecosystem in the country, Tata Motors is on its own. It can't simply rely on the group and will have to keep the pedal to the metal if it wants to remain at the top of the EV food chain.

By Priyank N Jain

Update for the day #1808 | Union Cabinet approves Rs 89,000-crore third revival package for BSNL.

The Union Cabinet on Wednesday approved a third revival package for Bharat Sanchar Nigam (BSNL) with a total outlay of Rs 89,047 crore, seeking to help the state-owned telecom operator deploy 4G and 5G services.

This will lift BSNL's authorised capital to Rs 2.1 trillion from Rs 1.5 trillion now. The Cabinet also cleared the allotment of 4G and 5G spectrum for the company through equity infusion.

With this spectrum allotment, BSNL will be able to provide "pan-Indian 4G and 5G services" as well as 4G coverage in "rural and uncovered villages under various connectivity projects", the Ministry of Communications said in a statement. The telecom operator will also be able to provide fixed wireless access services for high-speed internet and services for captive non-public networks, it said.

At a press briefing after the announcement, Telecom Minister Ashwini Vaishnaw said BSNL was likely to become a net debt-free company in the next three years. "The first two packages brought BSNL out of a very difficult situation to a stable one. Now, BSNL should become a player that is able to bring connectivity to places where other commercial companies will not be able to go," Vaishnaw said.

The government first announced a Rs 69,000-crore revival package for BSNL in October 2019. Last year, it approved a second revival package to the tune of Rs 1.64 trillion, of which a small part was for MTNL.

These packages provided BSNL financial support for capital expenditure, viability-gap funding for rural landlines, de-stressing the balance sheet, settlement of the adjusted gross revenue dues, and merger of Bharat Broadband Network Limited with itself.

In terms of fiber network connections, the company has a total subscriber base of 3.08 million.

4G/5G roll-out plans:

BSNL plans to launch 5G services in Mumbai and Delhi within one year. The company is also working to install around 3,000 towers in border areas. Vaishnaw had earlier stated that BSNL would launch 5G services by November or December 2023.

BSNL is working to launch 4G services in the next few weeks. As part of the pilot for 4G, it has deployed 200 sites in three districts of Punjab.

"In the development phase, we have tested the system for 10 million simultaneous calls. Now we will conduct live tests in Amritsar, Pathankot, Chandigarh, and Firozpur till September end. After that, we will rapidly roll out around 100-200 installations every day," Vaishnaw said.

A consortium led by IT giant Tata Consultancy Services (TCS) received last month an advance purchase order worth Rs 15,000 crore from BSNL in a widely speculated 4G network deployment deal.

The consortium, which includes Tejas Networks, Centre for Development of Telematics (C-DOT), and the central government's public sector undertaking ITI Ltd (earlier known as Indian Telephone Industries Limited), won the bid for BSNL's pan-India 4G project. According to sources, around 75 per cent of the deal value will go to TCS.

BSNL's plans to launch 4G service years after three private telecom service providers — Reliance Jio, Bharti Airtel and Vodafone Idea— rolled it out, rests on new sites going live quickly. Vaishnaw has said the company will install 200 new sites every day going forward. But the plans have seen repeated delays.

The BSNL board and later a Group of Ministers had approved funds for a total deal size of Rs 24,500 crore. The amount will supply 4G equipment for 100,000 sites, network gear for about Rs 13,000 crore, as well as third-party items and a 10-year annual maintenance contract (AMC).

By Amogh V N

Update for the day #1809 | India's first retail REIT is here!

Everyone loves a little real estate in their portfolio. It could be a piece of land in an area where you think the prices will soon soar. Or it could be that swanky commercial property in a prime business district that could fetch a decent chunk of rental income.

But there's a problem. Making these investments isn't easy. First, you need to get some lawyers and do your due diligence. Ensure that all the property papers are in order. Then, you need the big bucks to invest and enter the game. It might eat away all the capital you have and that's a big concentration risk.

Naturally, this means real estate bets aren't for everyone. But a few years ago, something emerged that could potentially fix this conundrum for investors—Real Estate Investment Trusts (REITs).

Think of these in the same way as a mutual fund. You have a professional fund manager who'll pool investors' money and invest in a bunch of real estate properties. It could be in properties like those big IT parks with offices of the biggest tech giants in the world. Or it could be in malls that house big fashion brands and restaurants. The manager takes a fee for handling all of this.

As an investor, you get to own a diversified portfolio of prime real estate. Without the need to break the bank. And you don't even need to get involved in the daily operational headache of managing the property yourself. But you still get a share of the rent.

And in India, we have three REITs available on the stock exchange—Embassy Office Parks REIT, Mindspace Business Parks REIT, and Brookfield India Real Estate Trust. But they are all quite similar. They play on big companies taking up office space and paying rent.

This week, India got its first retail REIT in the form of Nexus Select Trust REIT that's owned by the global private equity behemoth Blackstone.

Now if you haven't heard of Nexus, just know that it is one of the biggest mall operators in the country. The Nexus Select Trust manages nearly 10 million square feet of retail space across 17 malls or what they call Urban Consumption Centres (UCCs) in 14 cities in the country. The next biggest is Phoenix Mills with 9 UCCs in 6 cities. So yeah, Nexus is the leader of retail in India. Period. So if you want a share of the rent that fashion giant Zara and PVR cinemas pay, you know what to do.

By Hardik S Patel

Update for the day #1810 | The Rise of Decentralised Finance (DeFi): Transforming the financial landscape.

Introduction:

The world of finance is undergoing a significant transformation with the emergence of decentralized finance (DeFi). Built on blockchain technology, DeFi offers a decentralized and open-source alternative to traditional financial systems. It eliminates intermediaries, enhances transparency, and empowers individuals with greater control over their financial assets. In this article, we will explore the rise of DeFi, its key features, and the potential impact it holds for the future of finance.

What is DeFi?

DeFi refers to a set of financial applications and platforms that operate on public blockchains, such as Ethereum. It encompasses various decentralized protocols, smart contracts, and digital assets, enabling the creation and execution of financial services without the need for intermediaries like banks or brokers. DeFi applications cover a wide range of financial activities, including lending and borrowing, decentralized exchanges, yield farming, insurance, and asset management.

Key Features and Advantages of DeFi:

a) Open and Permissionless: DeFi platforms are accessible to anyone with an internet connection, irrespective of their geographic location or financial status. Users have the freedom to participate in DeFi protocols without requiring approval or permission from centralized authorities.

b) Transparency and Audibility: DeFi operates on blockchain technology, which ensures transparency and immutability of transactions. All transactions and smart contract code are recorded on a public ledger, allowing users to verify and audit the financial activities within the ecosystem.

c) Elimination of Intermediaries: DeFi eliminates intermediaries, such as banks or brokers, from the financial processes. Instead, transactions are executed directly between users through smart contracts, reducing costs and increasing efficiency.

d) Enhanced Financial Inclusion: DeFi has the potential to bring financial services to the unbanked and underbanked populations around the world. With a smartphone and internet access, individuals can access a range of financial services, including borrowing, saving, and investing, without the need for a traditional bank account.

DeFi Applications and Use Cases:

a) Decentralized Lending and Borrowing: DeFi platforms offer peer-to-peer lending and borrowing services without the need for a central authority. Users can lend their digital assets to earn interest or borrow assets by collateralizing their existing holdings.

b) Decentralized Exchanges (DEXs): DEXs allow users to trade digital assets directly with each other without the need for a centralized exchange. These platforms facilitate instant and secure asset swaps using smart contracts.

c) Yield Farming and Liquidity Mining: DeFi introduces innovative concepts like yield farming and liquidity mining, where users can provide liquidity to decentralized liquidity pools and earn rewards in the form of additional tokens.
d) Decentralized Insurance: DeFi enables the creation of decentralized insurance protocols where users can pool funds to protect against risks and receive payouts automatically based on predefined conditions.

Challenges and Future Outlook:

While DeFi holds immense promise, it also faces challenges such as scalability, security, and regulatory considerations. Scaling solutions, like layer 2 solutions and blockchain interoperability, are being developed to address scalability issues. Security practices, code audits, and decentralized governance mechanisms aim to enhance the security of DeFi protocols. Furthermore, regulatory frameworks and guidelines are being established to ensure compliance within the DeFi ecosystem.

Conclusion:

Decentralized finance (DeFi) is disrupting traditional financial systems by offering open, transparent, and inclusive alternatives. With its elimination of intermediaries, improved accessibility, and innovative applications, DeFi has the potential to democratize finance, increase financial inclusion, and redefine the way we interact with money. As the DeFi ecosystem continues to evolve and mature, it will likely shape the future of finance, unlocking new opportunities and empowering individuals to take control of their financials lives.

By Arun Nagarajan

Update for the day #1811 | Byju's refuses to repay its $1.2 billion loan

A couple of years ago, nothing could stop the Byju's edtech juggernaut.

It hired great educators and teachers. It built a bunch of solid content for school students. It packed them together into tablets. And hired sales and marketing folks to convince parents to 'invest in their children's future'.

Then came the pandemic and it supercharged growth even more. All education went online. And investors were willing to bet everything they had on Byju's. They said the company was worth $22 billion. And Byju's capitalized on the money flowing into its coffers. It used the roughly $6 billion it had raised to get even bigger. It acquired other edtechs and rivals.

But such stratospheric growth is addictive. And Byju's didn't just stop at raising equity. It decided to go the debt route too. And in November 2021, it took out a loan. It thought, "Hey, these central banks are keeping interest rates so low. Let's just capitalize on this and borrow money at dirt cheap rates now."

It went to some lenders and asked for a $1.2 billion Term Loan or what's called a Term Loan B (TLB). And Byju's just had to pay a paltry interest of 5.5% plus LIBOR. LIBOR's nothing but a benchmark interest rate that's used to price loans. And back then, LIBOR was just 0.20%.

So yeah, a dirt-cheap loan.

And the plan was simple—gobble up even more companies with this money. Especially in the US.

But barely two years later, this loan has turned out to be an albatross around Byju's' neck.

What do we mean by that?

Well, here's what you should know about these TLBs. Let's say you borrow money via the TLB route. You don't need to worry about repaying the principal and interest every month. The lenders will let you take your time. They'll typically give you 5–6 years to repay the entire thing. And ask for just tiny bits of the loan to be paid every few months.

But this kind of loan structure carries a fair bit of risk. A lot can happen in those 5 years. The borrower can run into financial troubles. They can go bust. And the lenders will have lost everything.

So, the lenders attach quite a few terms and conditions to the loan.

For instance, in Byju's case, they demanded some of Byju's' subsidiary companies as collateral. And they also attached a few riders to the loan.

Byju's had to get this loan rated within 9 months by a rating agency like Moody's or S&P. These folks would pore through financial statements and make projections on the likelihood of default. An auditor had to sign off on Byju's' financial statements for FY22. So someone like Deloitte

would have to scrutinize the statements and certify that Byju's wasn't resorting to any accounting jugglery.
Now the thing is, Byju's apparently didn't fulfil either of these conditions. They conveniently ignored it and went about their business. Needless to say, the lenders started getting jittery.

Oh, and there's something else you must know about the TLBs.

TLBs can be traded in the open market like stocks. The original lender can simply package the loan and sell it to anyone else who wants to buy it.

But if people believe that something is going wrong at the company in question, the price of the loan can drop precipitously. And you can guess what happened to the loan when Byju's failed to fulfil its promises, right?

People wanted to get the loan off of their hands. And by September 22, the loan was trading at a 30% discount in the market.

Now for some investors, this was an opportunity to lap up something cheaply. Maybe they felt that Byju's wouldn't go bust. So, they took the plunge and bought the loan.

But they couldn't just sit around and wait for Byju's to come good on its promises, right? They needed to recoup their money too.

So they took the fight to Byju's. They said that the edtech giant flouted the riders. They asked for a prepayment of the loan. And then, they said that $500 Million of the loan given to Byju's was missing! They didn't know what Byju's had done with the money. So they did what they could—they tried to take over Byju's-owned US subsidiaries.

And even took Byju's to court for good measure.

Also, in the midst of all this, Byju's' grand plan of borrowing cheap money was failing. The ultra-low interest rate regime turned upside down as central banks tightened the screws. LIBOR soared to a whopping 5%. And that meant the interest rate at which Byju's had to pay back the loan had probably doubled to 10.5%. Ouch.

Anyway, Byju's wasn't pleased with what had transpired. It felt it was being bullied.

So, Byju's went on the offensive this week.

It turned the tables and took the lenders to court too. It called them Predatory. Especially a firm called Redwood which had bought the loan in the secondary market. Byju's' claim is that Redwood made an unlawful attempt to seize control of Byju's Alpha, a subsidiary in the US.

So, Byju's simply decided that it wouldn't pay a dime of what it owed. It disqualified the lenders until the matter was settled. Or in other words, it sort of had defaulted on a $40 million payment that was due.

And that's where things stand. In court.

But, there's one more thing we want to highlight here. Now most reports say that Byju's did this because it just didn't want to play by the rules of the lenders. That it wasn't facing a cash crunch.

But is that really true?

Because here's the thing, The Morning Context has been chronicling Byju's' money troubles for quite some time now. And let us lay out some of it for you.

Apparently, a few months ago, both Google and Facebook suspended Byju's' accounts because the company ran ads and didn't settle its dues after. Then there were the rumours that the edtech firm deducted tax from its employees (TDS) but didn't deposit it with the government. That they'd used the money to meet other obligations instead. And the most egregious one—when customers who bought courses on loan asked for a cancellation and refund, Byju's didn't follow protocol. It didn't close the loan immediately. Instead, it resorted to paying EMIs on the loans.

If all this doesn't reek of money problems, we don't know what does!

So yeah, that's the gist of things as they stand. And at the moment, Byju's looks like a Jenga tower. On the face of it, it has been carefully built block by block. But everyone knows that it just takes one wrong move to topple the entire thing.

Was the $1.2 billion loan the wrong move for Byju's? Time will tell or you tell me.

By Anamika Kumari

Update for the day #1812 | The story of De-dollarisation: the race to become a global reserve currency!

De-dollarisation refers to the replacement of the U.S. dollar by other currencies as the global reserve currency.

A reserve currency refers to any currency that is widely used in cross-border transactions and is commonly held as reserves by central banks. Countries have tried to dethrone the dollar as the global reserve currency for many decades now for various reasons. But of late, attempts to de-dollarise have picked up pace in the aftermath of Russia's invasion of Ukraine last year. The U.S. imposed several sanctions that restricted the use of the U.S. dollar to purchase oil and other goods from Russia, and this has been seen by many countries as an attempt to weaponise the dollar. Since international transactions carried out in the U.S. dollar are cleared by American banks, this gives the U.S. government significant power to oversee and control these transactions. Currently, the Chinese yuan is seen as the primary alternative to the U.S. dollar owing to China's rising economic power.

Critics of the U.S. dollar believe that the global reserve currency status gives it unfair privileges over other countries, thus justifying de-dollarisation attempts by many countries. It should be noted that when a country's fiat currency enjoys reserve currency status, it gives the country the power to purchase goods and other assets from the rest of the world by simply creating fresh currency out of thin air. However, such irresponsible expansion of the money supply can cause the debasement of the currency and eventually threaten its status as a reserve currency.

Many economists argue that the U.S. dollar is not forced on anyone to be accepted as a medium of exchange for cross-border transactions. They note that the U.S. dollar is widely used in international transactions because people actually prefer to use the American currency over others for various economic reasons. Other currencies that have tried to compete against the U.S. dollar are not as popular as the greenback for carrying out international transactions. For example, a recent attempt by India and Russia to carry out trade between the two countries in Indian rupees rather than in U.S. dollars has hit a roadblock because the value of India's imports from Russia far outweighs its exports to the country. This left Russia with excess rupees in hand which it was unwilling to spend on Indian goods or assets, and led to Russian demands for the settlement of bilateral trade in U.S. dollars. So, even Russia, a long-time friend of India and a long-time foe of the United States, preferred to carry out its trade with India using U.S. dollars since the dollar is far more widely acceptable than the Indian rupee.

The global acceptability of the U.S. dollar has primarily been attributed to the popularity of U.S. assets among investors. It should be noted that the U.S. has been running a persistent trade deficit for decades now (in fact the last time the U.S. ran a trade surplus was way back in 1975). That is, the value of its imports has for a long time exceeded the value of its exports to the rest of the world. The excess dollars that the rest of the world accumulates due to the U.S.'s trade deficit has been invested in U.S. assets such as in debt securities issued by the US government. The high level of trust that global investors have in the U.S. financial markets, perhaps owing to the 'rule of law' in the U.S., is considered to be a major reason why investors prefer to invest in U.S. assets. It should, however, be noted that it is not necessary that a country must run a trade deficit for its currency to be accepted as a reserve currency.

China, for instance, which supplies the world with huge volumes of goods and runs a trade surplus, has been trying to make the yuan a reserve currency. However, restrictions placed by the Chinese government on foreign access to China's financial markets and doubts over 'rule of law' in China have adversely affected global demand for the yuan.

Hence, India is looking for an opportunity to make Indian Rupee a global currency and to emerge as a global superpower through the advantages that de-dollarization brings in.

By Rohith S Paradkar

Update for the day #1813| Denver Nuggets win their 1st Championship

After 47 seasons, and a final 48 minutes of often nervy basketball, through the turnovers and the missed threes and the questionable officiating and the weight of a closeout game, one thing was now certain: The Denver Nuggets were, at last, NBA champions. And with that fact will come many, many new truths. That's the nature of winning: It redefines and illuminates things in new and sometimes unpredictable ways.

These Nuggets will be framed as the antithesis of a super team, and this championship will be framed as a victory for the concepts of continuity and chemistry. It is true that Denver is not a glamour market, this group is homegrown and the title represents the ultimate validation for the franchise deciding to stick it out with this coach and this core. But this is not some sort of underdog story. The 2022-23 Nuggets were a juggernaut. The Nuggets defeated the Miami Heat by a score of 94-89, winning the best-of-seven series in five games. The Heat threatened to make a comeback of their own in the final minutes before a costly turnover by Miami star Jimmy Butler gave Denver crucial free throws.

It was far from a vintage Nuggets performance in Game 5. They missed 20 of their first 22 three-point attempts and seven of their first 13 free throws before outscoring the Heat by 12 points in the second half. The Heat's radar was off too: they shot 34% from the floor and 25% from three.

Denver's style is all its own, its offense a reflection of the one-of-a-kind super genius at the center of it. As far as roster construction goes, though, it is a fairly conventional champion. The Nuggets are led by a two-time MVP big man who had a strong case to win it again this season. Next to him is a point guard who has technically never made an All-Star Game but has widely been considered an All-NBA type when healthy for a while now. Together those two are unpredictable and unstoppable in the two-man game, the backbone of a historically efficient offensive system in which nobody stands still and everybody is a threat.

This is a more-than-the-sum-of-its parts situation, but the parts are awesome. It was a gutsy performance, great in one way, and absolute in what it now means: That they are the pinnacle of NBA basketball.

Denver's win leaves Phoenix, Utah, Brooklyn, Orlando, Indiana, Charlotte, Memphis, Minnesota, New Orleans and the Los Angeles Clippers as the 10 current franchises still waiting for a first NBA championship. Nothing levels narratives and sets the truth in stone like a championship. Denver's won it all. And now they'll find that winning has the power to change all things, too.

By Yashank R Bhansali

Update for the day #1814 | The great Indian electric dream — Cooking without fire

The Story

Do you remember Gopal from the story we wrote about artisans?

Well, in case you've forgotten, Gopal's a local artisan from a small village in Karnataka. He makes wooden toys to earn a living. And the situation is such that he can barely afford to make ends meet. So, the family has to find cheap ways to run the household.

For instance, let's talk about cooking. Because wood is easily available, the family uses it as cooking fuel. It's much cheaper than the gas cylinders. But, Gopal's wife suffers from respiratory problems due to all the soot and smoke it produces. She sees her neighbours going through the same fate too.

So, when she heard about the government's plan to provide a subsidy for Liquified Petroleum Gas (LPG) cylinders, she rushed to enrol the family immediately. After all, they'd get the gas connection, a stove, a free refill, and could get 12 cylinders a year at a subsidised rate. Her neighbours were signing up too.

This was precisely what the government wanted when it rolled out the scheme. It wanted people to switch from polluting fuel sources such as firewood, crop residue, kerosene and dung cake to cleaner LPG. For context, burning wood for fuel emits 5 times as much carbon (the main culprit of global warming) as LPG. Add to that the benefits of reduced deforestation and LPG is obviously the cleaner cooking fuel.

But here's the thing. These LPG subsidies have hit a speed bump. When LPG prices crashed during Covid, the government cut back on subsidies too — from ₹37,200 crores in FY19 to a measly ₹240 crores in FY22. It might've thought that cylinders had become affordable and didn't want to keep spending money.

But the thing is, people's incomes were also hurt quite badly during those years. And without much support, underprivileged households like Gopal's may have dialled back on LPG use. They may have reverted to hazardous traditional cooking fuels. In fact, when the Council on Energy, Environment and Water (CEEW) conducted a nationwide survey in 2021, it found that 54% of households that had LPG connections were also using firewood for cooking. Most of them complained about high gas cylinder prices as a reason for this switch.

Sure, the government could keep subsiding LPG cylinders. And it has ramped up subsidies again. But it also creates another dilemma — increased import dependency.

See, back in 2011 just 29% of the homes used LPG. And we could meet about 70% of our LPG demand through domestic production. But now, over 70% of homes use LPG as their go-to cooking option, and our production isn't able to keep up. Just 40% of our needs are met domestically. We're having to import most of it. And that could put a strain on the country's finances.

So, what could possibly be a way out of this vicious cycle then?

Well, relying on electricity could be an option.

Okay, if you look at access to electricity as the basic step, then we're headed in the right direction. We claim that 100% of our villages are now electrified. And while it doesn't mean that every household actually enjoys electricity, the access has certainly improved. Gopal's house has electricity now.

Then there's the affordability factor.

If you ask around, you'll probably hear people say quite confidently that using electricity for cooking is going to be way more expensive than LPG. Despite the price rise. But is it? Well, as per data from the CEEW research, if you assume subsidized LPG prices at ₹800, e-cooking will be a cheaper bet if the electricity prices are below ₹7 per kilowatt hour (kWh).

Now when I looked at my electricity bill in Bengaluru, I see that I'm being charged ₹7 per kWh. Does that mean I can save up a bit by switching completely to e-cooking?

Also, many states have been doling out electricity subsidies for their residents. Gopal could be a beneficiary of that. And it might further bring down the electricity tariffs and make e-cooking that much more cost-effective.

But wait…let's not get ahead of ourselves here. There are some 'ifs and buts' here.

For starters, you have to remember that one reason that the government wants to shift to e-cooking is to go green and cut emissions even further. But, India's electricity grid is still powered by fossil fuels. Also, we import quite a bit of coal to power our energy needs. So, unless we make the transition to renewable energy, e-cooking could still contribute a fair bit to carbon emissions in its cycle.

Also, while we may claim fast-paced rural electrification, the folks at policy research firm Prayas Energy Group say that all these newly electrified rural households were allotted a maximum connected load of 500 watts. That means, if Gopal's family tries to run all their electrical appliances at the same time, 500W is the maximum power their lines can handle. But, if you just look at an induction stove, it typically comes with a 2,000W capacity. Even an electric rice cooker has 700W. So maybe Gopal and others like him can't actually power their e-cooking needs yet.

And sure, electricity tariffs might seem enticing. But what about the heavy initial investments consumers have to make? They'll need new electric stoves and appliances. And a brand-new set of compatible vessels too. Can Gopal's family and his neighbours really afford that? Not unless the government subsidises this too.

Then there's the mammoth task of changing perceptions.

Right now, only 5% of households in India experiment with e-cooking. And getting more people to try will be hard. Because if you ask lower-income households like Gopal's, you'll see that 68% of people don't believe in or are unsure about the feasibility of e-cooking.

So yeah, if you put all this together, it does seem like the hurdles in making the shift to e-cooking could be a fair bit bigger than when we tried to shift towards LPG. And we'll just have to wait and see what the government has in mind.

By Kishore R

Update for the day #1815 | History to repeat itself! If you thought Big Tech was bad, Big AI is expected to be worse

HOW HISTORY HAS SHOWN THAT THE CONCENTRATION OF A.I. DEVELOPMENT IN THE HANDS OF TWO POWERFUL COMPANIES WILL LEAD TO THE TECHNOLOGY BEING DEPLOYED IN WAYS THAT WILL HURT HUMANITY.

Tech giants Microsoft and Alphabet/Google have seized a large lead in shaping our potentially A.I.-dominated future. This is not good news. History has shown us that when the distribution of information is left in the hands of a few, the result is political and economic oppression. Without intervention, this history will repeat itself.

In just a few months, Microsoft broke speed records in establishing ChatGPT, a form of generative artificial intelligence that it plans to invest $10 billion into, as a household name. And last month, Sundar Pichai, C.E.O. of Alphabet/Google, unveiled a suite of A.I. tools - including for email, spreadsheets and drafting all manner of text. While there is some discussion as to whether Meta's recent decision to give away its A.I. computer code will accelerate its progress, the reality is that all competitors to Alphabet and Microsoft remain far behind.

The fact that these companies are attempting to outpace each other, in the absence of externally imposed safeguards, should give the rest of us even more cause for concern, given the potential for A.I. to do great harm to jobs, privacy and cybersecurity. Arms races without restrictions generally do not end well.

History has repeatedly demonstrated that control over information is central to who has power and what they can do with it. At the beginning of writing in ancient Mesopotamia, most scribes were the sons of elite families, primarily because education was expensive. In medieval Europe, the clergy and nobility were much more likely to be literate than ordinary people, and they used this advantage to reinforce their social standing and legitimacy.

Literacy rates rose alongside industrialization, although those who decided what the newspapers printed and what people were allowed to say on the radio, and then on television, were hugely powerful. But with the rise of scientific knowledge and the spread of telecommunications came a time of multiple sources of information and many rival ways to process facts and reason out implications. Access to facts about the outside world weakened and ultimately helped to destroy Soviet control over Poland, Hungary, East Germany and the rest of its former sphere of influence.

Starting in the 1990s, the internet offered even lower-cost ways to express opinions. But over time the channels of communication concentrated into a few hands including Facebook, whose algorithm exacerbated political polarization and in some well-documented cases also fanned the flames of ethnic hatred. In authoritarian regimes, such as China, the same technologies have turned into tools of totalitarian control.

With the emergence of A.I., we are about to regress even further. Some of this has to do with the nature of the technology. Instead of assessing multiple sources, people are increasingly relying on the nascent technology to provide a singular, supposedly definitive answer. There is no easy way to access the footnotes or links that let users explore the underlying sources.

This technology is in the hands of two companies that are philosophically rooted in the notion of "machine intelligence," which emphasizes the ability of computers to outperform humans in specific activities. Deep Mind, a company now owned by Google, is proud of developing algorithms that can beat human experts at games such as chess and Go.

This philosophy was naturally amplified by a recent (bad) economic idea that the singular objective of corporations should be to maximize short-term shareholder wealth. Combined together, these ideas are cementing the notion that the most productive applications of A.I. replace humankind. Doing away with grocery store clerks in favor of self-checkout kiosks does very little for the productivity of those who remain employed, for example, while also annoying many customers. But it makes it possible to fire workers and tilt the balance of power further in favor of management.

We believe the A.I. revolution could even usher in the dark prophecies envisioned by Karl Marx over a century ago. The German philosopher was convinced that capitalism naturally led to monopoly ownership over the "means of production" and that oligarchs would use their economic clout to run the political system and keep workers poor.

Fortunately, Marx was wrong about the 19th-century industrial age that he inhabited. Industries emerged much faster than he expected, and new firms disrupted the economic power structure. Countervailing social powers developed in the form of trade unions and genuine political representation for a broad swath of society. And governments developed the ability to regulate industrial excesses. The result was greater competition, higher wages and more robust democracies.

Today, those countervailing forces either don't exist or are greatly weakened. Generative A.I. requires even deeper pockets than textile factories and steel mills. As a result, most of its obvious opportunities have already fallen into the hands of Microsoft, with its market capitalization of $2.4 trillion, and Alphabet, worth $1.6 trillion.

At the same time, powers like trade unions have been weakened by 40 years of deregulation ideology (Ronald Reagan, Margaret Thatcher, two Bushes and even Bill Clinton). For the same reason, the U.S. government's ability to regulate anything larger than a kitten has withered. Extreme polarization, fear of killing the golden (donor) goose or undermining national security means that most members of Congress would still rather look away.

To prevent data monopolies from ruining our lives, we need to mobilise effective countervailing power - and fast.

Congress needs to assert individual ownership rights over underlying data that is relied on to build A.I. systems. If Big A.I. wants to use our data, we want something in return to address problems that communities define and to raise the true productivity of workers. Rather than machine intelligence, what we need is "machine usefulness," which emphasizes the ability of computers to augment human capabilities. This would be a much more fruitful direction for increasing productivity. By empowering workers and reinforcing human decision making in the production process, it also would strengthen social forces that can stand up to big tech companies. It would also require a greater diversity of approaches to new technology, thus making another dent in the monopoly of Big A.I.

We also need regulation that protects privacy and pushes back against surveillance capitalism, or the pervasive use of technology to monitor what we do - including whether we are in compliance with "acceptable" behavior, as defined by employers and how the police interpret the law, and which can now be assessed in real time by A.I. There is a real danger that A.I. will be used to manipulate our choices and distort lives.

Finally, we need a graduated system for corporate taxes, so that tax rates are higher for companies when they make more profit in dollar terms. Such a tax system would put shareholder pressure on tech titans to break themselves up, thus lowering their effective tax rate. More competition would help by creating a diversity of ideas and more opportunities to develop a pro-human direction for digital technologies.

If these companies prefer to remain in one piece, the elevated tax on their profits can finance public goods, particularly education, that will help people cope with new technology and support a more pro-human direction for technology, work and democracy.

Our future should not be left in the hands of two powerful companies that build ever larger global empires based on using our collective data without scruple and without compensation.

By Harshini M

Update for the day #1816| Indigenous Heavyweight Torpedo Varunastra

The Indian Navy has decided to induct an indigenously (95%) developed heavyweight torpedo "Varunastra" into its arsenal.

This induction will put India in a group of only eight countries that have the capability to manufacture heavyweight torpedoes.
A torpedo is a cigar-shaped, self-propelled underwater missile, launched from a submarine, surface vessel, or airplane and designed for exploding upon contact with the hulls of surface vessels and submarines.

Varunastra is a ship-launched, electrically-propelled underwater weapon equipped with one of the most advanced automatic and remote-controlled guidance systems. The weapon system uses its intelligence in tracing the target. It can hit stealth submarines underwater.
It is seven to eight meters long, weighs 1,500 kg, and has a diameter of 533 mm. The anti-submarine electric torpedo when fired can travel at 40 knots or 74 kmph. The operational range is 40 km and it can carry a warhead weighing 250 kg.

The weapon has been jointly developed by the Naval Science and Technology Laboratory (NTSL), Visakhapatnam, and Bharat Dynamics Limited -BDL (Hyderabad). Naval Science & Technological Laboratory (NSTL), Visakhapatnam was established on August 20, 1969, to undertake research and development of complete major naval systems (Underwater Mines, Torpedoes, Fire Control Systems, Weapon Launchers, Targets, Decoys, etc) for the Indian Navy to make it self-reliant.

Bharat Dynamics Limited (BDL), a Government of India Enterprise under the Ministry of Defence was established in Hyderabad in the year 1970 to be a manufacturing base for guided missiles and allied defense equipment.

By Karthik A S

Update for the day #1817 | Veer Savarkar – Great Indian Revolutionary

Veer Savarkar was a great revolutionary in the history of India's struggle for independence. He was a great orator, scholar, prolific writer, historian, poet, philosopher, and social worker. His actual name was Vinayak Damodar Savarkar. He was born on May 28, 1883, in the village of Bhagpur near Nasik. Ganesh (Babarao), his elder brother was a strong source of influence in his life. At a very early age, he lost his father Damodarpant Savarkar, and his mother Radhabai.

Veer Savarkar established an organization by the name of 'Mitra Mela' which influenced the members to fight for "absolute political independence" of India. The Mitra Mela members served the victims of the plague in Nasik. He later called the "Mitra Mela" as "Abhinav Bharat" and declared "India must be independent".

The British Government withdrew Veer Savarkar's graduation degree for his involvement in the Indian freedom movement. In June 1906 he went to London to become Barrister. He wrote a book "The Indian War of Independence 1857" on India's struggle for independence, which was banned by the Britishers. When he was in London, he encouraged the Indian students in England against the British colonial masters. He supported the use of arms in India's struggle for independence.

He was arrested in London on 13 March 1910 and sent to India for trial. However, when the ship carrying him reached Marseilles in France, Savarkar escaped but was arrested by the French Police. On 24 December 1910, he was sentenced to jail in the Andamans. With his efforts, a library was established in the jail. He even tried to impart education to the illiterate convicts in the jail. By the demand of great leaders like Vithalbhai Patel, Tilak, and Gandhi a Savarkar was released and brought back to India on May 2, 1921.

Veer Savarkar was shifted to Ratnagiri jail, and then to the Yeravada jail. The book 'Hindutva' was written in the Ratnagiri jail. He was released from jail on January 6, 1924, and he later founded the Ratnagiri Hindu Sabha to preserve ancient Indian culture and worked in the direction of social welfare.

Later he joined Swaraj Party, formed by Tilak, and founded the Hindu Mahasabha, a separate political party, and was elected its President. The party opposed the formation of Pakistan. The assassin of Gandhiji – Nathuram Godse was a member of the Hindu Mahasabha. Veer Savarkar was charged by the Government of India in the Mahatma Gandhi assassination case but was acquitted by the Supreme Court of India. At the age of 83 on February 26, 1966, he passed away.

By Shreelakshmi Nair

Update for the day #1818 |How affordable commodities fuel climate change

Before 2010, petrol prices in India were regulated by the government. They'd revise the price every week depending on how much it cost to import the fuel, the cost of transportation and taxes. And on occasions when prices skyrocketed they would simply bear the loss themselves without burdening consumers. In simple words, they subsidised petrol. The same goes for diesel before 2014.

But after the government decided to deregulate the market, fuel prices danced to the tune of the global price movements. Prices were updated on a daily basis. And consumers had to pay market-determined rates. But there was a catch still.

For instance, in 2022, Russia's invasion of Ukraine choked fuel supplies and drove global prices higher. And even though prices were market-determined, the government asked state-owned fuel retailers like Bharat Petroleum or Indian Oil to freeze fuel prices. They promised to compensate the retailers afterwards. It was an indirect fuel subsidy.

Likewise, India also subsidises fertilisers so farmers can bear the cost of crop production. It helps them make ends meet. And like us, many other countries subsidise commodities. Countries like Denmark, Netherlands and Sweden also heavily subsidise fishing vessels and other fishing equipment simply because fishing is important to their economies.

Now, if you were to put all these subsidies together, you'd get a sum of about $1.25 trillion every year. To put things in perspective, that's the size of an economy like Mexico. And organisations like the World Bank and the IMF (International Monetary Fund) believe that these subsidies need to go.
Because here's the thing. The figure we quoted above only considers how much global governments directly spent subsidising fuel, fertiliser and fisheries. But add to that the implicit cost of environmental harm, and you'd be sitting on a gargantuan figure of over $7 trillion a year. That's over twice India's GDP and 8% of the world's GDP.

And the relationship between subsidies and climate change is simple. The more accessible you make these commodities, the more they pollute. Take fossil fuels for example. Countries around the world actively spent nearly $577 billion in 2021 to lower the price of oil, gas and coal. Meaning, we indirectly encouraged air pollution—which happens to be one of the leading causes of 7 million premature deaths every year worldwide.

Most of it naturally affects the poor because they're the ones that struggle to access affordable healthcare. Ironically, subsidies are considered essential tools to alleviate poverty. But they cut both ways as we illustrated above.

And while fertiliser subsidies do help aid crop output, overuse of fertilisers can actually backfire. Not just that, harmful chemicals can seep into the soil and water and ultimately lead to resource depletion. Besides, subsidising fishing equipment can lead to overfishing and ultimately affect food security. In fact, according to the UNCTAD (United Nations Conference on Trade and Development), nearly 57% of fishing subsidies worldwide directly contribute to overfishing.

So, what if we could do away with these subsidies once and for all?

Well, it would be difficult but the World Bank believes it is possible. According to them, governments need to do 3 things.

First, build public acceptance. If people believe that governments could use the money to improve sustainable infrastructure then the public is likely to be more amenable to change. In fact, a paper published by Nature Climate Change has found that removing subsidies on fossil fuels may not generate more public resistance than introducing a carbon tax. And many governments have already implemented varying degrees of carbon tax.

Second, reduce subsidies gradually. Dumping subsidies completely or all at once can be a burden to everybody. So if we could slowly reduce the expenditure, while protecting the poor that are actually affected, it wouldn't pinch as much.

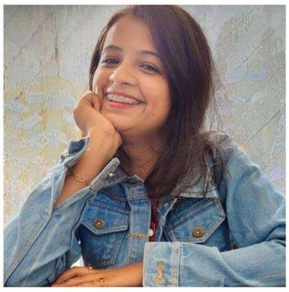
Finally, governments need to figure out how they want to use the savings from not spending on subsidies.

The only problem is that the World Bank makes it seem very easy. But it's not.

Imagine this. The Indian government decides to remove subsidies on fertilisers. What do you think will happen to crop output? Yes, farmers will suffer. But they'll also move away from agriculture. This could push food prices higher and it will affect everyone. Inflation could ruin us.

Similarly, if coal or fuel subsidies are discontinued, energy costs go up and developing economies like India will suffer immensely. There are no two ways about it. If international organisations believe subsidies must go, then they must start with countries that have the provision to do so. Adopting a one-size-fits-all approach could be detrimental.

By Ishika Jain



Update for the day #1820 | 'When Zlatan Leaves, Football cries'

Swedish legend Zlatan Ibrahimovic has announced his retirement from football career at the age of 41, leaving Italy's Serie A as the league's oldest-ever goal scorer. The star striker made the announcement following his team AC Milan's season finale 3-1 victory over Hellas Verona on Sunday.

Zlatan Ibrahimovic, a former Swedish professional football player who played as a striker for Serie A club AC Milan. He was known for his acrobatic strikes, long-range shots, excellent technique, and ball control. He played for his national side Sweden for 22 years (2001-23) and also played for other club teams.

"It's time to say goodbye to football, but not to you," an emotional Ibrahimovic told the Rossoneri fans at the San Siro stadium. "The first time I arrived you gave me happiness, the second time, you gave me love," Ibrahimovic said. "You welcomed me with open arms, you made me feel at home and I will be a Milanista my entire life."

The striker started his professional career at Malmo in 1999 and left for Ajax in 2001 before embarking on a career which featured spells with leading European teams. Ibrahimovic, Sweden's all-time top scorer with 62 goals in 121 matches, quit the national team after Euro 2016 but returned in 2021 for their unsuccessful World Cup qualifying campaign. After previously playing for Manchester United and Paris Saint-Germain, Ibrahimovic made only four appearances for AC Milan this season. He last featured in the match against Udinese on March 18.

The Swedish player decided to conclude a trophy-laden career in which he featured for clubs such as Malmo, Ajax, Juventus, Inter, Barcelona, PSG, Manchester United and the LA Galaxy. Zlatan Ibrahimovic has also bagged several league titles in Netherlands, Spain, France and Italy in 24 years of professionally playing the game and, scoring over 500 goals for club and country.

By Mohith G

Update for the day #1821 | Google seeks suppliers to move some Pixel production to India

Alphabet Inc.'s Google is scouting for suppliers in India to assemble its Pixel smartphones as it borrows from Apple Inc.'s playbook to diversify beyond China.

Google has initiated early conversations with companies including homegrown Lava International Ltd. and Dixon Technologies India Ltd. as well as Foxconn Technology Group's Indian unit Bharat FIH, people familiar with the matter said, asking not to be named as the matter is private.

Google would be the latest global technology player to move production to India. The potential partners it's talking to have won Prime Minister Narendra Modi's so-called production-linked financial incentives, which have boosted local manufacturing. Apple has used the program to widen its supplier base in India and tripled iPhone output to more than $7 billion in the fiscal year through March 2023.

Prime Minister Modi has been pitching India as an alternative manufacturing hub, as more companies are becoming wary of the risks of depending on China after its harsh Covid lockdowns and a trade war between Washington and Beijing. Modi is visiting the US this week where his delegation is expected to hold talks on topics including a removal of tech trade barriers between the two countries.

Last month, India's Technology Minister Ashwini Vaishnaw met with Google Chief Executive Officer Sundar Pichai at the company's headquarters in Mountain View, California, for a conversation that revolved around Modi's local manufacturing drive and India's state-backed technology push.

By Jinal Bhatt

Update for the day #1822 | HDFC bids farewell to its ₹10,000 crore education loan company

The Story

Imagine going to a bank in 2005 and trying to fund your education. Your best bet was to visit a public sector bank and appeal your case. Explain to the manager and the bank why you need to borrow money. They'd evaluate your care objectively for the most part. They'd seek supporting documents and sanction a loan almost immediately if the sum wasn't substantial. Only large loans called for a guarantee. Banks ruled this space.

Until Ajay Bohora emerged onto the scene.

Now according to BQPrime, the story goes something like this—Bohora was at a conference in the US in 2005 and people here couldn't stop talking about the private student loan market. The opportunity in the US was massive. It ran into hundreds of billions of dollars. And Bohora thought, "Well, we have over a billion Indians. The opportunity just seems bigger back home." So he got his brother onboard and began laying the groundwork. They realized that banks weren't getting a lot of things right. They were just doling out loans to everyone with little due diligence. And they knew this would bite them back someday. The brothers wanted to be on the scene when this happened. And they wanted to build a more robust business that could leverage this opportunity. So, Credila Financial Services was born in 2006.

But they didn't want to go on this mission alone. They wanted a partner. They got DSP Merrill Lynch on board the very next year. But the partnership didn't last long. Why?

Well, because in 2008, we witnessed the global financial crisis and banks such as Merrill Lynch collapsed. That's when HDFC saw an opportunity. It had made a name for itself by starting off as a dedicated home loan player. So why not buy another financial services company that focused just on education loans?

It made sense. So HDFC jumped in and bought out the stake. It valued Credila at ₹50 crores. And slowly but surely, the bank kept increasing its ownership until it turned full owner in 2019. The Bohoras exited.

But HDFC couldn't really enjoy its stint as the full owner for long. Because last year, the housing finance company decided to merge itself with its banking counterpart HDFC Bank. While approving the merger, the Reserve Bank of India asked HDFC to pare its stake in the education loan business. The ultimatum was to sell at least 90% of the business within 2 years.

So HDFC put out some feelers. Asked if anyone was interested. And the suitors lined up. Everyone wanted a piece of the Indian education loan behemoth.

And a couple of days ago, the winners finally emerged—a consortium of private equity players BPEA EQT and ChrysCapital. They're taking Credila off of HDFC's hands and valuing the company at over ₹10,000 crores. That makes the education loan company a nearly $1.25 billion unicorn.

Now HDFC will be pretty pleased with the outcome. Because if we're being honest, it was a 'nice-to-have' sort of business. It wasn't really a big money spinner for HDFC. For instance, the brokerage Prabhudas Lilladher noted that only 0.5% of HDFC's business value could be attributed to Credila. That's not much at all.
So why are investors falling over each other to buy Credila then, you ask?

For starters, there's the macro picture.

Just think of this. As of FY21, nearly 40 million Indian students were enrolled in higher education courses across UG, PG, and diploma programmes. But if you look at the Gross Enrolment Ratio—a metric to see what percentage of students are enrolled as compared to the eligible population in the 18–23 age group—you'll see a pretty low figure of 29%. For context, it's 58% in China and 88% in the US.
Now we can hope that as disposable income rises in the country, the ambition of young India soars alongside it. The bet is that we'll see Gross Enrolment Ratios trend upward too. And when it does, millions of students will need to borrow money to realize their dreams.

Also, Indian students are increasingly flocking overseas. We have nearly 800,000 students studying abroad. And according to some estimates. this figure is expected to double over the next couple of years.

So, financial service firms who dole out education loans could benefit too. And it's no wonder then that we've seen a proliferation of digital-first loan providers of late—such as Leap Finance backed by Sequoia (now Peak XV Partners) and Eduvanz backed by Tiger Global Management.
Then there's the micro picture.

As we have noted, banks have made quite a hash of the education loan business. Nearly 7–8% of these loans turn bad. So they've grown wary and they're actually dialling back on education loans
This has created an opportunity for the likes of HDFC Credila. These folks currently command nearly half of all education loans doled out by the non-banking channel. And that's saying something. Also, the kicker is that HDFC Credila has done a pretty decent job at controlling defaults. Their bad loans are at a puny 0.12%. Despite the fact that nearly 75% of their education loans don't have any collateral backing it. And they're also digitizing their operations to keep up with new-age competition.
So yeah, you can see why private equity investors would be quite interested in India's first pure-play education loan firm even now. It's a proven model, unlike the other startups in the space. And they'll still get the might of the HDFC group which will continue to hold a 10% stake in the company. They're keeping their skin in the game. And that itself is a great indicator.

By Adithiyya JS

Update for the day #1823 | MRF hits ₹1,00,000

The Story

Earlier this week, MRF's shares hit the magical 6-figure mark. It's the first company in India to achieve this feat and everyone's going berserk and celebrating the moment.
Now we're not going to analyze whether the stock is actually "expensive" or cheap.Rather, we want to tell you why MRF is probably the 'chosen one' to hit this fabled mark.

Sure, one reason is that the company has delivered consistent growth in revenues and profits over the years. But so have a lot of others. So what if we were to posit that it's the first to hit this mark because it hasn't indulged in a practice adopted by most other companies—a stock split?

Think of it this way. Assume that a company has issued 100 shares. These shares trade in the market for ₹100. Now the company might decide that it looks too expensive to investors. So, it announces a 10:1 stock split.

This means that if an investor held 1 share of the company worth ₹100, they would wake up one day and find that they now have 10 shares worth ₹10. The investment is still worth ₹100. The overall value hasn't changed. But, the shares 'look' cheaper and become attractive to some investors. It could drum up interest and raise the prices.

And most companies resort to this—HDFC Bank and Reliance Industries included. So maybe if these biggies had never resorted to a stock split, they would've been the ones who'd first breached the ₹1 lakh mark?

We don't know. But this brings us to the next question—why didn't MRF ever choose to split its shares? The last time it resorted to something akin to a stock split was way back in 1975. So didn't it want to see a mad frenzy for its shares?

Well, we couldn't find any interviews from their top brass that spills the beans. The reason for this isn't explicitly out there. So we'll speculate a bit. And we have a couple of theories.

Maybe it is sentiment?

Take the case of Warren Buffett who has never split the stock of his company Berkshire Hathaway. It trades at over $500,000 (₹4.2 crores) a pop. A few years ago, Buffett had said, "I can gear my whole life by the price of Berkshire."
What he probably meant was that his entire adult life revolved around building Berkshire Hathaway into the behemoth that it is today. And every little milestone in his life can be tied easily to the price of Berkshire's shares.
The day he bought his first car—He knows Berkshire's price was X.

The day he bought his first house—He's well aware that Berkshire's price was Y. The day his first child was born—He has it etched in his memory that Berkshire's price was Z.

Sure, you could argue that even after a stock split, you can assign the prevailing price to a milestone. But it's just not the same emotionally. The share price isn't really growing alongside the growth in your life.
For instance, let's say the price of the stock was $500 while buying a car. But then a month later,

you decided to conduct a 5:1 split. The price falls to $100. And then you have your first child. It kind of loses that sentimental value, doesn't it?

Maybe the same can be said about MRF too.

See, the company was founded in 1946 and went public in 1961. Today, it's the third generation of the family who holds the reigns to this tyre empire. The current MD Rahul Mammen is the 44-year old-grandson of the founder of MRF. And that means Rahul Mammen's whole life has been geared to the stock. Right from when he was an infant. His growth is mirrored by the growth of the stock. And that could be quite sentimental, no?

Or maybe it's something else entirely. Maybe it's vanity?

A few years ago, Sanjay Bakshi, who was then an Adjunct Professor at Management Development Institute, Gurgaon wrote an article about MRF. And he used the idea of the peacock's tail to explain his thinking. He said that although the peacock's tail was extremely beautiful, it could be a handicap because its weight and length could slow down the bird when it has to escape from predators. The tail makes its life more difficult.

But let's go with this handicap principle.

Now apparently, if a peacock is able to survive in the wild with the most beautiful and long tail, it sends a message to its female counterpart. That it is able to survive against all odds. That despite having the handicap of this bothersome tail that can attract predators, it is still winning the fight. And that handicap actually makes the peacock seem more attractive for mating purposes. The big tail signals 'high quality'.

Well, he believes that it just might be the case.
Because investors might assume that it's going to be hard for a stock to jump from ₹10,000 to ₹11,000. That the additional ₹1,000 of upwards movement will probably take effort and time. They might believe that it's easier for a stock to rise from ₹100 to ₹110. It's just ₹10 after all.

People tend to look at this movements in absolute terms. Even if effectively, both indicate a 10% rise in price. And so they believe that it will require more energy to push an already 'high-priced' stock even higher. It's a handicap. The end result of this could be that only high-quality and discerning investors might choose to put their money into such high-priced stocks. The others stay away. And maybe that's just the kind of investors that MRF wants too. The ones who're attracted by its 'handicap' of high price. The ones who believe that MRF actually signals high quality. Or put another way, maybe MRF is actually using its high price to select the set of investors it desires? Just to be clear, we don't know the real reason as to why MRF didn't split its shares. We're just hypothesizing here. We could be completely wrong.

By Guruprakash S

Update for the day #1824 | ICAI new scheme of Education and training.

As the quote goes, "Intelligence is the Ability to adapt to change". There are some changes in our CA scheme of Education and training for which we all need to get adapted to…

ICAI CA New Scheme 2023 – The ICAI has recently proposed a CA new scheme of education and training. Now, the CA New Scheme will be launched on 1st July confirmed by the ICAI official notification.

Furthermore, ICAI Confirmed the CA New Scheme of Education and Training has been notified in the Gazette of India on 22nd June 2023 and will come into effect from 1st July 2023.

There are many changes in the eligibility, registration validity, syllabus, subjects, paper pattern, passing criteria, exemptions, training leaves, and leaving the CA course.
So, in this article, I'll brief you about the ICAI proposed new scheme of education and training 2023.

The latest updates and the comparison between the old and new schemes.

ICAI CA Course Level	**Current**	**New Changes**
CA Foundation Registration/ Appear 10 + 2	Start	Start
CA Foundation Study Period	4 Months	4 Months
CA Intermediate Study Period	8 Months	8 Months
CA Articleship	36 Months	24 Months
CA Final Study Period	–	6 Months
Total CA Course Duration	48 Months	42 Months
Work Experience for CoP	–	12 Months

The CA New Scheme 2023 will be implemented from the May 2024 attempt. ICAI official has said that the new course will not be applicable from Nov 2023.

New scheme of education and training applicable w.e.f. 1st July 2023.

Important dates for the implementation of New Scheme of Education and Training are given as under:

Last date for Registration in Foundation under Existing Scheme - 1st July 2023
Last date for Registration in Intermediate and Final Courses under Existing Scheme - 30th June 2023.
Date of commencement of Registration and Conversion in Foundation Course under New Scheme - 2nd August 2023.
Date of commencement of Registration and Conversion in Intermediate and Final Courses under New Scheme - 1st July 2023.
First Foundation Examination under New Scheme - June 2024.
First Intermediate and Final Examination under New Scheme - May 2024.
Last Foundation Examination under Existing Scheme - December 2023.
Last Intermediate and Final Examination under Existing Scheme - November 2023.

Last date of commencement of three years Practical Training - 30th June 2023.
Date of commencement of two years uninterrupted Practical Training - 1st July 2023.

Some Important points to be noted:

From July 1, 2023, all new registrations will be done in the new scheme. Existing students will be converted to new scheme from same date (Detailed procedure will be shared by ICAI, no guesswork till then, please).
May 2024 exams will be held in new scheme. As subjects are reduced (8 to 6), there should not be much concern. New study material will be released by BOS, ICAI soon. Studying that for all subjects should be beneficial for the students because new questions as per the pattern suggested in the scheme may be asked from the material.
For CA final, self-paced modules should also be cleared by the students. Clearing those 4 self-paced modules will require time and efforts, So plan accordingly.
Students currently undergoing 3-year training in existing scheme will continue the same and appear in CA final during last 6 months of training only.

Syllabus, Transition Scheme and Frequently Asked Questions (FAQs) will be hosted on 1st July 2023. Paper-wise exemption plan will be announced in due course.

By Rachana N

Update for the day #1825 | ideaForge is ready to fly drones over Dalal Street.

On 26th November 2008, terrorists attacked India's financial capital i.e. Mumbai.

A few students of IIT Bombay watched the events unfold. They read reports on the incident detailing how the Indian special forces were attempting to use helicopters to peek into rooms on the higher floors of the Taj Hotel. And these kids figured that unmanned drones could do a much better job—they were smaller, more agile, and could be commandeered at ease with a joystick.

They realized that their humble college project of building drones could become a full-fledged company that helped with the nation's security and defence. later ideaForge was born and when you're going in for an IPO that values your company at ₹2,500 crores, that's a pretty strong narrative to lure people in, right? It's sort of a subtle nudge to get investors to support a company that took its inspiration from one of the worst terrorist attacks on Indian soil. And they are now hell bent on averting such situations in the future.

The army is paying attention to the use of drones and snapping them up. Especially after a drone attack on Indian soil in 2021. And while any terror attack is a horrendous affair, it does aid companies in the defence space. Because shortly after this incident, the Indian army actually ramped up their orders for drones with ideaForge. They wanted more drones to help patrol the borders. And as things stand, 75% of ideaForge's revenues come from defence projects.

But of course, ideaForge's drones can be used for other things too. Such as mapping land in 660,000 villages to give its inhabitants clear titles to their land. Or in monitoring religious congregations such as the 40-day Amarnath pilgrimage. It has been used by forest officers in Uttarakhand to track a tiger that had attacked humans. It was even used by the National Disaster Response Force to locate and save people caught in flash floods in the mountains and by virtue of being around for 15 years, ideaForge pretty much controls 50% of the unmanned aircraft systems (UAS) segment in India. In fact, the company says that an ideaForge drone takes off every 5 minutes in the country to do its mapping and surveillance job.

So, why are they tapping the public markets now?

Well, the simple answer is that the company needs some more money to grow. Out of the ₹550 crores ideaForge is expected to raise, nearly half of it will go back towards paying debt, developing new products, and meeting the needs of running their daily operations.

But also, it could be a case where they believe that it's time to simply expanded their investor base. Because as per folks that the Economic Times spoke to, drone manufacturers have not found it quite easy to get funding from venture capital (VC) funds in India. People think there's too much reliance on government-aided projects which is a big risk. Governments aren't known to be timely with their payments either.

Sure, ideaForge has raised money from investors such as Infosys and Qualcomm but they aren't your run of the mill VC investors. So maybe the IPO is also a case of reducing dependence on VC-type of funds and reaching out to the public market investors. After all, in the words of ideaForge's CEO, "Unfortunately, in the drone sector, funding often follows results and not the other way around, but given the capital-intensive nature of the business, it becomes a bit of a chicken and egg problem" and while ideaForge seems to have the wind beneath its wings right now, there could be some turbulence along the way.

See, ideaForge definitely has the first-mover advantage. They have been around for over 15 years and have been able to fine-tune their products to grow the nascent drone ecosystem. But maybe they were too far ahead of the curve? Because it is only recently that drones have taken off in a big way. And plenty of competitors have emerged quickly too.

They've realized that the lucrative opportunity is there for the taking. And if you look at the list of drone-related companies that have also qualified for the PLI scheme, you'll see a long one made up of 23 entities. Including a behemoth—the Adani Group which has a joint venture with a premier Israeli drone company.

Now sure, you might argue that India has banned the import of drones to protect and promote domestic manufacturing. But that doesn't include drone imports for defence purposes. And since a huge chunk of revenue for ideaForge comes from the defence sector, they really don't have any protection in this regard. Also, ideaForge says that doesn't seem to have any long-term contracts either. Most of their deals are based on relationships they've built over the years. That could be a little tricky to navigate with rivals snapping at its heels. So the question is—can ideaForge replicate the stock market listing success of drone company DroneAcharya (quite a brilliant name that) which popped nearly 100% when it IPO'd in December 2022?

We'll have to wait and see.

By Lohit I M

Update for the day #1827 |72% OF 2000 notes have been deposited or exchanged in banks.

As per RBI Governor Shaktikanta Das, Rs 2,000 banknotes valuing Rs 2.62 lakh crore have been deposited or exchanged in banks so far.

He added that the total value of Rs 2,000 notes was Rs 3.62 lakh crore as of March 31.

The RBI boss further explained that the Rs 2,000 banknote recall will have no bearing on the monetary stability. He further said that of the total money that has come back in the system, 85 per cent is in deposits and the rest is in currency exchanges.

Das told PTI Bhasha in an interview: "One thing I can clearly tell you that the Rs 2,000 note that we are withdrawing right now will not have any negative impact on the economy".

The RBI and the government projected GDP growth for this fiscal at 6.5 per cent and 8.1 per cent for Q1. The RBI ordered a recall of the Rs 2,000 banknotes on May 19 and asked banks to open counters to collect notes from the public on May 23. The deadline to exchange or deposit these notes is till September 30.

The central bank said at the time that the existing Rs 2,000 denomination notes will continue to be legal tender. Das had later said he was not sure whether he would ask the government to cancel the legal tender status of these notes post the September 30.

The Rs 2,000 banknotes were introduced in November 2016 (under Section 24(1) of The RBI Act, 1934) within days of the November 8 demonetisation wherein the government had withdrawn the legal tender status of all the 500 and 1000 banknotes to meet the currency requirements in an expeditious manner.

By MEGHA V

Update for the day #1828 | Debris from OceanGate sub found 1,600 feet from Titanic after "catastrophic implosion"

Five people who were on a sub that went missing during a voyage to the wreckage of the Titanic did not survive, the company that planned the trip said Thursday, as the U.S. Coast Guard said the OceanGate vessel experienced a "catastrophic loss of the pressure chamber," and confirmed that the debris found on the sea floor were pieces of the missing sub.

"This is a incredibly unforgiving environment down there on the sea floor and the debris is consistent with a catastrophic implosion of the vessel," Coast Guard Rear Adm. John Mauger told reporters.

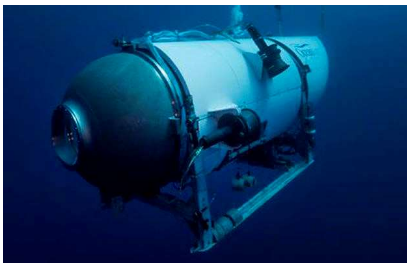
A U.S. Navy official said the Navy detected "an acoustic anomaly consistent with an implosion" shortly after the sub, named Titan, lost contact with the surface Sunday, CBS News national security correspondent David Martin reported. The information was relayed to the Coast Guard, which used it to narrow the radius of the search area, the official said.

Meanwhile, banging noises that were detected during the week were assessed to have been noise from other ships in the area, Martin reported.

On Thursday morning, an ROV, or remotely operated vehicle, from a Canadian vessel found the tail cone of the sub about 1,600 feet from the bow of the Titanic, Mauger said during a briefing in Boston on Thursday afternoon. He said more debris was found and authorities consulted with experts who determined the debris found over 2 miles beneath the water's surface was consistent with the sub.

"On behalf of the United States Coast Guard and the entire unified command, I offer my deepest condolences to the families," Mauger said. "I can only imagine what this has been like for them, and I hope that this discovery provides some solace during this difficult time."

Pakistani businessman Shahzada Dawood, his 19-year-old son Suleman, billionaire adventurer Hamish Harding, French explorer Paul-Henri Nargeolet and OceanGate founder Stockton Rush were on the sub.



Paul Hankins, a U.S. Navy salvage expert, said at the briefing that the sub was found scattered in pieces, and that the team "will do the best we can to fully map out what's down there."

"Essentially we found five different major pieces of debris that told us that it was the remains of the Titan. The initial thing we found was the nose cone," he said. "We then found a large debris field" followed by "a second, smaller debris field."

Carl Hartsfield of the Woods Hole Oceanographic Institution said the sub's wreck was found in a smooth area of the sea floor where there wasn't any debris from the ocean liner that sank on its maiden voyage in 1912.

Mauger said it was too early to tell when the sub imploded.

"We know that — as we've been prosecuting this search over the course of the last 72 hours and beyond — that we've had sonar buoys in the water nearly continuously and have not detected any catastrophic events when those sonar buoys have been in the water," he said.

The sub launched into the Atlantic from a Canadian research vessel Sunday morning, and the ship lost contact with the Titan an hour and 45 minutes into the dive.

"I know that there's also a lot of questions about how, why and when did this happen, and so, you know, those are questions that we will collect as much information as we can on now while the governments are meeting and discussing what an investigation of this nature of a casualty might look like," Mauger said. "...I'm confident that those questions will begin to get answered."

Underwater robots will remain at the search site to gather additional information about the sub, Mauger said. Another robot from a French vessel was also launched into the water Thursday.

"This was a incredibly complex case, and we're still working to develop the details for the timeline involved with this casualty and the response," he said.

Asked about the prospects for recovering the remains of the deceased, Mauger said, "We'll continue to work and continue to search the area down there, but I don't have an answer for prospects at this time."

"Our thoughts are with the families and making sure that they have an understanding as best as we can provide of what happened and begin to find some closure," he said.

Harding's family and his company said in a statement that the adventurer was "one of a kind and we adored him."

"What he achieved in his lifetime was truly remarkable and if we can take any small consolation from this tragedy, it's that we lost him doing what he loved," the statement said. "He will leave a gap in our lives that can never be filled."

Explorers Club president Richard Garriott de Cayeux said in a statement that Harding and Nargeolet "were both drawn to explore, like so many of us, and did so in the name of meaningful science for the betterment of mankind."

The Dawood family said they were experiencing an "unimaginable loss" and thanked search crews.

"Their untiring efforts were a source of strength for us during this time," the family said in a statement.

Thursday's news followed a massive international search effort for the lost 21-foot sub.

In addition to the robots, search planes and ships have been deployed to the northern Atlantic Ocean in the hopes of finding the sub approximately 900 nautical miles from Cape Cod, Massachusetts. The Coast Guard said Wednesday the search area was about twice the size of Connecticut.

Officials previously said the sub had a limited amount of oxygen on board that could have lasted 96 hours, or roughly until Thursday morning.

By Y. Aryan Sai Manjush

Update for the day #1829 | India's $1 trillion 'economy'?

#1 The Bharat Opportunity—the rise of small towns

Everyone wants to build for 'Bharat' these days.

And by that, we mean that they want to target 86% of India's population who live in Tier 2+ cities. They want to show a bigger total addressable market (TAM) so that they can raise bigger cheques from venture capitalists. Okay, it's not just about the cheque size, but, foraying into smaller towns might make quite a bit of business sense too. You see, the estimates are that the growth in rural India's per capita income will outpace urban India. It'll grow 4.3x between 2019 and 2030 whereas the urban pockets will see a growth of 3.5x. And that could improve the consumption patterns in these areas by quite a fair bit.

There's another thing. Out of the 700 million internet users in India, 500 million of them are what the report calls non-English literate. These are people that haven't probably experienced the full might of the digital world. And that's what companies can capitalize on—the chance to capture this space by offering support and content in regional languages. And there are plenty of folks who're already trying this. There's KukuFM which has podcasts in 7 Indian languages. There's Meesho, the e-commerce platform, which has a strong presence in Tier 2+ towns probably because it offers its platform in 8 languages. And there's Apna, which started off as a LinkedIn for blue-collar workers, that offers its services in 11 languages. Also, it seems that people from smaller towns are more open to trying new brands and products. They're not set in their ways. Maybe it's because the digital world is still new to them and they're still experimenting. But they want 'Made in India' products. And this opens the door for smaller brands to try and take on big incumbents in unfamiliar territory.

#2 India's content creators are having their moment in the sun

There are 7,000 YouTube channels with over 1 million subscribers now in India. On the face of it, that may not seem like much. After all, we do have 80 million content creators in the country. But the fact is that the numbers are rising rapidly. In 2021, we had just 3,500 YouTube channels which could boast of 1 million subscribers. So not only is the pool 2 times larger now but we're also the fast growing in the world. And one reason for that is the insanely low data cost we enjoy. India pays $0.68 for every GB of data as opposed to the global average of $4.21. So we've taken to scrolling for long hours on social media for our dopamine hit. And as we scroll, we tend to follow and subscribe to people that we resonate with. In fact, two-thirds of India's digitally active population actually follows an influencer online now.

That means, it's literally boom time for the influencer economy. Companies are using influencers to market their products like never before. And the influencer market has already jumped by over 40% to $150 million in 2022. The prediction is that by 2030, these influencer marketing spends could balloon to a staggering $3 billion. And 70% of the money is also estimated to go to non-celebrity influencers. You know, the ones that people actually relate to.

#3 India's new gateway to the world is SaaS

For a long time, if you used India and technology in the same sentence, everyone would assume you were talking about IT firms like Infosys or Wipro.

But not anymore. Today, India and technology in the same breath conjure up images of young Software-as-a-Service (SaaS) companies. While Indian SaaS companies have just a 5% share of global revenues in 2022, by 2030, the good folks behind the report believe that we could hit the 10–12% mark. But wait…what's SaaS, anyway? Okay, back in the day, if you wanted a messaging application to help improve workplace communication, you'd have to install a clunky piece of software on every computer in the office. It was cumbersome. But then, the cloud emerged. You just needed access to the internet and you could easily use the messaging app without it taking truckloads of space in the computer. Crudely put, that's SaaS or Software-as-a-service. And over 30% of the software sold in the market today takes this form.

Indian companies have capitalized on this trend. We have over 1,500 funded companies building all kinds of SaaS products—from simple helpdesks that help with customer support to HR management tools that can manage the recruitment and payroll process to sales lead management systems. We're talking about companies like Freshworks, Browserstack, Postman, and Leadsquared, of course. And yeah, we're selling this software to the world. In fact, 75% of the revenues of Indian SaaS companies now come from global customers. The pandemic might have helped our cause too. Everyone was busy buying cloud software to meet their needs of going remote. And most transactions were signed, sealed, and delivered virtually. We didn't need fancy global offices to convince the world of our software prowess. The end result of this? We've grown from just 2 SaaS unicorns (valued at over $1 billion) in 2018 to over 20 of them in 2022. And you can be sure there are more on the anvil. Because when investors were asked which sector they'd bet their money on in the next couple of years, 77% of them picked SaaS. Yup, fintech which was once the darling of investors came second with 59%.

So yeah, there are lots of cool insights like this in the report. But that's all we could pack in for now.

By Shraddha Vishwanath

Update for the day #1830| Why did SEBI ban IIFL Securities?

When you take the plunge to dabble in the stock markets, you can't just go to the company and say, "Hey, I want to buy 10 of your shares." It would be mayhem if everyone did that. Instead, you have to pick a stock broker. That's the middleman who'll help you buy and sell shares of the said company. These folks have relationships with the stock exchange where the said company has listed its shares—such as the Bombay Stock Exchange or the National Stock Exchange. So things just become quite easy.

But you'll first need to open an account with your stock broker to do this effectively. You'll be able to deposit money into this which is used for trading shares. And you'll be able to see details of all the shares you hold through this account.

Now here's a question that might spring to your mind now—Can the stockbroker mess with the money I've parked in my account?

Well, as per everything in the rulebook, they can't. See, way back in 1993, the Securities and Exchange Board of India (SEBI) passed a regulation which basically had a clause saying, "A stockbroker must keep all money received from clients in a separate bank account. It should not be mixed with the proprietary money of the broker."

And the rule was in place just to ensure that brokers didn't get into anything dubious. That they didn't use client money for their own gains. For instance, if you kept ₹10 lakhs with your brokers, they could've simply used that money for whatever they pleased. They could've dipped into it to make their own investments or meet the daily requirements of running the firm. And in case you suddenly asked for it, they could've dipped into the extra balance of another client and handed it off to you. No one would be any wiser.

So the rule asked brokers to maintain a separate bank account for their own money. And another one for client monies. In fact, SEBI said that all such client accounts should be clearly labelled "Client". That way, SEBI could track and follow any money trail easily in the event of any investigation.

And this brings us to IIFL Securities.

So, IIFL has been involved in the broking business for a long time now. And although they're not in the top 5 of India's biggest brokers anymore, they were right up there in this list in 2011. They were pretty big.

Anyway nearly a decade ago, SEBI wanted to ensure that their books were spick and span. So they launched an inspection. Maybe they had a tip off or they suspected something, but they launched an investigation to look at IIFL's records between April 2011 and December 2013. Ensure that IIFL was following the 1993 regulations to the T.

And well, they found that things were a little messy.

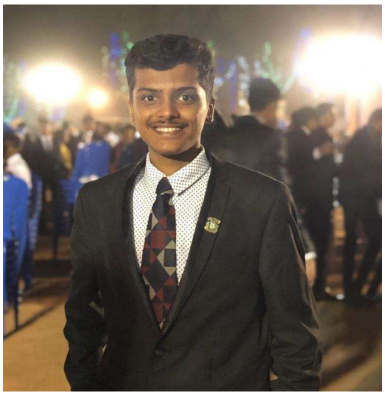
See, SEBI looked at a sample of 45 client bank accounts. And found that 26 of these accounts weren't titled 'client' account as the rules mandated. Now sure, you could have argued that it was an oversight. It was merely a labelling issue. But the problem was that IIFL seemed to be taking client money and mixing it with its own money into a pooled account as well. And this was completely in contravention to what SEBI's rules stated.

Now IIFL argued. It kind of admitted that that it pooled the monies of clients and itself. But it also said that it never touched the client money. It simply used its own money that was also lying in the same pool account.

But any 5th grader can tell you the flaw in that logic, right? Imagine you fill a tub with water from Tap A and Tap B. And then smartly say that you'll use a mug to remove only the water that came from Tap A. Once the water is mixed, how on earth do you distinguish what came out of which tap? Well, that's the same thing with money. So you can imagine that SEBI was quite annoyed by that argument.

And since there wasn't any segregation of monies, SEBI also thinks that it meant that IIFL probably used client money to make investments into its PE debt fund. It probably used client money from the pool account to pay salaries of its staff. It used it to make investments in mutual funds.

By Vishnu Bhushan D



CONTACT US - SURESH & CO.

#43/61, Surveyors Street, Basavanagudi, Bengaluru – 560004

P – (080) 26609560

Compiled by: T Ganesh Pai and Suhan Bammigatti

Guided by: Udupi Vikram

D S Vivek	**Udupi Vikram**
Managing Partner	**Partner**
vivek@sureshandco.com	vikram.u@sureshandco.com
+91 98453 78991	+91 97387 79117