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Foreword

We, the team at SURESH & CO., are delighted to present the latest edition of "EMERGING THOUGHTS." This publication serves as a compilation of global events and innovative ideas crafted by our dedicated articled assistants—individuals on their journey to becoming Chartered Accountants, as well as our esteemed employees.

Staying abreast of global history, news, and ongoing events is crucial in today's dynamic world. Awareness of the latest developments, whether local or international, is essential as they can have a direct or indirect impact on our lives. The positive response from our readers has been truly heartening, marking a continuous journey of milestones where every learning opportunity has illuminated our path with the essence of knowledge.

At SURESH & CO., we foster an environment where every individual is encouraged to embrace boldness in the pursuit of innovation and wisdom. Our team members are empowered to think beyond their perceived limits, leading to the purification of their thoughts, an enrichment of their vision, and the exploration of realms beyond their academic focus.

In this edition, we share the initial gems of thought conceived by these young minds. It's important to note that these updates may not have undergone a review by senior or technical experts. Therefore, readers are urged to view them as sparks that ignite positive reflections. We advise further research and analysis on topics of interest to ensure a comprehensive understanding.

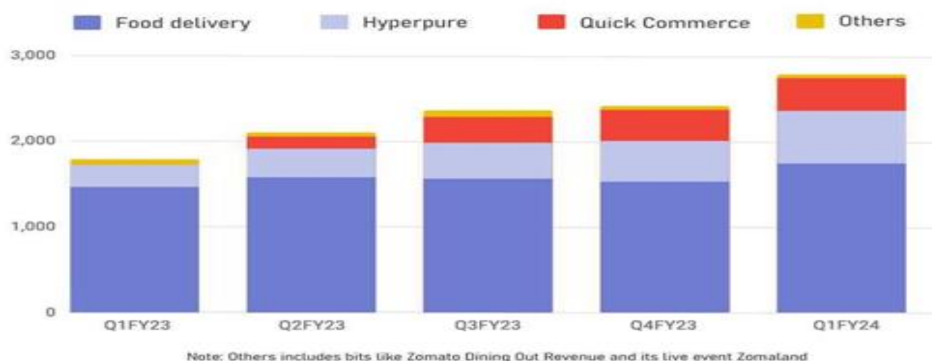
Thank you for being part of this journey with us. Let the "EMERGING THOUGHTS" inspire and stimulate your intellect as we collectively explore the boundless horizons of knowledge and innovation.

"Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it." – Steve Jobs

Update for the day #1861 | A profitable Zomato is finally here...but for how long?

A profitable Zomato is finally here...but for how long?
₹2 crores as profit after tax (PAT). That's what Zomato managed to pull off this quarter.
And everyone's overjoyed. Investors, founders, and other startups. And they're raving about Zomato because no one expected the company to turn a profit this quickly. Hell, even Zomato's team predicted that profits were at least 3 quarters away. So, it's a nice little surprise.
But how did Zomato get here, you ask?

Well, it's not rocket science. As Deepinder Goyal, Zomato's CEO had pointed out earlier, the company just needed to do two things—"increase profits in food delivery and reduce losses in the quick commerce (Blinkit) business."



So, let's look at how food delivery is stacking up. And we'll focus on this primarily since it's still what Zomato does best.

Now there are 3 key metrics when it comes to this business.

There's the Gross Order Value (GOV). You calculate this by looking at the total money spent by users ordering food. This figure has risen by 11% over the previous quarter. Sure, a part of it could be attributed to seasonality—school holidays, IPL, and other summer events we witnessed during the first quarter of the financial year. But, if you rewind a bit, you'll see that the GOV was stagnant at ~₹6,500 crores for the entirety of last year. So, things seem to be looking better this year.

But does that mean more people are now using the platform to order food?
Well, that's why we look at something called the Monthly Transacting Users (MTU).
Now, on average, there are around 17.5 million people using the platform on a monthly basis. But the surprising bit is that this number hasn't moved much. In fact, nine months ago Zomato had 17.5 million monthly transacting users. So, they haven't been able to push more users to transact on the platform. And that's a bit of a worrying sign. Investors will have to wonder if the food delivery business has already captured all the low-hanging fruit.

What do we mean?

Well, at first glance, the penetration levels of online food delivery (at around 15–16%) seem quite low. You could argue that there's still a big market to claim. But let's just draw a parallel with e-commerce for a second. A few months ago, we dived into a report by venture capital firm Blume Ventures. We pointed out that in the case of e-commerce, 19% of India's households shop online. Similar to food delivery, no? Now if you break this down further, you'll see that within the high-income category (greater than ₹6 lakhs), the e-commerce penetration is already at 37%. It's right up there.

While we don't have a similar breakdown for food delivery, it might well be the case. And maybe that's why Zomato has been pruning its city portfolio—in January this year, it decided to exit from 225 cities. The business just wasn't good enough. So, if the urban areas are already quite tapped out, Zomato just has to find ways to squeeze out revenue from its existing users.

This brings us to the Average Order Value (AOV). This is quite important to track because it costs the company pretty much the same money if they're delivering an order that costs ₹200 or delivering an order that costs ₹400. But they earn higher commissions from the higher order value. Unfortunately, Zomato didn't break this down for food delivery. But it did say there was a 'modest uptick'. In FY23, it was around ₹407. So, it's probably a bit higher now.

But investment research firm Nomura also calculated something else—how often Zomato's users were ordering every month. They're asking if the quirky push notifications are doing a good job of nudging users to place more orders. And their estimate is that the frequency has gone up from 3 orders a month to 3.4 now.

What could be the reason for this?
Maybe it's Zomato Gold. See, Zomato's had a lot of variations of their infamous subscription service over the years. There was Gold. Then there was Pro. And there is Gold again. And here's how Zomato described its features when it relaunched in January this year.

The key highlight of Zomato Gold is the 'On Time Guarantee' [if you don't get food on time, you get a cashback]. This feature was three years in the making, and the tech which powers this feature is a significant achievement for our team. Gold members also get priority access to more restaurants during peak times and offers from a number of restaurants on both delivery and dining out. We have also made our intercity delivery from legendary restaurants (called Intercity Legends) exclusively available to Gold members. And of course, free delivery on orders meeting certain criteria. In less than a month, the Zomato Gold program has scaled to 900k+ members.

This means that Q1FY24 (April-June) is the first full quarter of the revamped Zomato Gold program. And orders from Gold subscribers already make up 30% of the GOV in food delivery. So, if Zomato's hunch is right, this time, it certainly looks like they have struck Gold. Literally. Put all this together, you'll see that the food delivery business has steadily been churning out profits in the background even though we haven't seen superlative growth.

The problematic child was Blinkit, the quick commerce, loss-making delivery player Zomato bought in June 2022. Investors were not happy back then and the stock quickly slumped by 30% after the announcement. But it looks like things are finally turning around here too.

The GOV has doubled from ₹1,000 crores to ₹2,000 crores in the past year. The AOV has crept upwards to ₹582. And what they call 'contribution' has fallen sharply. Think of this as the

money that the company makes on each delivery after deducting the cost of getting it to your doorstep. And after including any other processing fees. If you calculate this as a percentage of the GOV, it's almost positive now. Maybe a part of this is because Blinkit has been cutting down the amount of money it pays out to delivery riders. As per a Medianama report a few months ago, the cuts were drastic:

Irfan (alias), a Blinkit delivery executive, informed us that when he was working with Blinkit earlier (when it was called Grofers), he was earning Rs 50 per order. When the company transitioned its name to Blinkit, its earnings were reduced to (on average) Rs 25 per order. Now, under Zomato's leadership, the earnings have further reduced to (on average) Rs 15 per order. Even Albinder, the CEO of Blinkit pointed out how they had a temporary business disruption in the month of April resulting from the change in the delivery partner payout structure. So, while this won't please gig workers, it'll make shareholders happy.

And with only 4 million households MTUs on Blinkit at the moment (compared to 17.5 million for Zomato), the runway for growth is much bigger. In fact, Deepinder Goyal thinks that it'll be more important to Zomato's shareholders than food delivery in 10 years' time. That's an interesting bet. So, all in all, definitely looks like a good show at Zomato, no?

But there's one little secret we have to share too…despite all this, Zomato actually still suffered a loss of ₹15 crores. Yes, a loss! So, what's the ₹2 crores profit everyone's talking about then, you ask? Well, as Moneycontrol pointed out, there was a tax provision that came to the fore. Or a line item called "deferred tax" worth ₹17 crores. And once the adjustment was made, voila, we had a profit worth ₹2 crores.

Now think of deferred tax as a situation where Zomato may have incurred a loss at the moment but these losses can be used to offset future taxes when the company starts making profits. And while we don't exactly know what led to Zomato's deferred tax windfall, just know that it's really not something new in the food delivery company's books. They've been claiming deferred taxes for a few quarters now. So, the million-dollar question is—can Zomato sustain the profits if it has come on the back of a tax gain? Well, probably.

Let's ignore the deferred tax for a bit. Just look at the overall loss itself. In the past couple of quarters, it was nearly ₹200 crores. So it has already narrowed sharply to the ₹15 crores that we see now. And with its efforts to cut costs even further, things are looking good.
So, we'll just have to wait and see how the story plays out, no

By Umesh Pareek

Update for the day #1862 | The dark side of trading: How dabba traders are evading Indian financial regulations

What is Dabba Trading?

Dabba trading, often referred to as "bucketing" or "box trading", is an unregulated informal trading method that is frequently utilized in India's financial markets. It entails making off-market wagers on stocks or commodities that take place outside the stock exchanges. Trading stocks off-market or wagering on their price fluctuation without engaging in actual transactions are both unlawful. When used in relation to commerce, the term "dabba" refers to a metal box or container that is used to keep food as well as the boxes that are used to carry out shady transactions. These "dabbas" merchants operate covert, unauthorized stock exchanges that frequently coexist with those that are recognized by the government.

The History of Dabba Trading

Dabba trading in India dates back to the early 2000s, when investors began to look for alternate channels for trading equities other than the regulated stock exchanges. The word refers to an informal network of operators who conduct off-market deals in securities in the context of dabba trading.

The notion of dabba trading is thought to have originated in Gujarat, where it swiftly gained favour among dealers and investors looking to avoid stock market laws and costs. Initially, dabba traders would frequently make transactions via mobile phones and text messages, making it impossible for authorities to monitor and control the activity.

Dabba trading expanded over time into a sophisticated network of operators that employed technology to expedite transactions and pay wagers on stock price movement. Dabba merchants would frequently utilise software and applications to follow market prices and place wagers, allowing them to provide competitive rates and attract customers. Dabba trade has its origins in the centuries-old informal financial networks that have existed throughout India. Historically, these networks, which are typically founded on personal ties and trust, have been utilised to smooth the transfer of cash between individuals and enterprises. They have also aided in the provision of credit to individuals who do not have access to official banking institutions.

These informal networks have grown over time to incorporate stock trading, commodity trading, and other financial instruments. Dabba trading evolved as a mechanism for people to wager on financial products without going via established exchanges or brokers. They would instead place their wagers with "dabba operators," who would record the wagers and settle them off-market.

How Does Dabba Trading Work?

Dabba trading usually comprises two categories of participants: dabba operators and punters. Dabba operators function as middlemen for punters and the market, registering bets and

settling them out-of-market. They regularly connect with punters over messaging applications such as WhatsApp or Telegram, making it harder for authorities to follow their operations. Punters, on the other side, are the people who placed bets. Individuals seeking rapid profits by betting on stock prices, or corporations seeking to hedge their exposure to commodity prices, may be involved.

Dabba trading bets are not recorded with professional exchanges or brokers, and they are not subject to the same restrictions and scrutiny as deals conducted via conventional channels. Due to the absence of control, dabba trading is a precarious venture for investors, who have little recourse if their bets are not settled or they lose money.

Consider Mr A's hypothetical case. Mr A became an experienced stock market trader who constantly searched for new methods to profit. He discovered about dabba trading, an unlawful kind of off-market trading that occurs in India, one day. He was intrigued by the notion and proceeded to investigate the world of dabba trading.

Mr. A started researching the expanse of the dabba trade and quickly noticed that a dabba operator, Mr. B was prepared to collaborate with him. Mr A was given a metal box called a "dabba" in which to make his wagers. Mr A was also given a unique ID number by the dabba operator, which he could use to monitor his bets.

Mr A began betting on the movement of stock prices using the money he had gathered from his clients. At the conclusion of each day, the dabba operator, Mr. B would settle the bets in cash. Mr A immediately saw that dabba trading was a quick method to gain money without going through the traditional channels of the stock market.

Mr A quickly realized, however, that dabba dealing had its share of dangers. There are no safeguards in place that safeguard investors from fraud, manipulation, or fluctuations in markets because dabba trading occurs outside of the controlled channels of the stock market. Mr A discovered that dabba operators could be dishonest and that clearing bets in cash was a risky and time-consuming process.

Mr A continued to place wagers through dabba trading despite the risks. He made a lot of money and ended up losing plenty of fortune. Regulators eventually caught wind of his unlawful operations, and he was prosecuted for breaking securities laws. His trading reputation was ruined, and he was obliged to pay hefty fines and penalties.

Impact of Dabba Trading on the Indian Taxation System

Dabba trading is an unlawful practice in India, and any profits gained from dabba trade are not taxed. However, there have been reports of dabba vendors attempting to cheat taxes by failing to submit their profits to the tax authorities. Individuals and businesses are required to pay taxes on their income, including investment profits, under the Income Tax Act of 1961. In the event of dabba trading, any profits made through off-market bets would be deemed income and taxed.

However, because dabba trading is not recognised under Indian law, it is impossible for tax authorities to track and tax these gains. This has raised worries regarding tax evasion and money laundering, as dabba traders may use off-market bets to make income without paying taxes on it.

Dabba trading has been an unresolved issue in India's financial markets for many years. It has been accused of producing pricing distortions, promoting gambling, and causing market turmoil. It has also been linked to illegal funding and tax evasion because dabba trading bets are typically handled in cash and are not taxed.

Dabbas traders can evade paying taxes since there are no proper records of revenue or earnings. They would not have to pay the Commodity Transaction Tax (CTT) or the Securities Transaction Tax (STT) on their trades. Under Section 23(1) of the Securities Contracts (Regulation) Act (SCRA), 1956, 'dabba trading' is a crime punishable by imprisonment for up to ten years or a fine of up to Rs. 25 crores, or both.

Conclusion

Recently, the Indian government and tax authorities have increased their efforts to combat dabba trading-related tax evasion and money laundering. They have raided dabba operators and traders; confiscated cash and other property associated with these crimes and warned investors about the dangers of investing through unauthorised networks.

Furthermore, the government has implemented a number of policies to boost legal investment channels while discouraging dabba trading. It has, for example, introduced tax breaks for people and firms who invest through formal exchanges and brokers, as well as enhanced penalties for those discovered indulging in unlawful trading.

Dabba trading has had a significant impact on the Indian financial markets. It has resulted in income losses for official exchanges and brokers, as well as a reduction in confidence among investors in the markets. It additionally created a disadvantageous environment for investors, with dabba traders benefiting unfairly from those who invest through official methods.

By Aditi Jain

Update for the day #1863|PLI for Paytm soundboxes?

If you're someone who wants to sell an electronic product in India, you have two options. You could choose to 'Make in India'. Employ local labour. Use locally sourced materials and import some of the raw materials needed from elsewhere. Or you could simply see if a similar product exists say in China and figure out the tariffs for importing it. If that works out cheaper, then you can just ship it and sell it in India.

And most folks choose to go down the second route because it's more cost-effective. Plus, you get to sell it at a similar rate to domestic manufacturers and thus make more margins. Now the Indian government is quite wary of this happening across all kinds of electronic items. And they want to promote Indian electronics manufacturing over imports.

So they have a scheme called the Production Linked Incentive (PLI) program for this very reason. And this is how it works — if a company shows that it is making and exporting a certain number of electronic items — say mobiles or laptops — from within the country, it can get a nice payout (in the form of tax rebates and concessions) from the government. It's some extra money for manufacturing domestically.

But here's the thing. Apparently, the PLI scheme for electronics does not include payment devices — like credit and debit card scanners. Or even the ubiquitous soundboxes! Yup, we're talking about those devices in kirana stores that loudly chime, "Payment received" after each UPI transaction.

And that's what Paytm CEO Vijay Shekhar Sharma is asking for now. He claims that Paytm manufactures all its soundboxes in India. Even though importing it from China would be cheaper. So he's asking for some support from the government.

But wait…do we really need a PLI for these soundboxes? Is it such an important device that it warrants special treatment?

Well, maybe looking at how the soundbox has revolutionized digital payments in India will give us an answer.

See, when demonetisation hit us hard in 2016, UPI was just about 7 months old. People were getting used to the idea of digital payments. But it gave a fillip to the idea of paying over the phone and UPI payments rose at a fast clip. By the end of 2019, over 1 billion UPI transactions were being processed every month.

Naturally, this helped merchants. They didn't have to deal with cash so much. So they didn't have to visit the bank often to deposit money or reconcile their books. But the proliferation of digital payments also led to a tiny problem. A bit of friction between the merchant and the customer.

The thing is even if a shopkeeper had to confirm receiving ₹10, they'd have to wait for an SMS. Or they'd have to open a banking app and check each time. Often, if the shopkeeper wasn't literate, they'd have to call people back home to check if their account was credited with the

customer's money. And this time gap meant that the relationship between a merchant and customer would get quite foggy.

Vijay Shekhar Sharma apparently experienced this friction first hand. And he wanted to solve it.

Thus emerged the Paytm soundbox. The first of its kind in the world.

This device cut the Gordian knot. The shopkeeper who had to wait for an SMS confirmation now instantly heard the soundbox announce "Received Paytm payment of 10 Rupees." Customers would be relieved too. They could just pay and whiz away. Fraudsters could also no longer bluff vendors with fake payment screenshots generated via shady apps.

And when the pandemic struck in 2020, UPI payments soared to greater heights. No one wanted to deal with cash. And from 1 billion transactions a month, it soared to over 4 billion by the end of 2021.

Just like that, every other offline retailer began to notice the benefit of this humble soundbox. In fact, Paytm says that in 2022, one new soundbox was purchased by a merchant every 6 seconds. Merchants didn't mind paying a monthly subscription fee to simplify their business and boost efficiency and sales.

Okay. It all does sound quite revolutionary. But do soundboxes really need a PLI?
Well, soundboxes are a very low-value product. It's probably just a drop in the bucket of India's imports. Even laptops and personal computers account for just 1.5% of India's overall imports. So you can imagine just how inconsequential soundboxes will be.
And that doesn't sound like something that needs a PLI.

So maybe Paytm wants the incentive just to make itself look better.
See, here's the thing. Paytm says it is already manufacturing the soundbox in India (though components come from China). But it has a big competitor too. We're talking about PhonePe.

Now while we couldn't find any official statement, there are a lot of social media posts that allege PhonePe's soundbox is made in China. If we assume that this is true, it does seem like Paytm probably wants the incentive to make itself look better. After all, the device accounts for about 8% of its overall revenues. And if PhonePe's soundboxes are cheaper, Paytm will lose out.

Not to forget that the soundbox isn't just a gimmick. It's a customer retention tool that can be used to cross-sell other stuff to merchants. Paytm already says that it has been able to push loans to merchants with a soundbox at a much faster pace. Here's how Paytm described the correlation — "More than 85% of the value disbursed this quarter [Oct-Dec 2022] was to merchants using a Paytm payment device, indicating a strong correlation between device deployment and loan distribution."

So yeah, maybe it's the competition with an Indian peer that's got Vijay Shekhar Sharma worried and rooting for a special PLI.

But wait…maybe there's one thing that could flip this argument. And convince everyone that a PLI might be needed. And that's the fact that the UPI is also going global. We've got the UAE,

Singapore, France and a few others on board. We're expanding this to the UK and other parts of Europe too. And maybe merchants there will prefer an audio announcement over poring through their phones and accounts for payment confirmations too.

So you could ask, "Would you rather have them use a soundbox made in China that's then integrated with India's UPI prowess or…would you rather export soundboxes made in India itself?" Because you might need a PLI to make those cost-effective.

By Shreedhara A V

Update for the day #1864 | Shinkansen A.K.A Bullet Train

Japan's main islands of Honshu, Kyushu and Hokkaido are served by a network of high speed train lines that connect Tokyo with most of the country's major cities. Japan's high speed trains (bullet trains) are called shinkansen (新幹線) and are operated by Japan Railways (JR).Running at speeds of up to 320 km/h, the shinkansen is known for punctuality (most trains depart on time to the second), comfort (relatively silent cars with spacious, always forward-facing seats), safety (no fatal accidents in its history) and efficiency. Thanks to the Japan Rail Pass, the shinkansen can also be a very cost effective means of travel.

Shinkansen network:
The shinkansen network consists of multiple lines, among which the Tokaido Shinkansen (Tokyo – Nagoya – Kyoto – Osaka) is the oldest and most popular. All shinkansen lines (except the Akita and Yamagata Shinkansen) run on tracks that are exclusively built for and used by shinkansen trains. Most lines are served by multiple train categories, ranging from the fastest category that stops only at major stations to the slowest category that stops at every station.

Shinkansen tickets:
Regular paper tickets for the shinkansen can be purchased at ticket counters, at ticket machines or online. Alternatively, IC cards can be used. Last but not least, there are several rail passes and other types of discount tickets that can be used on the shinkansen.

Future of the shinkansen:
Several new shinkansen routes are currently being built:

1. Hokkaido Shinkansen: extension from Hakodate via Niseko and Otaru to Sapporo in 2031.
2. Hokuriku Shinkansen: extension from Kanazawa to Tsuruga in spring 2024 and via Obama and Kyoto to Osaka in the 2040s at the earliest.
3. Chuo Shinkansen: Using maglev technology, this new line is scheduled to connect Tokyo with Nagoya sometime after 2027 and with Osaka sometime after 2037.

By Sailesh Gandhi

Update for the day #1865 | India to consider proposal to delay import license order for laptops, tablets, says govt source

The Indian government is likely to decide "soon" on an industry proposal to delay a plan to require import licences for laptops and tablets by three to six months, a senior government source said.India has imposed a licensing requirement for imports of laptops, tablets and personal computers from Aug 3 in a surprise move. These products previously did not need import licences.

The move was aimed at addressing the trade imbalance with China, another government official, who did not want to be named, told reporters."Industry has sought a 3-6 month transition period . We are examining the suggestions made by the industry and may soon issue an additional notice with clarifications if needed," the first government source, who also did not want to be named, told Reuters.

The government in its notification on Thursday gave no reason for the action, which could affect technology companies such as Apple, Dell and Samsung and potentially see them boost local manufacturing.

Deputy IT Minister Rajeev Chandrasekhar on Friday said on the X social media platform, formerly known as Twitter, that "it is the government's objective to ensure trusted hardware and systems" and reduce dependence on imports.

The new rule will ensure India's tech eco-system uses only imports that are "trusted and verified systems," Chandrasekhar added.India's trade ministry did not immediately reply to request for comment.India's Electronics and IT ministry said New Delhi will issue licences for companies to import laptops and tablets within two days. Licences can be obtained online.

India will allow imports of laptop and tablets without licences where the shipment has been ordered before Aug 3 and the customs has been ordered to clear such consignments. "Some consignments are held up at one or two ports and we have asked customs to clear them," the first government official said.

For licensing requests companies will have to provide information on consignment origin, number of pieces and past import history.

By Harshini M

Update for the day #1866 | Byju needs Aakash

It's time to talk about the Byju's situation? And there's a lot we can talk about. In this story, when we say Byju, we're referring to Byju Raveendran. And while talking about his company Byju's, we're going to refer to it by the name of the parent entity Think & Learn.In 2021, Byju Raveendran made a shocking announcement. His edtech company Think & Learn Pvt Ltd decided to break from its digital focus and buy an offline test preparation company—Aakash Education Services, famous for coaching classes for the IITs and medical entrance exams. And guess how much Byju agreed to pay for it…

A gargantuan sum of nearly $1 billion! It was one of the largest ever edtech deals. And no one could fathom why at a time when learning was digital, Think & Learn would choose to suddenly go down this route. Sure, the market for test prep was ~₹40,000 crores and growing, but it was also hugely fragmented with regional players. Aakash controlled just roughly 5% of it. It seemed like a lot of money. But the simple reason was staring at everyone right in the face—Aakash was profitable.

While Think & Learn was on an acquisition spree, none of the other companies it bought had a bottomline that would impress investors. So Byju simply decided to 'buy the profits' by acquiring Aakash. Packaged together, Think & Learn would be even more attractive to potential suitors, no? Aakash was the crown jewel. And it became even more obvious a couple of months ago.

Divya Gokulnath, the co-founder of Think & Learn and wife of Byju Raveendran, made another massive public announcement on LinkedIn. She said that an Aakash Educational Services IPO was on the cards by mid-2024!

You could argue that this announcement was a farce. That they simply said it because everything was falling apart at Think & Learn. The company was having a cash crunch . And talking about an IPO could perhaps buy them more time. But choosing to talk about an Aakash IPO instead of a Think & Learn IPO showed just how important the offline test prep company was in Byju's world. And here's something else you probably didn't know—It's not just business, it's personal too.

You see, Aakash isn't completely owned by Think & Learn Pvt Ltd, the parent company of Byju's. Rather, Byju Raveendran owns a chunk of it himself through an entity registered in Singapore. He has a personal stake of 27% in Aakash Educatonal Services.

And there are two questions that emerge here.

1. Why on earth did Byju Raveendran buy a personal stake in the company?
2. Where did he get the crores to finance the deal?

So apparently, the deal to buy Aakash was worth nearly $1 billion and involved a mix of both cash and stock. Simply put, the shareholders of Aakash were expected to get a suitcase filled with cash and shares of Think & Learn. But Think & Learn didn't have enough money in its bank account.

So according to what Byju Raveendran told The Arc, he first approached the existing investors of Think & Learn. He asked them if they wanted a direct stake in Aakash. And when they turned down his offer, he had no option but to try and drum up some money on his own. That was the only way that the deal with Aakash would go through. Now typically, it's quite common to pledge the shares you own and take a loan. Byju could've pledged his incoming stake in Aakash. Or even his shares in Think & Learn.

But that doesn't seem to be what happened here. Byju says that he struck a deal with the Qatar Investment Authority, Tiger Global, and a bunch of others—not to raise debt but to share 'profits'. What this profits mean exactly - we don't know, since Byju's didn't elaborate. But he promised to share some upside with these people, which is why they decided to fund his stake purchase. Now it all makes sense, no?

If they could pull off a successful IPO for Aakash, it would kill two birds with one stone. It would net Byju a tidy sum of money for all his financial wizardry. And the potential IPO pop could fulfil the promises made to investors who'd given him that 'personal' money for the deal. But right now, nothing seems to be going as planned. For starters, there's a $250 million loan to worry about.

Once Byju got control of Aakash, he decided to milk this cash cow for all it was worth. So, he raised money from a company called Davidson Kempner Capital Management and he gave a part of his shares in Aakash as collateral.

Now the problem seems to be that Byju's allegedly lied to the investment management company about how the business was structured and even took out money from the loan that it wasn't supposed to. That's what The Morning Context reported. Sure, the company has denied these claims.

But, there might be some truth this. Because yesterday, as per Economic Times, Davidson Kempner has sent a legal notice to Byju's and said they'll take over the pledged shares. Why would they do that if everything was fine and dandy? And if that happens, Byju could see a part of his stake in Aakash slip away.

But hold on…that's not all. The trouble with Aakash doesn't end there. Remember how we said that when Byju's bought over Aakash, it was a cash + share deal? Well, while the cash seems to have been paid out, the share swap hasn't taken effect yet. This means that the promoters of Aakash still hold 18% in the company. And Blackstone, which is one of the investors, holds 12%.

Now the problem is that both these folks don't want to execute the share swap. Apparently, they don't want shares in Think & Learn anymore. After all, the edtech firm's valuation has fallen by more than 60% in the past year. So they're asking for cold-hard cash now to execute this deal. Cash which they know that Think & Learn does not really have. Now we don't know the nuances of the contract.

We don't know if Byju can enforce it or if Aakash's promoters and Blackstone might get away by finding some loophole. Either way, at the moment, it means that Byju is facing a dual threat of losing shares to Davidson Kempner as well as Aakash's promoters and Blackstone.

And that could be quite catastrophic. Because Aakash apparently contributes to around 30% of Think & Learn's revenue. Also, it's the only entity that's making profits in Byju's world. So if

you remove this crown jewel, things look even worse for his edtech company.What's the way out for Byju, you ask?

Well, he needs money. Plain and simple. And there just might be someone willing to swoop in to save the day. We're talking about Ranjan Pai, the chairman of Manipal Group and also one of the earliest backers of Byju's edtech firm.

On Tuesday, Moneycontrol reported that he might pump in close to $90 million and buy some of Byju's personal stake in Aakash. That small cash infusion might be enough to pay back Davidson Kempner and hold on to the stake for dear life. So yeah, we'll simply have to wait and see how it all pans out. But the one thing we know is that this isn't the last time we're going to be writing about Byju and Think & Learn.

By Muskan Jamadar

Update for the day #1867 | An Explainer on Worldcoin

Imagine this—you walk into a room and see a shiny, chrome, metallic spherical ball placed on a table. The instructions are clear.

Allow the sphere to scan your iris. Each person's iris is unique. Just like your fingerprints are one of a kind.
It'll create a unique identification number for you. And then delete the nuances of what makes your iris unique. It'll simply store the identification number. Or at least that's what the sphere promises.

In return for your trouble, you'll be rewarded with money.
Well, it isn't. This is reality. And this sphere or 'Orb' is Sam Altman's creation and promise.

And the 'Orb' is everywhere as you read this—over 2 million people have signed up across 35 major cities including Berlin, Paris, Tokyo, and Nairobi. Even Bengaluru. People have been queuing up at the Mantri Mall here to get their irises scanned. Well, this folk is Worldcoin.

So, like the Aadhaar card uses our fingerprints for biometric verification, Worldcoin decided to rely on irises. Because they simply believe that modifying fingerprints is easy. A cut or two can derail the entire identification process.

Also, as you get older, or depending on the hard labor you do, the ridges and valleys of the fingerprint can wear off. On the other hand, they claim that the structure of the iris is much more stable and harder to modify.

And who knows, if the project catches on, this could be a universal authentication method. In a way, maybe like how a Google authentication lets you sign in to different websites? Just that since this ID has already established who's human, it might be able to clamp down on fake social media accounts and even negate chatbots and prevent scams.

Worldcoin isn't actually giving out real money. Instead, you get a cryptocurrency. It has its own token called WLD. And when people signup, they get 25 tokens. Also, the website says after signup, 'eligible verified users' can claim "1 free WLD token per week".

Now you can imagine that this is quite an easy thing to do for the company. Cryptocurrencies are basically something that's magically whipped out of thin air. So Worldcoin can simply keep creating tokens over and over again. Sure, they've placed an upper limit of 10 billion tokens for now. But that can always change.

The folks at the MIT Technology Review did a scathing breakdown of its numerous issues last year—including its deceptive marketing techniques to get people to get their iris scanned. Also, TechCrunch reported that the accounts of those 'Orb' operators had been hacked recently. We don't know what data can be accessed on the Orb. Also, there are some experts who've posed another question—the Orb which scans irises is a physical device.

It might be quite easy to tamper with if someone so desires. They might be able to create pathways to access data before its deleted. And then use it for their own gains. But the bigger

threat to Worldcoin's ambitions are governments themselves.

Kenya has already stopped Worldcoin in its tracks. And Germany and France are investigating it. Everyone's concerned about data privacy. They might even be concerned about this whole UBI gimmick. That's basically government territory. They're the ones responsible for social welfare. Not some private organization that's collecting biometric data of their citizens and operates in a regulatory grey area. Not to forget that countries like India don't like cryptocurrencies in the least bit.

So yeah, Worldcoin's proposition might be alluring — "Every human is eligible for a share of WLD simply for being human." But maybe think about it for a second before you go rushing to sign away your iris.

By S H L Vasavi

Update for the day #1868 | Tomato crisis hits India as rain ravages crops and prices rise 400%

Listening to the chatter at Delhi's vegetable markets, only one question is on everyone's lips: just how much will a tomato cost today?

Prices of tomatoes, a staple of Indian cooking, have soared by more than 400% in recent weeks as the country has been gripped by a nationwide shortage.

The shortage has been attributed to the irregular weather that has ravaged India during this year's season for tomatoes, including unseasonable high rainfall in recent months, which devastated the growing crops and fuelled a deadly fungal disease.

While those in cities such as Mumbai or Delhi used to pay 40 rupees (40p) for a kilo of tomatoes, prices have shot up to 160 rupees and higher, making them largely unaffordable for an average low-income household.

Traders have warned prices could hit record highs of 200 rupees a kilo in the next few days as the recent heavy monsoon rains have spoiled more stock.

While July is often a more expensive season for buying tomatoes, as it falls between harvests, consumers said they had never seen prices so high.

The shortage has even hit outlets of the fast-food chain McDonald's in India. In branches of McDonald's across north, east and south India, signs were put up to state that tomatoes would no longer be put in burgers and other dishes, due to a lack of availability.

A spokesperson for a McDonald's operator in north India confirmed they had removed tomatoes temporarily from food in some branches, due to "seasonal crop issues arising out of farm fields in a few regions" which meant there were "not enough quantities meeting our quality specifications".

"We should be able to bring tomatoes back to the menu soon," they added.

The human-caused climate emergency is making extreme rainfall more common and more intense, while heatwaves are increasingly likely to happen.

Several small-scale tomato farmers said this had been one of their most devastating seasons in terms of production and profit.

Arvind Malik, 34, a tomato farmer from Kheri Dabdalan village in the Kurukshetra district of Haryana, described how disease began to strike this season's crop.

"In February, the leaves of tomato plants started drying up," he said. "The experts told us that irregular weather – sudden rise and decline in temperatures – is the reason behind the disease in our tomatoes. We got expensive fungicides and sprayed them on our crop. Somehow the disease stopped but only after ruining a lot of crops."

Malik said that while they usually sold 30,000kg of tomatoes every year, this year they could

only harvest half of that and he was now heavily in debt.

The current shortage, and high prices now commanded for the few tomatoes left on the market, have been particularly galling for farmers such as Malik, who just a few months ago were having to dump their produce on the streets because the commercial prices of tomatoes were so low, often just 1.5 rupees a kilo – not even enough to cover costs

We stopped picking tomatoes and selling them because it was a total loss," said Malik. In June, prices began to surge as the shortages hit, but by then Malik had nothing to sell except rotten leftovers.

Other staple produce, including onions, ginger and chillis have been affected by rising prices due to weather-related issues damaging the crops.

Traders said it could take up to three months for supplies and prices to normalise, likely to fuel increasing discontent among consumers who are already dealing with rising prices due to inflation, and anger with the government.

"I had to sell my produce for less than two rupees a kilogram, and now the same is being sold for 160 rupees in the market," said Malik. "Today, I cannot afford to buy even one kilogram of tomatoes."

By Nishika Nayan Shah

Update for the day #1869 | A cold war between the RBI and Kotak Mahindra Bank

A couple of weeks ago, Uday Kotak probably penned his last letter to the shareholders of the bank. And he quoted,

"I feel the financial sector players risk becoming more robotic, curbing the entrepreneurial flair since the fear of making a mistake overrides the joy of creation and development. While we need 'Arjuna's eye' on risk management, we must prevent bureaucratization of financial services."

Who's Arjuna here?

Well, maybe it's simply a reference to the archer from the epic Mahabharata, who had a single-minded focus on his target. Or…

It could be a veiled reference at the RBI Governor Shaktikanta Das who'd said : "No one can match the prowess of Arjuna, but our constant effort is to keep an Arjuna's eye on inflation."

You decide what Uday Kotak was referring to.

But what we can say is that the relationship between the central bank and Kotak Mahindra Bank has been on thin ice for a long time.

So let's take it from the top, shall we?

Uday Kotak is probably the longest-serving CEO of a financial services brand in India.

He has been the CEO of Kotak Mahindra Bank since it set up shop in 2003. Actually, scratch that. He's been the CEO of the group since 1985. That's when Kotak Mahindra Finance was set up as an NBFC. And when the RBI allowed NBFCs to transform into banks in 2001, Uday Kotak jumped at the opportunity and applied for a banking licence. And by 2003, Kotak Mahindra became the first NBFC turned bank

Now back then, the RBI had some rules in place. They told promoters to hold at least 49% of the bank's paid-up capital for a period of 5 years. It was to ensure that the promoters had skin in the game. That way, if the promoters messed with public deposits, it would hurt them too.

And Uday Kotak obliged. In fact, he held more than what the RBI mandated.

But in 2008, the RBI wrote a letter to Kotak Mahindra Bank saying that even after 5 years, the bank hadn't reduced the shareholding to 49% as prescribed. And then it also asked the bank to provide a roadmap on how it would reduce the promoter shareholding to 10%.

Now this was completely out of left field. And Kotak Mahindra Bank was confused. It wrote back to the RBI. It said that the only rule when it got the banking licence was that the promoters had to hold a minimum of 49%. Not the maximum. So that's all that it was doing. It didn't realize that it had to cut down the shareholding. Also, it didn't understand where on earth this 10% limit was also coming from.

And with that, there was some frostiness brewing between Kotak Mahindra Bank and the RBI.

Now we won't get into everything that transpired. But over the next few years, there was a lot of back and forth. The bank and the regulator exchanged more than 35 letters debating the reduction of promoter stake between 2008 and 2018. And even though the bank accused the RBI of constantly rewriting the rules, it slowly began diluting the promoter stake anyway. Not as quickly as the RBI wanted, but it was happening.

But in 2018, things finally reached a tipping point.

Kotak Mahindra Bank finally agreed to the RBI's demands. The regulator wanted the promoter stake to be cut to 20% that year. The bank said yes, but it would do it its way—it would issue preference shares. Think of preference shares as a type of equity share without voting right. Rather, they come with some special dividend rights.

But the RBI wasn't happy. They wanted the bank to issue equity shares. And that was the final straw.

Kotak Mahindra Bank did something no bank had done before. It took the RBI straight to the Bombay High Court. And it even decided to strike at the heart of the RBI - questioned the central bank's powers. It wanted to know whether the regulator actually had the right to unilaterally decide promoter shareholding in banks.

The RBI didn't initially back down. They said that it was within its rights to amend rules. They gave a point-by-point rebuttal to all of the bank's claims. They even pointed out how the bank had earlier tried to be ingenious and creative when it came to showing shareholding pattern between promoters.

Creative how? you ask.

See, there's one thing we didn't mention in all this. Kotak Mahindra Bank actually owes its name to Anand Mahindra too. Yup, the current chairperson of the Mahindra and Mahindra conglomerate actually lent his family name to Uday Kotak right when things were getting off the ground. He was a promoter in the bank as well.

But when the RBI asked the bank to reduce its promoter holding to 49%, Kotak Mahindra Bank simply declassified Anand Mahindra and his family as a promoter in 2009. The bank claimed that Mahindra had diluted his stake significantly and that he shouldn't be a promoter anymore. That meant the promoter shareholding would automatically drop to 48.50% in the books. It would be in line with what the RBI wanted.

But the RBI was having none of that. They said that the only way that Anand Mahindra would be a non-promoter was if the bank actually dropped 'Mahindra' from its name. And well, we all know that didn't happen.

Now while that's an interesting anecdote, maybe the RBI was still a tad bit worried. Maybe they realized that if the court ruled against them, it wouldn't be a good look for credibility. So they shook hands and settled the case.

They allowed Uday Kotak to hold a 26% stake in the bank. It was far higher than the 15% that was prescribed for other bank promoters. It was a win for Kotak. But the relationship had

soured.

And this finally brings us to today. Unfortunately the frosty relations between RBI and Kotak Mahindra doesn't seem to have gotten any better.

See, the RBI has rules that prevent a promoter-CEO from running the show for too long.15 years is the upper limit after extensions. Now while Uday Kotak has been at the helm for much longer than that, the RBI's rules has finally forced him to step down.

But even then, the bank seems like it just can't resist taking on the RBI. It found a loophole.

The thing is that RBI's rules don't say anything about whether CEOs can be appointed to the board after retirement. So in April, the bank simply announced Uday Kotak as a non-executive director. It didn't need the RBI's approval. You can bet that didn't make the RBI too happy.

And maybe this explains why Bloomberg reported that the RBI is trying to nudge the bank to choose an outsider as its next CEO. While the RBI can't force Kotak into this, you can see why the central bank might be worried. If Uday Kotak is still on the board and his protege is running the show, he could still drive the bank from the back seat. And that's not something the RBI wants. So yeah, if you read anything about Uday Kotak and the RBI taking digs at each other in the next few months, you know how it came to be.

By Soundarya Sridhar Kadambi

Update for the day #1870 | PC Jewelers from shining star to insolvency?

PC Jeweller has been in the news for all the wrong reasons. Last October it defaulted on a massive ₹3,400 crore loan. And now, SBI one of its lead lenders wants it declared insolvent.
Half a decade ago, PC Jeweller was the darling of stock market investors. Its shares had galloped from a mere ₹50 to ₹500 between 2014 and 2018 — a whopping 1000% return. Padam Chand Gupta and Balram Garg, the brothers who'd started it all with a single store in Delhi in 2005 had transformed the jeweller into a pan-India player with over 84 stores. And brokerages were singing praises about it and publishing reports titled "Shining Bright" and "Wedding Glory". But on one fine January morning in 2018, everything changed. A single piece of news nearly destroyed the company.

At first glance, the news was pretty innocuous. Apparently, a software company called Vakrangee had picked up a 0.51% stake in the jeweller. And it's not unusual because companies do park excess cash in safe bonds, mutual funds, or even pick up shares directly in other companies if they're feeling adventurous. Vakrangee even said that the two companies were business partners. And so, the investment made sense.

But here's the thing. Vakrangee was actually in the spotlight for all the wrong reasons. It was being probed by market regulator SEBI for manipulating its shares. And that was enough to spook investors who feared the worst. Many believed that the software company was perhaps cozy with the jeweller. They rushed to the exit and PC Jeweller's shares tanked.
And then another story hit the papers.

This time the reports noted that Padam Chand Gupta, the founder, had quietly gifted some shares to his relatives. It was an off-market transaction which meant it wasn't executed on the stock exchanges. And investors began to worry more about corporate governance issues at the company. They began to fear "What else were the jewellers hiding"?
Meanwhile, the company came out and said that it hadn't done anything wrong. It claimed it was disclosing all the relevant information. It said that the promoters weren't selling shares. And to assuage fears, it even announced a share buyback. It told investors that it would pay them a premium and take a few shares off of their hands to inspire confidence. It wanted to let the world know that its founders believed in the company.

But just two short months after this grand announcement, it backtracked. It said that the bankers weren't comfortable with splurging over ₹400 crores on something like this. And the banks wanted PC Jeweller to focus on growth to cut down its debt obligation. Yup, debt was mounting and we'll talk about that in a bit.

Meanwhile, SEBI launched an investigation to see if there was any insider trading happening at the company. The regulator had reason to believe that the family had indulged in some dubious trades to make a little bit of extra money for themselves.And you know this already — jewellery businesses are built on trust. So, with all this happening, PC Jeweller was no longer deemed a trustworthy company. It suffered from a serious reputational crisis.
You might say, "But, this is a stock market thing. Only investors care about it. Not the folks who're buying jewellery from the stores."

But what if you're a customer who sees front-page news saying that the company's MD may be arrested? Oh yeah, that happened too! You'll think twice about stepping into the store, no? You might fear that the jewellery they're selling isn't as pure as they claim. And don't forget that around the same time, the diamond merchant Nirav Modi had perpetrated one of the biggest scams ever. He allegedly fleeced the Punjab National Bank of a staggering ₹11,000 crores. So, banks pulled back the reins too — they began demanding higher interest rates and weren't generous in sanctioning loans.

PC Jeweller was caught in a perfect storm.
And that's when people started taking a closer look at something else — the debt on its books. Now the thing with debt is that it creeps up slowly. One minute, things are okay. And the very next, you're left floundering.

For instance, running a jewellery business is quite capital-intensive. You need a lot of money on a daily basis. You have to first import the gold, maintain high levels of inventory and it could take months to turn the inventory into cash.
So, over the years, PC Jeweller kept borrowing to keep its business chugging.
Not to forget it was also expanding at a rapid pace with several new stores. And that called for even more money.
Needless to say, the debt figures inched up and the interest burden rose in tandem.
This is all fine when sales are rising too. But in this case, sales had cratered with all the allegations floating around. From nearly ₹10,000 crores in FY18 to a mere ₹3,000 in FY21. PC Jeweller began struggling to turn over its gold inventory. From an average of 200 days in FY18, Days Sales of Inventory (DSI) soared to over 900 days in FY20. The cash simply stopped coming in.

And it was also having trouble with its export side of things too. Now this was a Business-to-Business (B2B) affair and a lot of the transactions were on credit. But these businesses were in no hurry to pay PC Jeweller. They took nearly 9 months on average to settle dues. At one point, the company had to write off hundreds of crores of money due as a 'discount'.
And that pretty much sealed the fate of PC Jeweller. It eventually ran out of cash. It defaulted on its ₹3,400 crore bank loan in 2022. And that forced SBI to take action. The bank wants its money back. And it is prepared to fight the battle in bankruptcy court.

So, will the 18-year-old firm finally be forced to declare itself bankrupt? Or is another outcome on the cards? We'll have to wait till the 21st of August to hear what the court has to say now.

By Ganesh S Bhat

Update for the day #1871 | 2 things about the Digital Personal Data Protection Bill

It all began in the hallowed halls of the Supreme Court in 2017. Nine judges of the highest court in the country passed a landmark ruling and said the 'right to privacy' is a fundamental human right. And since we all live in the digital age with bits of data just floating around everywhere, we needed rules in place to ensure that our data remained private. That we had control over how websites, apps, platforms, and companies collected and stored our data.

So the folks in the government quickly got to work — they were going to create India's first data protection law. They published the first draft in 2019 and asked for feedback. And there was a whole lot of it. So they went back to the drawing board and reworked it. Multiple times. In fact, the bill that was passed in the Lok Sabha a couple of days ago is the fourth attempt at getting it right. And it's actually a fairly straightforward 33-page document. There's hardly any legal jargon that'll make you want to tear your hair out.

They're calling it the 'Digital' Personal Data Protection Bill (DPDP). And it'll deal with two types of data—one that's collected digitally as you browse websites and social media platforms. And also data that's collected offline and then fed into a computer.

Now the basic rules here are simple. When someone wants your data, they need to tell you exactly what they're using it for. And then they must seek your consent before collecting and processing such data. They can't use the data any way they like. For instance, if a bank asks for your photograph while opening an account, they need to first seek consent on a separate personal data notice that clearly explains why they need it and how they'll use it.
Also, if a person wants their data to be erased at some point, it should be easy to do that. No questions asked. If the entity responsible for collecting the data doesn't do all this, they'll have to incur heavy monetary penalties. Now there are exemptions to this, of course. But that's the gist of it. And there will be a Data Protection Board too. Think of it as an independent regulator that'll make sure that disputes are handled quickly. All this sounds good and this is something that will definitely get errant businesses to be more mindful of how they handle and process personal data.

Firstly, there's the matter of 'content'.
Now the government already has the power to block content. They just have to cite Section 69A of the Information Technology Act and can order platforms such as Twitter and YouTube to delete content. But the objectionable content first has to satisfy one of 6 criteria—and these primarily involve things like a threat to "national security" and "public order". But they've gone ahead and included a clause about blocking content in the DPDP too—a Clause 37.

Now on the face of it, the wording is quite innocent. It simply says that if the Data Fiduciary, or the folks who're responsible for storing and processing data, flout the rules twice, then the government will step in. It'll allow the Data Fiduciary to give its side of the story. And if the government is not satisfied, it may stop it from conducting business. So it makes sense. After all, the Fiduciary is handling people's personal data. So if they mess up, the government can step in to enforce its content blocking provision.

But there's a problem. See, the IT Act clearly listed out the 6 reasons why content could be blocked. But the DPDP just says it can be blocked 'in the interest of the general public'.

And some folks believe that this could suddenly give the government a free rein on censorship. That it may be unconstitutional.

Also, this new clause in the DPDP seems to have come out of the blue. It wasn't a part of earlier drafts. And that means the public couldn't offer any feedback on it as well. The government decided. The government executed. Now technically the decision will be taken by the Data Protection Board which is seemingly an independent entity. However considering all members of the board are appointed by the Central Government itself, you could argue whether they're really independent.

Secondly, the impact on journalism. See, investigative journalism is hard work. Reporters often spend days poring through documents and convincing people in the know (who often prefer to remain anonymous) to blow the whistle on dubious activities—maybe a businessperson has offshore accounts managed by family members that they route money into secretly? Maybe a politician is playing favourites by handing out projects to his friends and family. These are things the public must know about. But what if this person cries foul? What if they say that the journalist has published private or personal information about them and they didn't consent to any of this?

Now here's the problem. Earlier drafts of the Bill actually exempted journalists from certain obligations. They could go about their investigative work and publish stories without a problem. They just had to make sure it was factually correct. But it seems like that's not the case anymore. There's no exemption even if the story might be in 'public interest'.

Does that mean it'll hurt investigative pieces from now on? Well, that's what the journalists fear.

And finally, note that none of the provisions in the act may apply to the Central Government the way the Bill is currently worded. So yeah, you can see why a few people are worried about some aspects of this bill. But nonetheless, this should still set a precedent for businesses to be more mindful while dealing with personal data

By K K Krupa

Update for the day #1872 |China slips into deflation. How will it affect Indian economy?

China's economy has slipped into deflation after consumer prices declined in July for the first time since February 2021. The east Asian country and second biggest economy of the world had seen a significant slowdown in economic progress, owing to prolonged period of stringent Covid-19 pandemic induced lockdown.

What is Deflation?

"Deflation is when the prices of goods and services decrease across the entire economy, increasing the purchasing power of consumers. It is the opposite of inflation and can be considered bad for a nation as it can signal a downturn in an economy, leading to a recession or depression," Investopedia describes.

Positive effect: If investment in the Chinese economy is lowered owing to the increasing slowing rate of their economy, and now deflation, India could potentially emerge and take over as the manufacturing hub for the developed economies. This is also something the developed countries seem to have been pushing for in a bid to eliminate the monopoly-like hold China has over the manufacturing sector.

For India, if economic reforms are accelerated, India can become the next manufacturing hub.

Negative effect: China remains one of the biggest importers of iron ore from India. The east Asian country imports almost 70% of Iron-ore from India. Therefore, a slower economy for China would mean the amount of import into China could fall, spelling somewhat doom from Indian's economy. China had been registering a weak import and export numbers, raising questions about the country's post-pandemic recovery.

Repercussions of Deflation

President Joe Biden signed an executive order Wednesday to block and regulate high-tech U.S.-based investments going towards China — a move the administration said was targeted but it also reflected an intensifying competition between the world's two biggest powers.

Not a repercussion, but an impact - e-commerce giant Alibaba announced an unexpected 14 percent on-year increase in quarterly sales following several difficult years and in spite of a broader economic slowdown, reported AFP.

How does China's Deflation affect the world?

For once, the extended period of deflation China may be that it helps to curb rising prices in other parts of the world, including the United Kingdom. This is because China remains one of the largest producers of goods sold around the world.

On the other hand, cut-prices of China manufactured goods could impact employment by way that it could hit investment by businesses. "A period of falling prices in China could also hit company profits and consumer spending. This may then lead to higher unemployment." says BBC.

Therefore, decreasing prices, even though lucrative for consumers initially, may lead to a vicious cycle of decreasing economic activity. Reduction in demand, owing to a constant pattern of falling prices would mean lower production, reduced business revenues, and increased unemployment, which in turn further reduces consumer spending.

By Bhavna B V

Update for the day #1873 | Where it all began! How MS Dhoni fared in his first-ever professional match for Bihar U-19 team

It was in the 1998-99 season that MS Dhoni is believed to have made his professional cricket debut, as he featured for Bihar U-19 team in the Cooch Behar Trophy.

It was on this day in 1981 that 'the man, the myth, the legend' MS Dhoni was born in Ranchi. The wicket-keeper batsman has achieved several milestones and became one of the biggest sporting superstars, not just in India but worldwide.

While there's hardly a need to glorify the bedazzling achievements of the former India captain, there's always that moment where such beautiful journeys begin. For MS Dhoni, it was with the Under-19 team in the 1998-99 Cooch Behar Trophy that saw him turn a professional in the Gentleman's Game.

It is said to be the Bihar Under-19 match against Bengal Under-19 in the Cooch Behar Trophy 1998-99 where Dhoni made his professional debut. Until then, the wicket-keeper batsman had only played for school cricket teams and club cricket teams.

It was Deval Sahay -- a former Central Coalfields Limited director and an ex-Bihar Cricket Association Vice-President -- who used his contacts in the Bihar Cricket Association to get Dhoni into the state's Under-19 team.

Dhoni donned the wicket-keeping gloves as he turned up against the Bengal U-19 team for a Bihar team led by Sumit Panda. The 17-year-old Dhoni made his mark first as a wicket-keeper as it was the Bihar side which was fielding first.

Dhoni took the catch of SS Chatterjee on the bowling of Mihir Singh Diwakar as the duo sent the Bengal batsman packing for a score of 30 runs. Diwakar was hugely successful in the innings and had taken 4 wickets.

The Bengal side declared the innings on 266 runs, inviting the Bihar boys to bat. Playing at the Tata Engineering and Locomotive Company Club Ground (Jamshedpur), Bihar experienced a shaky start with the top three failing to get into double figures.

It was the No. 4 batsman who top-scored with an innings of 55 runs off 135 balls. The crumbling batting unit of Bihar saw Hashmi find the only capable partner in the form of Dhoni who was making his debut. After the No. 5 batsman, Aditya Upadhyay, was dismissed for a duck, Dhoni came out to bat at No. 6 in what was only the 17th over of the innings.

The Hashmi-Dhoni duo then forged a partnership of 64 runs before the latter was dismissed for 33 runs in the 40th over. The 3-day match concluded with Bihar on 142/8. For Bihar, it was Dhoni who had hit the only six of the matches.

The series saw Dhoni play 5 matches (7 innings) -- against Bengal, Asam, Sikkim, Tripura and Orissa -- and scoring 185 runs including a half-century. He was also selected in the Bihar U-19 team that reached the final of the 1999-2000 Cooch Behar Trophy. Dhoni scored 84 runs in the match but his efforts were overshadowed by his future international teammate Yuvraj

Singh who had scored 358 runs in a single inning.

It took time for the Indian cricketing spectrum to witness the greatness of MS Dhoni but the subsequent years saw this Bihar lad touch the hearts of cricket lovers in a manner that arguably none of his predecessors could.

By Rajbalam

Update for the day #1874 | "Thanks for the ride, Mate"- Chandrayaan-3 lander departs successfully

Chandrayaan-3 lander departs successfully, 2 days to moon touchdown,

On August 23, the Chandrayaan-3 lander will begin its final descent to make touchdown on the moon

The Chandrayaan-3 mission moved into the last phase of its journey to the Moon, with the Lander Module successfully separating from the main spacecraft Thursday afternoon.

"Thanks for the ride, mate!" ISRO said in a message on microblogging site X, imagining a conversation between the Lander Module and the Propulsion Module.

"LM is set to descend to a slightly lower orbit upon a deboosting planned for tomorrow around 1600 Hrs IST," ISRO said.

The Chandrayaan-3 spacecraft comprises two parts. The Lander Module, which also houses the rover component, is designed to travel to the Moon and is expected to land on the lunar surface on August 23.

The leftover part, the Propulsion Module, whose job was to transport the Lander to the Moon orbit, will continue to go around the Moon for a few months, possibly even years, in an outer orbit.

The remaining journey to the Moon would be made by the Lander Module on its own. As of now, it is in an orbit that is roughly about 150 km from the lunar surface.
The Lander Module is scheduled to make two orbit-reduction manoeuvres over the coming days, first attaining a circular 100 km x 100 km orbit, then coming down further into a 100 km x 30 km orbit.

It is from here that the Lander will begin its final descent to make a touchdown on the Moon next Wednesday. Before that, all the instruments on board the Lander will be activated and tested to check whether they are functioning normally.

Chandrayaan closer to Moon, Lander set for separation today

A successful mission this time would mean India's entry into a small club of nations who have achieved the feat, the previous three being the US, the former Soviet Union and China.

The Propulsion Module, in the meanwhile, will continue to go around the Moon for an as yet unspecified period of time.

Lets All hope that our Chandrayaan-3 makes a soft landing and to have a great yet productive time on the lunar surface.

By Dhanush D D

Update for the day #1875| Is WeWork Bankrupt?

If work was a party, WeWork was where it all went down.

Beer on tap, taco nights, and music concerts. Yup, the mid-2010s was a crazy time. And this hip place was where all the cool kids hung out (or worked). Such was the allure that VCs rushed to pump money into it. And the company was valued at nearly $50 billion in 2018.

But now, its shares are at $0!

Okay, it's trading at around 20 cents. But it's on the verge of bankruptcy and possibly turning into a meme stock—the kind which gets sudden virality because everyone on social media's talking about it while trying to make a quick buck.

So, where did it all go wrong for WeWork?

Well, let's take it from the top.

For the uninitiated, WeWork's business model was simple enough—They leased office buildings from developers and landlords. They arranged for desks, internet, coffee machines, video conference facilities…basically everything a company would need. And they packaged this very attractively. They then rented out small chunks of it to startups who just wanted a plug-and-play model without the hassle of managing the boring admin stuff.

Basically, it's a "co-working" space and they really popularized this concept.

But wait…that sounds like a real estate company, no? How on earth did it get that ~$50 billion tech-company valuation?

Ah, the secret trick is storytelling!

And evidently, its founder Adam Neumann, a former Israeli navy officer, was insanely good at it.

In 2010, the year it all began, he sold a dream. The 2008 financial crisis put many people out of their jobs. It was time to stop depending on big companies. It was time to create and become an entrepreneur. Build a multi-million dollar business. And WeWork was the space that could help them to do it.

Then he pitched WeWork as a "physical social network". Yup, everyone loved tech platforms like Facebook and Twitter. So he simply said WeWork would take the best part of the internet, that is connecting people from varied backgrounds, but here they could all catch up physically. They could meet each other. And collaborate on building earth-shattering stuff. The fabled network effect would kick in.

Now guess what he said was the total addressable market (TAM) in such a case—it's a term that VCs love to hear; the bigger the better—nearly $3 trillion. WeWork basically said anyone who worked at a desk was a potential member.

Oh, and they would also use AI to gather deep insights about their office spaces to grow at a

breakneck speed. That's the tech. And then he tacked on a mission statement—"to elevate the world's consciousness".

Now we don't know what the investors were thinking at the time but they certainly lapped up this stuff. They ignored the fact that it was just a 'rent-a-desk' service at the end of it all. And apparently, when SoftBank's CEO Masayoshi Son met Neumann in India (yup, India) in 2016, he kind of said, "Okay, I love this crazy idea. But you've got to be crazier man. Swing for the fences and we'll see what happens."

Well, WeWork listened to this advice. It decided it needed to be more. It had rebranded to just 'We' so that it could build out a whole 'We'universe—a design consultancy firm, residential apartments, gyms, and even schools.

Ergo, the nearly $50 billion valuation.

But the losses were mounting. Sample this. In 2017, WeWork made $886 million in revenues. And suffered losses of $883 million. In 2018, the numbers doubled—it made $1.8 billion and lost $1.9 billion. Simply put, it lost $1 for every $1 in revenue!

Now you could attribute the losses partly to Neumann's excesses—trips on private jets, the free-flowing booze, and music concerts in the offices. But the bigger problem was the business model itself. See, WeWork's core issue was that it took buildings on a long-term lease. It then would have to spend a lot of money to make it hip. That meant it racked up a massive amount of debt too.

On the other hand, it would rent it on a short term contract. Companies could easily cancel on a whim.

For context, its average lease length was 15 years. But the incoming rental contracts were well below 15 months.

Imagine what would happen if there was an economic shock. Startups could sever their contracts. And WeWork's rental income would plummet. Meanwhile, the lease payments wouldn't disappear. It would translate to a cashflow mismatch.

But VC investors didn't seem to really care. They had put blinders on because they were enamored by the possibilities.

Until 2019 when the company decided to launch an IPO. Public market investors scoffed at the loss making company. No one wanted to touch it with a barge pole. And they were appalled by Neumann's exploits—such as buying real estate and leasing it back to WeWork. He made money even as his company burnt it. It was a major corporate governance red flag. That was the beginning of the end for WeWork. They had to press pause on the IPO. And they kicked Neumann out as CEO.

But the damage was done. Their debt and liabilities were far too much. A new CEO couldn't turn it around. By the end of 2022, they owed $15 billion in lease payments and had over $3 billion in loans. And well, WeWork is finally looking at bankruptcy now.

So, what's next for the company? Is there some hope still?

Maybe there is.

See, there was already a Swiss company called IWG which did the same thing as WeWork. And the only difference was that it didn't have a fancy spiel. That's all. They'd set up shop in 1989. And they treated themselves as a real estate company. They grew slowly and steadily over the years. And the end result was that it was actually profitable.

But in 2000, IWG got caught on the wrong foot. The dot-com bubble had burst. And their model—which WeWork later copied—broke down. They too had signed long-term leases on which they had to pay rents. They couldn't break contracts. But tech companies were imploding all around them and they began to cancel contracts with IWG.

Cashflows dried up. And the company began to quickly run out of money. Finally, in 2003, its US operations filed for bankruptcy. Kind of the exact same situation that WeWork finds itself in, don't you think? But wait…IWG's story doesn't end there. IWG just reported record revenues last week.

How did it turn itself around, you ask?

Well, it had to cut costs drastically. And improve occupancy rates, of course. It had to get companies to pay and stay. But more importantly, it also turned to selling its services separately. If a company wanted tech support, they'd pay IWG extra. If they wanted dedicated office staff, IWG would make that happen for a fee too. IWG's CEO had an analogy for this—"It'd be like having a hotel where you give all the food and drink away, and room service is free. You might have a full hotel, but you just cannot make any money." It survived.

And then, it tweaked the model some more. It doubled down on the franchise route! It basically gave its brand name (Regus) and expertise away in return for a fee.

It's the exact playbook that WeWork is trying out too — franchise + services.

It has a joint venture with the Embassy Group in India which seems to be doing quite well. It has signed similar partnerships in Israel and South Africa. And it also developed its own software called WeWork Workplace. It's a service that employers can use to book and coordinate desks among workers in a hybrid work environment. And that means it could even be used by companies that don't actually use WeWork as their office.

So maybe there's still some hope for WeWork.
By Anamika Kumari

Update for the day #1876 | Adidas x Bata? What's going on with that?

The Story

Adidas's brand collaborations are iconic. And we're not just talking about the typical sneaker deals with athletes such as James Harden. That's a given for a sports brand. We're talking about its out-of-the-box partnerships. Such as with the luxury brand Gucci. Adidas went straight after the uber-rich crowd who wanted luxury embossed on their sporty sneakers. It has product partnerships. With Xbox. Yup, with a gaming console. Adidas realized that tapping into a product's loyal fan base can be quite lucrative too. And it has even worked with rival shoemaker Allbirds in the US. You don't often see rivals collaborate. It's like McDonald's launching a special burger with Burger King. But here, the motive was actually quite clear. Allbirds had made a name for itself by making plant-based, low-carbon sneakers. And with people turning more environmentally conscious, Adidas figured a great way to launch its own low-carbon running shoe was to collaborate with someone who already had part of the expertise.

But Bata???

Bata isn't premium. Bata isn't luxury. Bata isn't a product that evokes loyalty (or maybe it does depend on who you ask). Instead, its claim to fame in India is the humble school shoe! So, what's the unique selling proposition here? And you can't imagine that you'll see a sneaker stamped with an "Adidas x Bata" logo, right? It simply seems too farfetched.

So, what's really in it for Adidas?

Well, there might just be a couple of things. For starters, there's no one who can really compete with Bata's reach in India. It has over 2,100 stores peppered across 700+ towns and cities in the country. It's quite incredible. So, imagine that dedicated section for Adidas or pop-ups feature in these stores now. It gives the German sportswear brand an unmatched advantage over its rivals. It's definitely something it needs to build out a proper India presence. Especially since it signed the jersey sponsorship deal with the Indian cricket team. It needs to steal back the market from Puma which has raced to the top thanks to its collaboration with Virat Kohli. Then you also have to remember that Adidas doesn't rely on importing all its shoes. It manufactures many of its sneakers in India too. Not on its own but with the help of third parties like Apache Footwear and Mochiko Shoes. But with the deal, maybe they'll get access to Bata's manufacturing facilities in Kolkata and a couple of other spots too. And maybe Adidas will be able to leverage these factories and bring its own costs down even further. It could help the company earn better margins.

Maybe.

But what about Bata? What's in it for them? Because investors certainly seem excited. The stock immediately jumped by 5% on the rumor. Well, to understand this, we have to turn to its rival Metro Brands. Now Metro sells slightly more premium formal shoes than Bata. And as per brokerage reports, its stores are more concentrated in areas where the per capita income is higher too. So there is that bit of a difference. But at the core—both of them are known for shoes you'd wear to work. Metro has been working quite hard to change that though. See, in

2015, it first struck a deal with Crocs. You know, the company that became really famous for making those really ugly (or cool, depending on your taste) looking plastic-looking slip-ons with holes punched into them.

Crocs became a real money spinner for Metro. Apparently, Crocs made up 17% of Metro's revenue in FY21. And this was two times higher than its contribution in FY18. A part of it could also be explained by the fact that the Average Selling Price (ASP) for Crocs is around ₹2,000 and higher than a Metro shoe brand's ASP of ~₹1,400. If you break down Metro's revenue today, you'll see that 30% of its revenue comes from third-party brands such as Crocs and Skechers. Oh yeah, it distributes Skechers, the popular running shoe brand as well. And this could probably inch slightly higher because it now has the rights to distribute the sports brand Fila in the country too. So yeah, Metro is playing smart. Rather than trying to create its own products in these niches, it's simply teaming up with big brands that already own the space. The payoff is probably bigger this way. And as per ICICI Securities, the benefits of this approach have been quite significant—it has improved customer footfalls, the gross margins are higher, and the fact that international brands are reposing faith in Metro kind of opens up new avenues of growth too. You can see why that's a playbook that Bata would want to replicate too. Because the thing is that Bata India has kind of been in a rut of late. The revenues are just a tad bit above the pre-pandemic levels.

Analysts think there might be two reasons for that. Firstly, a significant portion of Bata's stock-keeping units (SKUs) falls into the sub ₹1,000 price range. Call it the mass affordable selection if you wish. And this segment has been feeling the heat quite a bit thanks to inflationary pressures and economic uncertainty. In fact, earlier this year, Metro actually said that it plans to exit this category because there was too much pricing pressure in the segment after GST was hiked. So that would've hampered Bata's growth too. And secondly, there seems to be a trend of 'sneakerization' or athleisure. People want stuff that's more comfortable. And when you think sneakers, you're not going to think Bata, right? It really hasn't made too much of a mark here.

The end result of all this is that Bata has been losing out. HDFC Securities crunched the numbers and says that Bata's market share based on EBITDA (earnings before interest, taxes, depreciation, and amortization) dropped from 21% to 16% in the past 4 years. It definitely needs a revival. A bit of a fresh spark to turn its fortunes around. And teaming up with Adidas might do just that. It kills two birds with one stone. It'll give Bata a premium offering that can drive up the Average Selling Price. And it feeds into the sneakerization wave without Bata trying to do something it might not be too good at.

By Sadhana V Raghavan

Update for the day #1877| Zomato to Liquidate Its Vietnamese And Polish Subsidies

After dissolving its multiple global subsidiaries in 2023, the restructuring effort continues for food tech giant Zomato even in 2024.

In an exchange filing on Thursday (January 4), the company said that Zomato Vietnam Company Limited (ZVCL), a step-down subsidiary of Zomato Limited, situated in Vietnam has initiated the process of liquidation.

Zomato noted in the filing that ZVCL's contribution to the company's total turnover was zero.

"ZVCL is not a material subsidiary of the company, and the dissolution of ZVCL will not affect the turnover/revenue of the company," Zomato said. ZVCL's net worth was INR 36 Lakh.

The announcement came a day after the listed food tech startup said that the liquidation process of its Polish step-down subsidiary, Gastronauci SP. Z.O.O., was initiated. This subsidiary's contribution to the company's total turnover was also zero.

Shares of Zomato continue to sustain an uptrend. The Zomato stock ended the day's trade almost 2% up at INR 129.95 on the BSE.

Amid its growing focus on achieving profitability, Zomato streamlined multiple aspects of its business last year, which included stopping its business in multiple countries, including Indonesia, Jordan, Czech Republic, and Slovakia.

Zomato achieved profitability in 2023 in Q1 FY24 and continued to report increasing profit in the next quarter – Q2.

On the other hand, Zomato now continues to bolster its monetisation strategies and has hiked its newly introduced platform fee to INR 4 per order from INR 2-INR 3 initially.

However, the company is now embroiled in fresh tax trouble. Tax authorities have slapped a notice of INR 4.2 Cr on the startup for alleged short payment of goods and services tax (GST).

Last month, Zomato received an INR 401.7 Cr show cause notice from the Directorate General of GST Intelligence, Pune Zonal Unit, over unpaid tax on delivery charges collected from the customers.

Following the new trouble mounting for the company, JM Financial said in a recent research report that assuming the final order passed goes against Zomato, the platform would pass the GST burden directly to the end customers.

Besides, Zomato has a cash balance of INR 11,800 Cr, which is enough to cover the impact of any adverse orders towards historical dues, the brokerage observed.

"However, the key thing to watch out will be how long the case drags and the remedial measures that the company takes to mitigate any future tax liability demand," it added.

Last year, Zomato shares had gained over 100% and many analysts now see it as a "multi-bagger stock".

By Chandana D

Update for the day #1878| Colgate's Dominance in India: A Tale of Trust and Innovation

Colgate, a name synonymous with oral hygiene, has achieved remarkable dominance in the Indian market, firmly cementing its position as a household name. The journey of Colgate's rise to prominence in India is a testament to strategic innovation, relentless marketing, and a deep understanding of local consumer preferences.

1. Early Beginnings and Local Adaptation

Colgate's journey in India dates back to 1937 when it established its first factory in Calcutta (now Kolkata). The company's early success can be attributed to its astute adaptation to the local market. Colgate recognized the importance of catering to the diverse oral care needs of Indian consumers. It introduced a range of products that not only focused on traditional toothpaste but also included herbal variants, catering to India's affinity for natural remedies. This local adaptation laid the foundation for Colgate's enduring success in the Indian market.

2. Effective Marketing and Brand Building

One of the key pillars of Colgate's domination in India is its exceptional marketing strategy. The brand invested significantly in building a strong and positive image among consumers. From memorable television commercials featuring smiling families to impactful print advertisements, Colgate consistently conveyed the message of healthy smiles and oral care. The brand's mascot, the iconic "Colgate Boy," became a recognizable symbol of oral hygiene across the nation. This strategic branding effort contributed to Colgate's wide recognition and association with oral health.

3. Focused Product Innovation

Colgate's success story in India is not only about marketing prowess but also about continuous product innovation. The brand introduced toothpaste formulations that catered to specific oral care needs, such as cavity protection, whitening, and gum care. By addressing a variety of concerns, Colgate established itself as a comprehensive oral care solution provider, meeting the diverse needs of Indian consumers. This innovation-driven approach solidified its position as a market leader and further propelled its growth.

4. Rural Penetration and Accessibility

Colgate's dominance in India is also attributed to its aggressive efforts in rural penetration. The brand recognized the untapped potential in rural markets and devised strategies to make its products accessible to a broader consumer base. Through a robust distribution network, Colgate reached the nooks and crannies of rural India, ensuring that even remote villages had access to its oral care products. This proactive approach helped Colgate penetrate markets that were previously underserved.

5. Community Engagement and CSR Initiatives

Beyond product sales, Colgate's success can also be attributed to its community engagement and corporate social responsibility (CSR) initiatives. The brand's initiatives focused on oral hygiene awareness campaigns, educating communities about the importance of regular oral

care. By actively participating in social initiatives, Colgate established a strong rapport with consumers and contributed positively to the society it served.

6. Conclusion

In conclusion, Colgate's domination in India is the result of a harmonious blend of localized strategies, effective marketing, product innovation, and a commitment to community welfare. The brand's journey from its early days to its current position as a market leader has been marked by a deep understanding of the Indian consumer mindset and a relentless pursuit of excellence. Colgate's success serves as an inspiration for businesses aiming to establish a strong foothold in a diverse and competitive market like India. As the brand continues to evolve and adapt, its story remains a shining example of how strategic vision and a consumer-centric approach can lead to enduring success.

By Raki Saha

Update for the day #1879| The Man Company Success Story

Overview:
When it comes to premium quality grooming essentials for men, The Man Company stands out as a frontrunner. With a comprehensive range of products catering to every aspect of men's grooming, from hair to body essentials, they have got you covered. What sets them apart is their commitment to using natural oils, which resonates with the preferences of many men today.

The Startup Story:
Experience the ultimate destination for all your grooming necessities at The Man Company. Whether you're in need of face wash, body wash, shampoo, shaving gel, hair gel, or even perfumes, they have curated an extensive range of premium products exclusively for men. Recognizing the scarcity of brands solely focused on men's grooming and the limited options available for men in the realm of self-care, Bhisham Bhateja, Hitesh Dhingra, Rohit Chawla, and Parvesh Bareja embarked on a mission to fill this void by establishing The Man Company in 2015.

Business and Revenue Model of The Man Company:
The Man Company specializes in offering a wide range of men's grooming and personal care products. To meet the demand, the company collaborates with over 11 third-party manufacturing partners situated across the country, where its products are manufactured.
In terms of distribution, The Man Company maintains an omnichannel presence in more than 22 cities in India. Customers can conveniently access their products through the company's official website as well as leading e-commerce platforms like Amazon, Nykaa, Flipkart, and Myntra.

Expanding its offline reach, The Man Company operates over 30 Exclusive Brand Outlets across India. Furthermore, the company has established partnerships with renowned brands such as Shopper's Stop, Spar, Reliance Smart, More, and Central to enhance its offline presence. Additionally, The Man Company has forged collaborations with popular lifestyle pharmacies including Apollo, Med Plus, and Guardian, and has partnered with over 500 salons throughout India. Notable salon partners include Toni & Guy, Headmasters, LOOKS, and Enrich. Currently, a significant portion of the company's revenue is generated through its offline channels.

Funding and Investors:
The Man Company has raised a total amount of around $ 17 Million in funding as per reports. Major Investor in The Man Company is Emami, who holds a 45.96% stake in the company. Other investors are Redcliffe Capital and Bollywood actor Ayushmann Khurrana. Below are the funding details of The Man Company-

Date	Transaction Name	Money Raised	Lead Investor
June 28, 2021	Corporate Round	Rs. 500 million	Emami
October 21, 2019	Corporate Round	-	Ayushmann Khurrana
February 25, 2019	Corporate Round	-	Emami

Date	Transaction Name	Money Raised	Lead Investor
December 7, 2017	Series A	$3 million	-
August 8, 2016	Seed Round	$500 K	Redcliffe Capital
October 15, 2015	Seed Round	-	-

Growth and Future Plans:
The Man Company is experiencing steady growth since its inception. As said by founder Hitesh Dhingra, The Man Company sold 70,000 units, in its first year of origin itself, and the numbers are ever-increasing. In an interview given to PTI, Dhingra told that the company was aiming to increase sales to 50 Lakhs units by March 2022.

As per Dhingra with 20-25 percent month-on-month growth, The Man Company is aiming to Break even by September 2022. By 2023, the company is expecting to touch Rs 225 Crore revenue. In FY 2021, the Man Company reported net revenue worth Rs 45 Crore. The company has tied up with credit provider platforms like Cred to increase sales. The company is investing a generous chunk (around 35% of revenue as per February 2022 reports) of revenue for marketing and advertising.

By Amogh V N

Update for the day #1880 | Is this China's 'Japanification' moment!?

China has 3 rules right now.

1. Don't talk about deflation or falling prices—it's at -0.3%
2. Hide data about how many of its youth are unemployed—1 in 5 of them don't have jobs
3. Bury information about the housing crisis—land sales have dropped by 50%

Yup, the big red economic machine is stuttering and sputtering and the government does not want people to know how bad things are. In fact, while the rest of the world is increasing interest rates to temper demand and battle high inflation, China is at the other end of the spectrum. They're opting for emergency rate cuts to prop up the flailing economy.

So, what on earth is going on? How did the country get into this mess?
Well, understanding China is always hard. The country probably hides more than it actually reveals when it comes to its economics. But the consensus opinion seems to boil down to a few things that occurred in the recent past. Let's start with what people say is the main culprit—the collapse of decades of unbridled real estate expansion. See, in 1998, the Chinese government tweaked some rules. They finally leased state-owned land to private developers. And developers went berserk in building massive residential facilities across the country. Needless to say, this was financed by copious amounts of debt. They borrowed like there was no tomorrow. And as people speculated on house prices, it shot up. At one-point, real estate prices tallied up to more than 50 times the average national income.

Then the government stepped in a few years ago. It cut off the debt tap. And that precipitated a collapse. Developers began to default. Remember the massive $300 billion default by a company called Evergrande in 2021? Well, there could be another $200 billion default by a company called Country Garden that's on the cards now as well. House prices began to drop precipitously. And people who'd parked their money in real estate began to see their wealth evaporate too. Panic set in.

In the meantime, China began cracking down on its tech sector. The most famous example is when the government basically scuttled Ant Group's IPO after its founder Jack Ma openly criticized the Chinese government. China felt that tech companies were getting too big for their boots and wanted to show them who's boss. So they tightened the screws on everybody—video gaming, edtech, e-commerce…everyone. Naturally, this hurt revenues. And as the money vanished, so did jobs. Tech startups slashed tens of thousands of jobs. Thus leading to all the youth unemployment.

And of course, there was China's zero-Covid strategy which strangled the economy.
See even at the end of 2022, China was the only country in the world that was relying on lockdowns, isolation, and mass testing. Every time a case popped up, the country went into overdrive and shut everything down—schools, offices, parks, everything.
Imagine what that would've done to the economic growth, eh? Companies had to keep stopping and restarting operations. No one knew what would come next or when it would all end. So instead of a recovery shaping up, the Chinese public developed a fear of the unknown. So even after the lockdowns were finally lifted earlier this year, none of that revenge spending came to the fore. They kept the money in their bank accounts. And deposits have reached a record 133.1 trillion yuan.

That's why the government is doing everything in its power to prop things up now. It wants people to spend again. It's slashing interest rates to improve sentiment. It has even dropped the "Housing is for living in, not for speculation" mantra from official documents. Basically, it wants people to speculate on housing again. The industry makes up nearly 30% of its GDP, after all.
But here's the big worry. None of these efforts might bear fruit. And that's because economists think that this is a "balance-sheet recession". What's that, you ask?
Okay. Imagine that companies and people borrowed heavily for many years to splurge on all their whims and fancies. Their balance sheet is loaded with this debt. But then, the bubble bursts—could be real estate. And prices of their assets fall. That's when people finally realize that their balance sheet is in terrible shape. Their asset side has fallen in value. But their liabilities side or the loans still have to be repaid. So they hunker down and start repaying what they can. They don't do anything else. They don't spend. So even if the government slashes interest rates to zero, people won't borrow and spend. They're too worried to do anything. And as the consumption drops, the economy craters.

As a consequence of this, deflation pops up. And that's quite a worrisome affair. Yup, that's right. Falling prices aren't always a good thing for the economy. Because people might think that prices will get even cheaper in the future. They'll believe that the trend will continue. So why buy now when you can wait and buy at an even cheaper price in the future, right? But the moment everyone starts postponing consumption, the demand plummets and that'll hurt the companies that make and sell products. Their revenues will take a beating and they won't be able to afford high wages. They'll cut back on their expenses too. Maybe they'll cut jobs.

You see the viciousness of this cycle, don't you?

And this issue could be exacerbated by another factor—China's demographic. You see, for decades China has had a rule. Each family could only have one child. But the unintended side effect of that is China's share of elderly in their population pie is rising rapidly. This is not a demographic that'll go on a consumption spree either. And despite China relaxing its child policy a decade ago, people aren't having more kids. They're worried about rising costs of living and education. So the population slump could continue and affect economic growth. So yeah, it's no wonder everyone thinks China is in that exact situation that Japan faced in the 1990s — a debt binge followed by 3 decades of lost economic growth.

Will China be able to turn things around? We'll just have to wait and see, won't we?

By Rohith S Paradkar

Update for the day #1881| The global recovery is slowing amid widening divergences among economic sectors and regions.

Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for 2023 is modestly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates to fight inflation continues to weigh on economic activity.

Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward. The recent resolution of the US debt ceiling standoff and, earlier this year, strong action by authorities to contain turbulence in US and Swiss banking reduced the immediate risks of financial sector turmoil.

This moderated adverse risks to the outlook. However, the balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy.

Financial sector turbulence could resume as markets adjust to further policy tightening by central banks. China's recovery could slow, in part as a result of unresolved real estate problems, with negative cross-border spillovers. Sovereign debt distress could spread to a wider group of economies. On the upside, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient.

In most economies, the priority remains achieving sustained disinflation while ensuring financial stability. Therefore, central banks should remain focused on restoring price stability and strengthen financial supervision and risk monitoring. Should market strains materialize, countries should provide liquidity promptly while mitigating the possibility of moral hazard.

They should also build fiscal buffers, with the composition of fiscal adjustment ensuring targeted support for the most vulnerable. Improvements to the supply side of the economy would facilitate fiscal consolidation and a smoother decline of inflation toward target levels.

By Manu M

Update for the day #1882| Countdown to India's historic mission begins; Vikram to make soft-landing on moon today

If the Chandrayaan-3 mission succeeds in making a touchdown on moon and in landing a robotic lunar rover in ISRO's second attempt in four years, India will become the fourth country to master the technology of soft-landing on the lunar surface after the US, China and the erstwhile Soviet Union.

Chandrayaan-3 is a follow-on mission to Chandrayaan-2 and its objectives are to demonstrate safe and soft-landing on the lunar surface, roving on the Moon, and to conduct in-situ scientific experiments.

Chandrayaan-2 had failed in its lunar phase when its lander 'Vikram' crashed into the surface of the Moon following anomalies in the braking system in the lander while attempting a touch down on September 7, 2019. Chandrayaan's maiden mission was in 2008.

The Rs 600-crore Chandrayaan-3 mission was launched on July 14 onboard Launch Vehicle Mark-III (LVM-3) rocket, for a 41-day voyage to reach near the lunar south pole.

The soft-landing is being attempted days after Russia's Luna-25 spacecraft crashed into the Moon after spinning out of control. After the second and final deboosting operation on August 20, the LM is placed in a 25 km x 134 km orbit around the Moon.

The module would undergo internal checks and await the sunrise at the designated landing site, ISRO has said, adding that the powered descent -- to achieve soft-landing on the Moon's surface -- is expected to be initiated at around 5:45 pm on Wednesday.

A day before the scheduled touch-down, ISRO on Tuesday confirmed that the Chandrayaan-3 mission is on schedule. The space agency said the Mission Operations Complex (MOX), located at the ISRO Telemetry, Tracking and Command Network (ISTRAC) here, is buzzing with energy and excitement. "The mission is on schedule. Systems are undergoing regular checks.

Smooth sailing is continuing," ISRO said in an update this afternoon, adding that the live telecast of the landing operations at MOX/ISTRAC begins at 5:20 pm on Wednesday. ISRO's Space Applications Centre Director Nilesh Desai said, "If any health parameter (of the lander module) is found abnormal on August 23, then we will delay the landing by four days to August 27.

The critical process of soft-landing has been dubbed by many including ISRO officials as "17 minutes of terror", with the entire process being autonomous when the lander has to fire its engines at the right times and altitudes, use the right amount of fuel, and scan of the lunar surface for any obstacles or hills or craters before finally touching down.

After checking all the parameters and deciding to land, ISRO will upload all the required commands from its Indian Deep Space Network (IDSN) at Byalalu near here, to the LM, a couple of hours before the scheduled time touchdown doesn't crash, as the Moon's gravity will also be in play.

Noting that on reaching an altitude of around 6.8 km, only two engines will be used, shutting down the other two, aimed at giving the reverse thrust to the lander as it descends further, they said, then, on reaching an altitude of about 150-100 metres, the lander using its sensors and cameras, would scan the surface to check whether there are any obstacles and then start descending to make a soft-landing.

By Aniket R Jain

Update for the day #1883 | On the moon, over the moon

At 5.40 p.m. on August 23, the Chandrayaan-3 lander was a 1.7-tonne hunk of metal, plastic, and glass speeding in an orbit some 30 km above the moon. But in the next 23 minutes, it had made history by slowing down, righting itself, and — guided by a suite of sensors and actuators — gently descending to the moon's surface. As it touched down shortly after 6 p.m., people gathered at the various Indian Space Research Organisation (ISRO) centres, and across India were jubilant. India is only the fourth country in history to have soft-landed a spacecraft on the moon, and the first to have done so in the moon's South Polar region. The feat illustrated a simple fact of complex space flight missions: by virtue of their enormous hunger for resources but at the same time capacity for caprice, succeeding at them is indistinguishable from a triumph of human will.

That is why they are capable of galvanising people — as Chandrayaan-3 has now done for India. The immediate implication of the Chandrayaan-3 lander now sitting on the moon is that ISRO took away the right lessons from the failure of the preceding mission, Chandrayaan-2. In September 2019, as the Chandrayaan-2 lander was 2.1 km above the lunar surface, ISRO lost contact. Based on data transmitted by the lander until then and that from other sources, including the Chandrayaan-2 orbiter, ISRO pieced together the distal causes of the lander's premature demise. Experts at ISRO then modified 21 subsystems to give rise to the upgraded Chandrayaan-3 lander. The latter is particularly distinguished by the redundancies built into it: if one component or process had failed, another would likely have taken over.

Taking a broader view of time, Chandrayaan-3 sits at an important juncture. India is now a member of the Artemis Accords, the U.S.-led multilateral effort to place humans on the moon by 2025 and thereafter to expand human space exploration to the earth's wider neighbourhood in the solar system. Given the firsts that India has now achieved, it has an opportunity to lead the other Artemis countries interested in maximising the contributions of the space sector to their economies, alongside the U.S. While Russia and India were not racing to land on the moon this week, the failure of Russia's Luna-25 spacecraft on August 19 foretells the country's ability to contribute in more limited fashion, in this decade at least, to the International Lunar Research Station programme, which it leads together with China as a parallel axis to the Artemis Accords.

With Chandrayaan-3, India has also demonstrated familiarity with the major types of interplanetary spacecraft: orbiters, landers, and rovers. The Chandrayaan-3 rover is rudimentary, and speaks to an important focus area for the Indian space programme: the planning and implementation of scientific missions. The data from Chandrayaan-3's scientific instruments will be crucial because the mission will be the first to physically, chemically, and thermally characterise the soil, subsoil, and air near the moon's South Pole on location. India has some measure of technological superiority now compared to most other space-faring countries, and it should press the advantage by going to more places in the solar system and conducting stellar science.

The better space-based scientific instruments currently operated by India are largely concerned with earth-observation and remote-sensing; AstroSat is a notable exception as the forthcoming Aditya-L1, XPoSat, and NISAR missions are expected to be. In the relatively recent past, Chandrayaan-1 was scientifically well-equipped whereas the Mars Orbiter Mission had room

for improvement (it was a technology demonstrator but at the same time it did get to Mars). Better science results demand more investment in research, both in the public and private sectors, rather than spending cuts, and mission design that puts scientific outcomes before engineering thresholds and launch ability.

The landing also brings to a close the second phase of India's lunar exploration programme. The third phase will begin with a collaboration between ISRO and the Japan Aerospace Exploration Agency (JAXA) for the Lunar Polar Exploration (LUPEX) mission, which also involves a lander and a rover that will study water-ice at the moon's South Pole. LUPEX is set to use the landing system that ISRO developed for Chandrayaan-2 and -3. This is an important reason why the failure of the surface component of the Chandrayaan-2 mission placed its successor under great pressure.

It is notable that this is the gear that Russia was to provide for Chandrayaan-2, but could not in the aftermath of its ill-fated Fobos-Grunt mission in 2011, prompting ISRO to develop one on its own. Finally, ISRO is on a roughly fixed path vis-à-vis future missions from which deviations — such as those as a result of Chandrayaan-2 and the COVID-19 pandemic, but also the sluggish production of rockets — are financially and politically expensive. The success of Chandrayaan-3 gives ISRO the confidence to graduate to the next steps: satellites powered by electric motors, quantum communications, human space flight, reusable launch vehicles, planetary habitation, and interplanetary communications, to name a few.

By Bhuvana S Bharadwaj

Update for the day #1884 |Chandrayaan-3: India lunar rover Pragyaan takes a walk on the Moon

India's Moon rover has taken first steps on the lunar surface a day after the country made history by becoming the first to land near the south pole. Chandrayaan-3's rover "ramped down" from the lander and "India took a walk on the Moon!", the space agency said.

The Vikram lander successfully touched down as planned on Wednesday evening. With this, India joins an elite club of countries to achieve a soft landing on the Moon, after the US, the former Soviet Union and China.

The 26kg rover called Pragyaan (the Sanskrit word for wisdom) was carried to the Moon in the Vikram lander's belly. After the dust raised by last evening's landing had settled, panels on one side of Vikram opened to deploy a ramp to enable Pragyaan to slide down to the lunar surface.

It will now roam around the rocks and craters, gathering crucial data and images to be sent back to Earth for analysis. Pragyaan is carrying two scientific instruments which will try to find out what minerals are present on the lunar surface and study the chemical composition of the soil.

Pragyaan will communicate only with the lander which will send the information to the orbiter from Chandrayaan-2 - which is still circling the Moon - to pass it on to the Earth for analysis.

The Indian Space Research Organization (ISRO) has said that the rover will move at a speed of 1cm per second - with each step it will also leave on the Moon's surface the imprint of ISRO's logo and emblem embossed on its six wheels.

Chandrayaan 3 LIVE: Pragyan rover engraves Indian emblem, ISRO logo on Moon for 'eternity' | Hindustan Times

The landing coincides with the start of a lunar day - a day on the Moon equals a little over four weeks on Earth and this will mean the lander and rover will have 14 days of sunlight to charge their batteries. Once night falls, they will discharge and stop working. It is not yet clear whether they will come back to life when the next lunar day starts.

The lander is also carrying several scientific instruments which will help find out what goes on the Moon's surface and above and below it. Moon is thought to hold important minerals but one of the major goals of Chandrayaan-3 is to hunt for water - scientists say the huge craters in the south pole region which are permanently in shadow hold ice which could support human habitation on the Moon in future.

It could also be used for supplying propellant for spacecraft headed to Mars and other distant destinations. On Wednesday, tense moments preceded the touchdown as the lander began its

precarious descent. The lander's speed was gradually reduced from 1.68km per second to almost zero, enabling it to make a soft landing on the lunar surface. The historic moment was greeted with celebrations across the country, with Prime Minister Narendra Modi saying "India is now on the Moon" and that "we have reached where no other country could".

By Sai Manjush Y

Update for the day #1885 | 3 things about the Digital Personal Data Protection Bill

They're calling it the 'Digital' Personal Data Protection Bill (DPDP). And it'll deal with two types of data—one that's collected digitally as you browse websites and social media platforms. And also data that's collected offline and then fed into a computer.

Now the basic rules here are simple.

When someone wants your data, they need to tell you exactly what they're using it for. And then they must seek your consent before collecting and processing such data. They can't use the data any way they like. For instance, if a bank asks for your photograph while opening an account, they need to first seek consent on a separate personal data notice that clearly explains why they need it and how they'll use it. Also, if a person wants their data to be erased at some point, it should be easy to do that. No questions asked.

If the entity responsible for collecting the data doesn't do all this, they'll have to incur heavy monetary penalties.

Now there are exemptions to this, of course. But that's the gist of it. And there will be a Data Protection Board too. Think of it as an independent regulator that'll make sure that disputes are handled quickly. All this sounds good and this is something that will definitely get errant businesses to be more mindful of how they handle and process personal data.

But there are some niggling issues people have been pointing out. And we want to highlight 3 interesting perspectives here.

Firstly, Reetika Khera, a professor of economics at IIT Delhi, thinks there might be a potential clash with the

Right to Information (RTI) Act.

See, the RTI came about in 2005. And it had one goal—if anyone wanted information related to the government, they could send a written request and the authorities were expected to furnish this information. Of course, there were exemptions such as not disclosing information which has no relationship to any public activity or interest, or which would cause unwarranted invasion of the privacy of the individual. But it also noted that these exemptions wouldn't apply if "the Central Public Information officer or the State Public Information Officer or the appellate authority, as the case may be, is satisfied that the larger public interest justifies the disclosure of such information.

Secondly, there's the matter of 'content'.

Now the government already has the power to block content. They just have to cite Section 69A of the Information Technology Act and can order platforms such as Twitter and YouTube to delete content. But the objectionable content first has to satisfy one of 6 criteria—and these primarily involve things like a threat to "national security" and "public order".

And thirdly, the impact on journalism.

See, investigative journalism is hard work. Reporters often spend days poring through documents and convincing people in the know (who often prefer to remain anonymous) to blow the whistle on dubious activities—maybe a businessperson has offshore accounts managed by family members that they route money into secretly? Maybe a politician is playing favorites by handing out projects to his friends and family. These are things the public must know about.

By Harshita Jain B

Update for the day #1886 |The Rise of Municipal Bonds

Uttar Pradesh is on overdrive.

A few days ago, an RBI report said that banks and financial institutions were falling over themselves to fund projects in the state. It revealed that UP had attracted the most financing for the second year in a row. Then there was the news that 4 cities in UP are getting ready to launch something called municipal bonds. Kanpur, Prayagraj, Agra, and Varanasi want around ₹500 crores from the public. They want to improve their water supply facilities.

Now at first glance, the two news bits might seem disconnected. The banks are funding private company projects. And the city civic bodies are simply trying to raise money to build stuff that makes the life of their residents better.

But what if we told you there could be a link here?

See, if you're a state that's competing with 27 others in order to attract businesses, you need to put your best foot forward. You need to show them why they should choose you for their factories and offices. You might say things like, "We plan to make Kanpur a hub for robotics and Varanasi into an R&D spot." And then you'll launch business-friendly policies. You might give land and electricity at subsidized rates. You might tweak labour laws. You might dole out financial incentives if the business fulfils certain parameters.

But…that's not enough. Most importantly, you still need superb infrastructure so that the lives of people who chose to work at these companies are made easier. They need good roads. They need good quality and consistent water supply. There have to be streetlights across town. They'll need a good public transport system. And they need a proper sewage and waste disposal system.

Now quite often, the responsibility of setting these up falls into the hands of municipal corporations. They're the ones in charge of the cities. And they have to execute the ground-level stuff.

But where do cities get the money for this, you ask?

Well, you'd expect them to raise funds on their own through various taxes, right? But there's a bit of a problem. Over the years, municipalities have slowly been losing their financial autonomy. Even though they're the ones with their ears to the ground and know local issues better than anyone else. They're increasingly dependent on the central and state governments—40% of municipal revenue comes from this source.

And guess what?

The RBI think that this financial dependence makes our municipal system one of the weakest globally. In India, municipal revenue is just 1% of our GDP. Whereas in Brazil and Africa, it's at 7.4% and 6% of GDP respectively. Also, during 2015–2020, the allocation from the Central Finance Commission to these municipalities worked out to be a measly ₹500 per capita per year. Peanuts, right? And this is a problem because cities contribute 70% to India's GDP. But if they don't have enough control over the money needed to improve their infrastructure, cities

can quickly crumble. It's also concerning because the future lies in cities—the bulk of the $1.4 trillion in infrastructure investments needed in the next few years will be in urban areas.

So without a steady stream of money coming in from the top, municipalities need to turn self-sufficient and access money quickly.

Enter municipal bonds.

Now this is just like any bond issued by a central government. It has a maturity period of say 5-10 years. It pays regular interest. And there's a final payment of the investment. Just that all this happens at a local level. It's for local development.

And this isn't really a new concept. Municipal bonds have been around since 1997 when Bengaluru and Ahmedabad issued them. A few others followed suit. But these bonds haven't really been available to the public. They find big players who're willing to invest and it's kind of like a private transaction. The market for these bonds hasn't really grown either.

Also, for investors, it can still be a bit scary to lend money to a municipal corporation. They're not really the epitome of sound governance or business efficiency. But the government and the Securities and Exchange Board of India (SEBI) has been trying to change that. They want municipal bonds to gain popularity. They want people like you and me to invest and spur development of cities. And one by one, they're trying to address issue surrounding it.

See, one of the biggest worries that gets people to think twice about municipal bonds is—transparency. Investors are worried if the balance sheets are clean and capture relevant information. So the government has introduced a uniform reporting system based on international standards. There'll be a database of audited annual accounts and that will instill trust and credibility.

And they don't want financially weak municipal corporations going this route either. They need to first get a credit rating which has to be above BBB-. Then they have to prove they haven't defaulted on any other loans recently. They need to contribute to 20% of the project cost from their coffers. And the revenues from the project has to flow into a dedicated bank account too.

Basically, these bonds will be "ring-fenced to user charges" too. This simply means that the revenues from a project are linked to the payouts.

For instance, let's take Indore which issued a bond recently. The city needs 540 million litres of water every day. And it gets this from the Narmada River. But the electricity needed to make this work costs around ₹60 crore each year. So, they decided to switch to solar to power this. And issued a green municipal bond to raise nearly ₹250 crores. Now Indore can tell investors that they'll make payouts based on the revenue it generates from this water supply. There's a clear use-case and revenue linked to it.

And that gives investors more visibility.

Also, even though the government is not giving an explicitly guarantee and saying, "Look, we'll come in if the municipality fails," they're trying to make life easier for municipalities willing to take the plunge. When the Lucknow Municipal Corporation raised money a couple of years ago, the government promised to give it ₹26 crores to subsidies its interest burden. And that incentive meant that the interest burden automatically fell by 2% as well.

So yeah, with all these changes, you can see municipalities have slowly been tapping the bond markets—over ₹2,500 crores worth of bonds has been issued since 2018 by cities such as Lucknow, Surat, Vadodara, Ghaziabad, Indore, Pune and Hyderabad. And with Uttar Pradesh doubling down on it now, it does seem like municipal bonds are the next big financing thing for cities.

What do you think?

Until then…

By Arun Nagarajan

Update for the day #1887 | CaratLane's extraordinary exit

Last week, Tata-owned Titan made an all-out acquisition of CaratLane. They paid over ₹4,600 crores and picked up the remainder of the 27% stake still held by the founder. And what was CaratLane's valuation, you ask?

A cool ₹17,000 crores!
Almost immediately, two camps emerged.
One set of folks wondered: "Did Titan pay too much?"
Because Titan's going to shell out a whopping 7.8 times the FY23 sales figure for CaratLane. For context, this is a higher valuation than what public market investors pay for Titan's entire business itself. And if you consider that CaratLane actually has lower EBITDA margins than Titan's own jewelry brand Tanishq, you can see why some eyebrows are raised
.
Also, it doesn't seem like analysts ascribe a very high value to the CaratLane business either. The number crunchers at Kotak Institutional Equities broke down Titan's business into what's called a Sum Of The Parts (SOTP) valuation—where each business division is considered to be a separate entity and then added together to get the big picture—CaratLane just accounts for 6% of Titan's share value.

But then, there's the other set who thought: "Maybe Titan is smart to buy it out completely before the revenues rise exponentially?"

See, the analysts at JM Financials estimate that CaratLane should be valued at ₹20,000 crores. Sure, that includes the value of goodwill of its existing association with Titan. But even if you strip that out, they feel the acquisition works out quite cheap. And that's simply because CaratLane has actually been on a bit of a Rocketship. For starters, its revenue is growing at a fast clip—in FY23, while CaratLane grew by 73% over the previous year, Titan's standalone jewelry revenue grew at just 37%. And that has been the trend for a while.

Also, the gross margin of 35% is higher than Titan's Tanishq.
And not to forget that despite having some rivals, CaratLane has 3 times higher revenue than its second biggest competitor. It's a proper market leader in its space—lifestyle jewelry for everyday wear.

And what are investors doing after hearing these contradictory opinions?
Well, looks like they're puzzled. They don't seem to know what to do. In the week since the news broke, guess what the stock has done…

Nothing!
That's right. The returns have been a big fat zero. So, we pored through media articles. We scanned research reports from all the way back to 2016. And we figured that the only way to make sense of this is if we tell you a story. A story of CaratLane's journey. Because only then will we pick up nuggets of Titan's investment thought process over the years too.

The year was 2000. Mithun Sacheti had just wrapped up his gemology study in California and made his way back to the family business in Mumbai. But Sacheti didn't want to just continue building what was already running smoothly. He wanted a piece of South India too. So he

packed his bags and moved to Chennai to set up shop there. The idea worked. Within a few years, the store churned out a few crores of profits. But Sacheti wanted scale. He wanted to reach more people. And he didn't think continuing with the family business was going to help.

He wanted to take a risk. He wanted to sell jewelry online. And back then, this was a crazy idea because e-commerce itself hadn't taken off in a big way. Now imagine selling jewelry, a product built solely on trust, online. It was impossible to imagine that anyone would knowingly hand over money to a random online platform and wait for jewelry to be delivered. But he went ahead, raised money from his father, found a business partner and began operations with ₹1 crore in the bank.

Now before you think "the rest is history", it wasn't. The company struggled. Losses were mounting. VCs ignored them. For nearly 4 years, they trudged on while trying to make use of whatever money they had.

Finally, there was a ray of hope when Tiger Global handed over cash in 2011. But even that quickly disappeared. The company apparently didn't use the money well. They were burning through it quickly and the revenue wasn't growing fast enough.
That's when Titan entered the picture. They saw 'something' in the business in 2016 and came on board. They'd buy out Tiger Global and wanted it to be a business run by just the founders and Titan.

So now you have to wonder, why on earth did Titan buy a stake in the company back then in the first place? It was still a time before D2C (direct-to-consumer) became a cool thing. Well, maybe Titan knew that big things were in store. Maybe they knew that people would definitely warm up to the idea of jewelry e-commerce in a big way. And they realized that rather than building out their own tech stack, they might as well pick up a potential rival. See back in 2016, Titan's online jewelry business was negligible. Or as the division's CEO put it back then, "Revenues from the online medium is not even a decimal point for Tanishq, while Carat Lane is an online company."

So they wanted a slice of the online pie. And with just ₹360 crores, Titan snagged a nice chunk of the company—62% of it. But even then, maybe no one thought that CaratLane would amount to much for Titan. Because when Credit Suisse published an in-depth analysis of Titan a year after the acquisition, CaratLane didn't find a single mention in the 14-page report.
And maybe Titan realized that it needed to tighten the screws too.

So when CaratLane needed more money in 2019, Sacheti was in for a rude surprise. He expected Titan to give him the cash at a multiple similar to the previous round—5 times his sales figure. But nope that didn't happen. Titan turned around and asked, "So, what about the profits?" As if that wasn't enough, the legendary Rakesh Jhunjhunwala, who was also an investor in Titan, asked—"Where is your cashflow?"

And looks like that was the wake-up call CaratLane needed.
They tweaked their strategy. Instead of spending heavily on opening new stores, they went the franchise route. They snagged working capital funding at a low cost by leveraging the Titan partnership too.

And finally, in FY21, CaratLane reported its first profits. Things were falling into place. The company nearly doubled its store size within the next year. And the profits swelled even further.
Titan got what it was looking for—a sustainable bottom line.

By Pooja Sandeep Naik

Update for the day #1888 | Unveiling Deceptive Financial Practices by The Brightcom Group

The conventional path to company profitability involves producing goods or services at a cost and selling them at a higher price, creating a profit margin. However, there exist alternative, and often frowned upon, methods to achieve profitability, including manipulating financial statements to portray false profits. This unethical financial maneuvering recently came to light in the case of Brightcom Group, an ad-tech company that engaged in misleading accounting practices.

Brightcom, an export-focused entity with numerous subsidiaries, heavily relies on these subsidiaries for its business operations. The majority of its profit, total comprehensive income, assets, and net worth stem from these subsidiaries, a consistent trend over several years.

Traditional accounting dictates that tangible assets like trucks are expensed gradually over their useful lifespan, distributing the cost across multiple years. Yet, when an asset is in the process of being constructed, an area of uncertainty arises, allowing expenses to be deferred until the asset's status is confirmed. Capitalizing on this ambiguity, Brightcom categorized various expenses such as salaries and marketing as investments in developing intangible assets. This artifice enabled the company to present inflated profits on its financial statements by not accounting for these expenditures as standard costs. This crafty strategy permitted Brightcom to conceal losses of ₹863 crore ($100 million) and falsely declare a profit of ₹440 crore ($50 million) in 2020, and ₹443 crore in FY19. Accurate expense recognition would have disclosed a loss of ₹428 crore.

This form of creative accounting also extended to profit treatment. When a company's earnings aren't directly tied to its core business activities, they might be categorized as "Other Comprehensive Income" rather than the usual "Profit and Loss" statement. To downplay its concealed loss of ₹863 crore, Brightcom labeled it as Other Comprehensive Income, a move that raised concerns among regulatory authorities such as the Securities and Exchange Board of India (SEBI). The actual comprehensive income for FY20 was negative ₹177.2 crore, and for FY19, it was negative ₹178.5 crore. As a result, the genuine profit available for shareholders amounted to a mere ₹1.3 crore, far from the reported ₹883 crore.

While it's possible for such discrepancies to occur, understanding the underlying reasons is essential. The company attributes this to "asset impairment," a substantial impairment at that. This leads to questions about the decision to report the impairment in other comprehensive income instead of recognizing it as an expense above the profit line. The lack of clear explanations in the annual reports further complicates matters.

The absence of transparent disclosures permeates various facets of Brightcom's financial reporting, raising concerns among investors. The "Others" line item in financial statements, meant to accommodate miscellaneous figures that defy categorization, is employed extensively by the company. This not only masks critical information but also obstructs investors' ability to assess a significant portion of the company's net worth and assets.

Additionally, Brightcom's founders, who would typically refrain from selling substantial portions of their stock during prosperous periods, deviated from this norm. They disposed of significant shares without notifying stock exchanges, leading to uncertainty about their actual ownership percentages. Their explanation involved pledged shares, where ownership remained

despite the transfer.

The manipulation extended to the stock price trajectory, with Brightcom's stock surging 40-fold within a year, sparking suspicions. Investigations unveiled secret share sales by the founders before the price escalation. To regain control, Brightcom made preferential allotments of equity shares to investors, including entities that later joined the Promoter Group, aiming to restore perceived founder ownership.

Brightcom's intricate web of actions highlights not only creative accounting but also the potential for market manipulation. By categorizing expenses as investments and not disclosing stock sales, the company distorted financial health and ownership structure. Regulatory bodies like SEBI played a pivotal role in exposing these fraudulent practices, emphasizing transparency, accurate financial reporting, and vigilance in the financial realm.

The Brightcom case underscores the need for vigilant evaluation of company financials and stock performance. As markets grow more intricate, regulatory scrutiny and investor awareness are crucial to uphold financial system integrity and ethical business conduct.

By Sharan Manjunath

Update for the day #1889 | Can Adidas breathe new life into Bata?

Adidas's brand collaborations are iconic.

And we're not just talking about the typical sneaker deals with athletes such as James Harden. That's a given for a sports brand. We're talking about its out-of-the-box partnerships.

Such as with the luxury brand Gucci. Adidas went straight after the uber-rich crowd who wanted luxury embossed on their sporty sneakers.

It has product partnerships. With Xbox. Yup, with a gaming console. Adidas realized that tapping into a product's loyal fan base can be quite lucrative too.

And it has even worked with rival shoemaker Allbirds in the US. You don't often see rivals collaborate. It's like McDonald's launching a special burger with Burger King. But here, the motive was quite clear. Allbirds had made a name for itself by making plant-based, low-carbon sneakers. And with people turning more environmentally conscious, Adidas figured a great way to launch its low-carbon running shoe was to collaborate with someone who already had part of the expertise.

But Bata???

Bata isn't premium. Bata isn't luxury. Bata isn't a product that evokes loyalty (or maybe it does depending on who you ask). Instead, its claim to fame in India is the humble school shoe! So what's the unique selling proposition here? And you can't imagine that you'll see a sneaker stamped with an "Adidas x Bata" logo, right? It simply seems too farfetched.

So, what's really in it for Adidas?

Well, there might just be a couple of things.

For starters, no one can compete with Bata's reach in India. It has over 2,100 stores peppered across 700+ towns and cities in the country. It's quite incredible. So imagine that a dedicated section for Adidas or pop-ups features in these stores now. It gives the German sportswear brand an unmatched advantage over its rivals. It's something it needs to build out a proper India presence. Especially since it signed the jersey sponsorship deal with the Indian cricket team. It needs to steal back the market from Puma which has raced to the top thanks to its collaboration with Virat Kohli.

Then you also have to remember that Adidas doesn't rely on importing all its shoes. It manufactures many of its sneakers in India too. Not on its own but with the help of third parties like Apache Footwear and Mochiko Shoes. But with the deal, maybe they'll get access to Bata's manufacturing facilities in Kolkata and a couple of other spots too. And maybe Adidas will be able to leverage these factories and bring its costs down even further. It could help the company earn better margins.

Maybe.

But what about Bata? What's in it for them? Because investors certainly seem excited. The stock

immediately jumped by 5% on the rumor.

Well, to understand this, we have to turn to its rival Metro Brands.

Now Metro sells slightly more premium formal shoes than Bata. As per brokerage reports, its stores are more concentrated in areas where the per capita income is higher too. So there is that bit of a difference. But at the core—both of them are known for shoes you'd wear to work.

Metro has been working quite hard to change that though.

See, in 2015, it first struck a deal with Crocs. You know, the company that became famous for making those ugly (or cool, depending on your taste)-looking plastic-looking slip-ons with holes punched into them. It wasn't an exclusive deal, but it gave Metro the first right to distribute Crocs throughout India—through its existing stores and by setting up flagship stores as well.

And guess what?

Crocs became a real money spinner for Metro. Crocs made up 17% of Metro's revenue in FY21. This was two times higher than its contribution in FY18. A part of it could also be explained by the fact that the Average Selling Price (ASP) for Crocs is around ₹2,000 and higher than a Metro shoe brand's ASP of ~₹1,400.

If you break down Metro's revenue today, you'll see that 30% of its revenue comes from third-party brands such as Crocs and Skechers. Oh yeah, it distributes Skechers, the famous running shoe brand as well. And this could probably inch slightly higher because it now has the rights to distribute the sports brand Fila in the country too.

So yeah, Metro is playing smart. Rather than trying to create its products in these niches, it's simply teaming up with big brands that already own the space. The payoff is probably bigger this way. As per ICICI Securities , the benefits of this approach have been quite significant—it has improved customer footfalls, the gross margins are higher, and the fact that international brands are reposing faith in Metro kind of opens up new avenues of growth too.

You can see why that's a playbook that Bata would want to replicate too.

Because the thing is that Bata India has kind of been in a rut of late. The revenues are just a tad bit above the pre-pandemic levels.

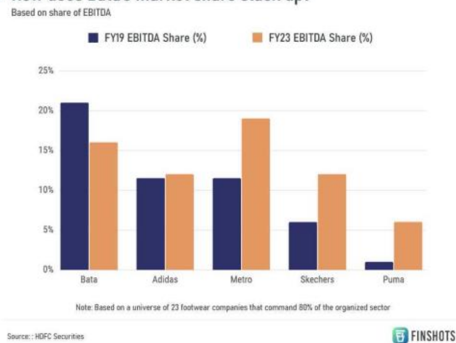
Analysts think there might be two reasons for that.

Firstly, a significant portion of Bata's stock-keeping units (SKUs) falls into the sub ₹1,000 price range. Call it the most affordable selection if you wish. And this segment has been feeling the heat quite a bit thanks to inflationary pressures and economic uncertainty. Earlier this year, Metro said that it plans to exit this category because there was too much pricing pressure in the segment after GST was hiked. So that would've hampered Bata's growth too.

And secondly, there seems to be a trend of 'sneakerization' or athleisure. People want more comfortable stuff. And when you think sneakers, you're not going to think Bata, right? It hasn't made too much of a mark here.

The result of all this is that Bata has been losing out. HDFC Securities crunched the numbers

and says that Bata's market share based on EBITDA (earnings before interest, taxes, depreciation, and amortization) dropped from 21% to 16% in the past 4 years.



It needs a revival. A bit of a fresh spark to turn its fortunes around.

And teaming up with Adidas might do just that. It kills two birds with one stone. It'll give Bata a premium offering that can drive up the Average Selling Price. And it feeds into the sneakerization wave without Bata trying to do something it might not be too good at.

By Divya G Shanbhag

Update for the day #1890| Chandrayaan-3 Mission: Vikram, Pragyan performance spurs hopes of rebirth at next dawn

The Chandrayaan-3 lander and rover have completed about half their designed life on the lunar surface, sending in scientific data every day in the past week. While the two are designed to last one lunar day (14 Earth days), when the sun shines, there are mechanisms to spring them back to life when the sun rises again after the long night.

Mr. M Srikanth, Chandrayaan-3 mission operations director said that the performance of Vikram and Pragyan so far and the overall health of all systems have increased hopes of the two coming back to life after the night (14 Earth days) passes.

Why systems sleep at night ?
Both Vikram and Pragyan are solar-powered and are designed only to operate during sunlit periods, when the temperatures (in the polar area) are upwards of 54° Celsius.
When the Sun sets, the temperatures could go as low as -203° Celsius and the systems on the lander and rover do not get any power to stay on. They turn on once the sun returns provided, they have survived the cold.

Battery power & eclipse
One night is equivalent to 14 Earth days. Batteries with such high capacity cannot be included. The capacity of the lander battery is 62.5 Ampere-hour while the rover battery is 10 Ampere-hour, which is enough to meet the mission's primary objective of doing science for one lunar day.

The batteries have sufficient capacity to tackle small eclipses. However, they are not powerful enough to keep the systems warm throughout a lunar night

Rover positioning for dawn

Assuming that the electronics and other systems on Vikram and Pragyan survive the lunar night, the procedure to spring them back to life is autonomous.
When sunlight comes back, there's an autonomous logic pre-loaded on both the lander and rover. Once there is sufficient solar regeneration, they are expected to come back to life provided that they have survived the night

While the lander, which has large solar panels on three sides, can do it more easily, ISRO will need to carry out a manoeuvre before the night begins to give the rover a chance of coming back. The rover only has a deployable solar panel. Therefore, calculations are to be done to see where the Sun is likely to rise after 14 days.

Once this is done, the rover is to be positioned in a place where it can get the best sunlight at dawn to give it the best chance to restart. This positioning has to be done before the current lunar day ends.

By Gunda Naga Abhigna

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