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Contents

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.

"The only true voyage of discovery, the only fountain of Eternal Youth, would be not to visit strange lands but to possess other eyes, to behold the universe through the eyes of another, of a hundred others, to behold the hundred universes that each of them beholds, that each of them is."

Update for the day #1921 | An Apple Search Engine? If In 2018, Apple hired John Giannandrea

If you've not heard of him, know that he used to head Google's search and artificial intelligence units. And naturally, rumors began swirling around — "Apple is going to launch its own search engine."

Then in 2020, the whispers grew stronger. Because Google was caught in the crosshairs of an antitrust lawsuit. The US Government alleged that Google was monopolizing the online search business. And an adverse ruling could have impacted both Apple's bottom line and its customers.

How so, you ask?

Well, Google has been Apple's default search engine for nearly two decades. And it pays Apple a mammoth $15 billion or more every year for that privilege. That's nearly 9% of Apple's gross profits. But if the antitrust committee ruled that Google was striking these unholy deals to cling on to its monopoly, they'd have to sever the cord. And Apple would lose the billions it made. Sure, it could switch to alternatives like Bing or DuckDuckGo, but let's face it — they aren't going to pay the same kind of money. Google controls 90% of the search market. They earn massive advertising revenue, so they can afford to splash the cash. But the others may not be able to justify the spending.

So yeah, if Apple wanted to get ahead of these potential problems, it would need an in-house engine. It would have to control everything. And it seems that it has been quietly building just that.

Outside of the recent hiring spree for the search engineering division, the Financial Times had earlier pointed out a couple more interesting things.

For instance, if you want to be a search behemoth, you start with something called a web crawler or a spider. This thing scours the internet and websites and creates an index of sorts. That way when someone searches for a specific item, the crawler can easily identify it and spit out the result. And for a long time, Apple's web crawler simply lurked in the shadows. There wasn't much online activity. But over the past few years, this Apple Bot apparently has featured heavily on websites scraping information. Apparently, the 'crawl 'rate' or activity increased significantly starting in 2020.

Then there's the fact that Apple has been slyly sneaking in a search feature since they launched iOS14 a couple of years ago. If you swipe right from the iPhone's home screen to access the search windows, you get a list of search suggestions from Apple and not Google.

So yeah, Apple seems to have been stepping up its search game of late.

So, the question is — what is Apple waiting for? Why isn't it launching its search function in full throttle?

Well, we can only speculate here but there might be two reasons.

Firstly, there's all those billions of dollars of course. Sure, Google search might be facing an existential crisis with the rise of ChatGPT and GenZ turning to TikTok and Instagram to find answers, but the ad revenue from search is still making boatloads of money. And unless antitrust regulation forces Google to end the deal, Apple may not find a reason to let go of the money. Especially if it can't ramp up its own ad search revenue at a similar pace.

Secondly, we've seen the debacle that was Apple Maps. Everyone hated it because directions were flawed. And iPhone users stuck to Google for a long, long time. But a decade after its failure, Apple has slowly but steadily climbed back as a credible rival. Maybe Apple didn't want to repeat the mistake of releasing an imperfect software product in an area it does not have much experience.

Maybe.

But it appears that most of the pieces are ready. As per Bloomberg's Mark Gurman, Apple now has everything in place should it wish to launch a rival. And maybe it won't be long before Apple users prefer its in-house search capabilities over Google too. We'll have to wait and see.

By Adithiyya J S

Update for the day #1922| Is Airbnb broken!?

A year ago, many people were predicting the imminent collapse of Airbnb. Reddit forums and Twitter were calling it the "Airbnbust". And the rumour was that the occupancy rates on the short-term housing rental platform had dropped like a rock. That no one wanted to stay in an Airbnb anymore. But a year later, its shares are up 14%. It all turned out to be just a rumour.

Okay. Maybe it wasn't all just a rumour. Maybe there was some truth to it. Because a couple of days ago Airbnb's CEO Brian Chesky acknowledged that it's a fundamentally broken business. So, what's going on, you ask?

Let's take it from the top.

In 2007, Brian Chesky and Joe Gebbia were two broke kids who were struggling to pay rent for their apartment in San Fransico. That's when they noticed that there was a design conference in town and all the hotels were booked solid. Attendees were struggling to find a place to crash. Hence, they simply decided to rent out air mattresses in their apartment and called it "Air Bed and Breakfast."

And that was the original premise or the foundation of the platform. If you had a spare room in your house in the city, you could rent it out. The rates would be cheaper than a hotel. You'd make a quick buck. And the guest would get to maybe spend time with a local who'd give some handy tips for the city. It was cosy and casual. Users loved it. Investors slowly warmed up to it. Hosts who let out their apartments were over the moon with the extra money they were making.

But this massive love — especially from the hosts is also what eventually led to the "Airbnbbust" rumour. What do we mean? Well, it was a simple oversupply problem. You see, during the pandemic, a lot of people bought a second home. Interest rates were at decadal lows and loans came easy. Hence, people thought there was an opportunity to snap up a home and list it on Airbnb. Make some extra cash. For instance, the number of short-term rental listings in the US skyrocketed to 1.38 million in September 2022. That's 23% higher than the same period a year ago. Suddenly, the number of listings shot up and there seemed to be a massive drop in overall demand for some hosts.

But the truth of the matter was that users were now spoilt for choice. They had more properties to compare and make a decision. And naturally, some properties fell behind. Also, as per some analysts, many of those properties that showed a dip in occupancy were in rural areas and beach towns — places that were hugely popular in the midst of a pandemic when people wanted to get away from the crowds. But travel shifted back towards city getaways and those Airbnbs started seeing higher occupancy levels instead.

So yeah, it wasn't a bust at all. Alright, now that we've cleared that bit up, you will be wondering — why on earth is Brian Chesky speaking about a broken model? Well, the thing is Airbnb has some dark clouds looming overhead right now. You see, its success actually created a whole new breed of homebuyers. Ones that just wanted quick rental income. Or rather "the short-term rental speculator." These people believed that no price was too much to pay for owning a home that could be listed on Airbnb. Maybe they were drawn by all those YouTube videos touting "Make $100,000 from your Airbnb", we don't know. But as they started snapping up properties, it led to massive surges in real estate prices across the US.

By December 2022 only 10% of new homes cost less than $300,000 as against about 40% in December 2019. A study also found that if the number of Airbnbs in the vicinity were doubled, the sale price of New York City homes would go up by 6-9%. But it wasn't just that, the Airbnb phenomenon also meant that the number of homes in the market available for long-term rentals dwindled. This forced rental costs up for people who didn't own homes too. It was a double-whammy — rising real estate prices and rising rentals.

And cities are taking notice of this menace.New York is doubling down on a rule which says that if a homeowner rents out their space for less than 30 days, they have to be living on the premises too. They want these Airbnbs to register and since most of them don't meet this requirement, over 15,000 properties have disappeared from the platform. Florence, one of Italy's most popular tourist destinations, recently banned new short-term rentals on platforms like Airbnb so that it could free up more homes for locals. And Vienna, the capital of Austria, has a monthly tax Airbnb hosts have to pay if they make money from short-term rentals.

You can see how as more and more cities wake up to the Airbnb problem, it could potentially hurt the revenues quite a bit, no? But there might be a bigger problem that Chesky has to deal with. And it's that users of Airbnb are getting disillusioned. They hate the terms and conditions and the high prices — which often include an exorbitant cleaning fee which shows up only when you're about to hit 'book'. Just type Airbnb on X (formerly Twitter) and look at the results. Most of them will be complaints. Many people say they prefer hotels these days.

Now the Airbnb team is already trying to make pricing more transparent to users. But the one thing out of their control is how the host chooses to price the property. And as Bloomberg puts it, "Chesky walks a delicate tightrope as he tries to motivate profit-hungry hosts by encouraging (some of) them to shrink their margins."

Yup, as people buy more expensive homes, they end up trying to squeeze more from their Airbnb rentals. They see demand surging and they want to make hay while the sun shines. But when the prices zoom, it drives customers away. They look for alternatives and run back to the hotels. The very industry that Airbnb was trying to disrupt. And that's going to hurt the platform. That's what Brian Chesky is now worried about. He wants to fix the promise that Airbnb started with — great listings, great customer service, but more importantly — affordable.

By Rohith S Paradkar

Update for the day #1923 | 3 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.

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.

How, you ask?

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."

For instance, let's say you wanted details of the real estate investments of public servants such as IAS officers. You could argue that it is personal information and an invasion of privacy. But these are people in the public domain who serve the larger interest of the nation. And tracking their real estate investments could indicate whether they have disproportionate assets—that is, if there is a mismatch between the wealth they've amassed and their income. It could throw light on possible corruption. So, the RTI takes precedence here.

But here's the thing. The DPDP clashes with the RTI since it deals with personal information. And while many people were expecting the bill to clarify that it would complement the RTI Act, there seems to have been a small amendment instead. This amendment removes a few key words that are otherwise present in the RTI Act. And this simply says exemptions are valid for 'personal information' without the ifs and buts.

So, in our earlier example, data on real estate holdings could definitely be categorized as personal information. And the worry now is that the government could very easily deny this information citing the DPDP bill. In fact, government officials have previously stated that everyone should also be entitled to the "right to privacy" even if they are operating in the public forum. So, it seems this was coming anyway.

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".

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.

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.

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'. And here's what News laundry asked a few months ago:

Before the Panama Papers were published in 2016, what if the Indian Express had been hauled before a data protection board for violating the privacy of those who held accounts in tax havens?

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 Shriya G B

Update for the day #1924 | An explainer on the Israel-Palestine conflict

On Saturday, the militant and terrorist group Hamas attacked Israel. They massacred hundreds of innocent people. And Israel retaliated with its own airstrikes which, in turn, has killed many people including civilians. It's an incredibly sad time for the region and the world and we hope it comes to an end soon.

But how did we get to this? And what have been the economic implications of this long-standing war?

In 1917, a 67-word letter changed the face of the Palestinian region forever. It was authored by Britain's then foreign secretary Arthur Balfour, who made a significant pledge within it— "the establishment in Palestine of a national home for the Jewish people".

Essentially, Britain pledged to aid Jews fleeing persecution from various parts of Europe. The commitment was to assist them in settling in Palestine. But wait…how could Britain enforce such a diktat? Well, the British had colonized the Palestinian territory. And they had complete command over everything. But the 94% Arab population who lived in Palestine were livid. They felt their land was being snatched away from them by force. The ill-will began to fester and the first conflicts between Arabs and Jews began. Fast forward to 1947 and Britain relinquished control of the territory. It was time for the United Nations to step in and do something. It said: "There will be two states—Palestine and Israel. And Jerusalem will be treated as an international city." Sounds reasonable?

But, no. The Arabs were unhappy because a larger section of the land was allotted to the Jews. A war broke out. And by the end of it, Israel controlled even more territory. Egypt came to control a region called Gaza. And Jordan occupied another area called the West Bank.

And of course, it didn't end there. In 1967, another Arab-Israeli war broke out and Israel managed to stamp its authority over Gaza and the West Bank too. Palestine had all but disappeared. The Palestinian people saw this as an illegal occupation. Some resorted to diplomacy. Others resorted to violent methods. In the 1980s, one violent group began dominating the headlines—Hamas.

They began waging a proxy war against Israel and its people. Meanwhile several countries were trying to broker a peace deal between Israel and Palestine to end the needless conflict. In the 1990s Israel finally bowed down to international pressure. They ceded a tiny bit of control over the West Bank and Gaza to an interim Palestinian government.

But that didn't really stop intermittent conflicts—the Arabs still wanted what they claimed was their land. And when Hamas took control of Gaza in 2006, Israel tightened the screws further. They blocked Gaza from the world. They closed land, sea and air routes. And 2 million people found themselves living in an area of 365 square kilometers without free movement. As a consequence, Gaza's economy collapsed. When the United Nations Conference on Trade and Development (UNCTAD) crunched the numbers a couple of years ago, the results were shocking. Gaza had the world's highest unemployment rate. And more than 50% of its population lived below the poverty line. While it contributed to 31% of the Palestinian economy in 2006, that dropped to just 18% in 2018.

From a purely economic perspective, Gaza suffered losses anywhere to the tune of $8–16 billion in the period between 2007 and 2018. And this brings us to today. In the past few years, most people in the West have had one suggestion to solve this problem—economic peace. For instance, UNCTAD says there are massive oil and natural gas fields in the region. It's all in disputed territory so no one can touch it. And the estimate is that this could be a shareable opportunity worth US$524 billion.

Meanwhile the US has been trying to broker a deal between Israel and several Arab nations. In 2020, they did something that no one thought possible. It got 4 countries together—UAE, Bahrain, Morocco, and Sudan—and got them to sign a deal with Israel. It was called the Abraham Accords. Brokered by the Trump Administration, these accords catered to each Muslim nation's interests: the UAE acquired advanced US weapons, Bahrain gained support against Iran, Sudan was removed from the US 'state-sponsored terrorism' list with a World Bank aid, and Morocco received US recognition over the disputed Western Sahara.

In return, all these countries promised to establish normal trade relations with Israel. The US believed that this would benefit everyone creating new jobs and economic prosperity. Especially for Israel. Some estimates pegged that its GDP would rise by over 2%.

In fact, the US has also been trying to rope in major Middle Eastern players like Saudi Arabia. There were whispers that the US was enticing the country with assistance for a nuclear program. However, amidst these developments, Palestine's concerns seemed to have been sidelined, with neither the region nor its populace appearing in any significant discussions.

They continued to remain in the backdrop until the brutal attacks last weekend. Now that we've sort of summed this up, we have to also ask—will this war have a spillover effect on the world? Well, we don't know yet. Israel and Palestine aren't really oil producers.

But oil prices have already headed north. Some say it's because of Iran, considering the fact that many believe the country supported Hamas' attacks. And if they choose to enter the fray formally, it could be a problem. Not only does the country produce oil, but, it's also in proximity to the Strait of Hormuz — 37% of all sea-based oil exports moves through this passage. Who's to say that the militants in the region won't target this too for leverage? If it does, oil prices could be in for a shock. For now, one can only hope that better sense prevails in the region, that the war ends soon, and innocent civilians are spared the horror and atrocities of the mindless attacks.

By Pooja Naik

Update for the day #1925 | An explainer on Off-Budget Borrowings

When the central or state governments present their budgets, they allocate blocks of money for different purposes. The expenditure list includes food, education, infrastructure, healthcare and a lot more. And this is taken care of by the government's receipts in the form of taxes we pay.

But when these receipts aren't enough to support routine and capital expenditure, governments borrow from the central bank. Or even raise money from the public in the form of bonds. A bond is like a loan you lend to the government trusting it to repay after a specified period with periodical interest payouts. And this extra spending creates something called a fiscal deficit. The lower the fiscal deficit, the better it is for the government. It shows how prudent it is and also improves its creditworthiness. This means that if the government needs more money, it can't simply keep borrowing. So, what does it do?

It resorts to something called an off-budget borrowing. You could think of this as debt which doesn't directly show up in its books. And that's because it doesn't borrow directly at all. Instead, it just asks another public entity to borrow on its behalf while servicing the principal and interest payments from the budget itself.

Just look at the Food Corporation of India (FCI), our country's main grain-handling agency. It gets subsidies from the government which go into providing food and grains to over 800 million people. So, it's one of the largest users of budgetary revenue. Despite that, it needs a lot more money to keep its schemes running.

For instance, this year the Union Budget allocated ₹1.97 lakh crore to the FCI. Although it may seem like a huge allocation, it's actually about 30% lower than last year. So, it may need to go to banks or borrow from the National Small Savings Fund, where all the public money from small saving schemes gets pooled.

On the face of it, it may seem like the government has reduced its expenditure. But if the FCI borrows and cannot repay on its own, the government has to ultimately do it later. And that's likely, simply because the FCI doesn't make enough money to actually repay all of its debts. And this could spell long term trouble. Because when you have debt and it doesn't show up on the books, it makes things less transparent. Governments could go into a debt spiral, making it a perfect recipe for hindering future growth.

A recent paper by the Centre for Social and Economic Progress (CSEP), throws light on how off-budget borrowings may have gotten states to go off their debt tracks. For context, Andhra Pradesh and Telangana, two southern states are major off-budget borrowers. And their debt-to-GDP ratios for FY21 are mostly underestimated because they only consider direct borrowings. But if you consider off-budget borrowings these ratios go up by close to 10%. So, what's the way out of this hazy problem, you ask?

Well, one way to increase transparency could be by levelling up inconsistent accounting practices. You see, most states address off-budget borrowings by either including them as a part of their total debt or tabling them as a separate statement along with the annual budget. But some state laws like those in Madhya Pradesh, Rajasthan, Tamil Nadu and Jharkhand have indirect references to off-budget borrowings. So, it may be hard to compare where a state stands. And the central government is actually trying to change this. Starting FY22 it told states to consider off-budget borrowings as a part of their debt ceilings itself. A debt ceiling is how much states can borrow depending on their GSDP (Gross State Domestic Product). This means that states will have a much smaller borrowing window.

Now, this can be hard on them considering that they have to spend heavily on food and power subsidies and infuse capital for infrastructure. But the Centre has also tried to make this easier by letting them spread the burden of their off-budget borrowings for the first year over the next four years.

Another solution to help the Centre and states quit the off-budget borrowing habit is to actually increase their tax base and bring in more sources of revenue. That's the reason why the Centre is actually simplifying tax filing. With the introduction of a new exemption-less tax regime which also has lower tax rates, it hopes that more folks in the tax net come forward to pay taxes. This way the government can actually reduce compliance costs as it won't have to scrutinize thousands of income tax returns to check if taxpayers claimed false exemptions. So, they get to keep and utilize tax revenues more efficiently. But governments also need to rationalize expenditure. Reducing subsidies may not be the most effective way to do this. Because government entities that rely on these subsidies might then resort to external borrowing. Giving rise to a vicious cycle of off-budget borrowings.

Instead, they could focus on judicious spending through programs similar to the Gati Shakti Mission. It aims to try and get different departments to coordinate with each other so that capital is used resourcefully. So, inefficient practices like digging up the same stretches of roads multiple times to lay pipelines and telecom cables take a back seat and save monetary resources.

But until governments fix this, the only prudent way to deal with off-budget borrowings is to address data gaps. A clear reconciliation between how much governments are borrowing versus how much they're disclosing could be the first step towards tackling the bigger problem at hand. With clarity, reducing off-budget borrowings will naturally follow

By Sudarshan Raju

Update for the day #1926 | What ails LIC?

LIC (Life Insurance Corporation) is going through a tough time. Its market share of premiums from new policies or the New Business Premium (NBP) dropped from 68% to 59% in the past year. And maybe the writing was on the wall. Maybe people knew this was coming — its shares have fallen over 20% ever since it went public last year.

But what ails LIC, you ask?

Well, to understand that, we first need to rewind a bit.

See, LIC began operations in the 1950s when the government heading the newly independent India decided to nationalize a lot of businesses. Insurance was one of them. They felt that Indians needed to protect their life and the government had to have a say in it. So, a bunch of existing private Indian and foreign companies were all squished and merged together. That's how LIC was born. The business model was simple — they'd employ a massive salesforce of agents. These folks would collect money (premiums) from clients and, in exchange, promise to offer future monetary benefits upon death or upon the completion of a certain period of time. Once they collect these premiums, LIC would invest these monies in stocks, bonds and other financial instruments according to guidelines prescribed by the regulator.

And for around four decades, LIC ruled the roost. It had no competition and was a monopoly.

But in 2000, the government tweaked the rules. It allowed private insurers a route in. New business models and policies began to emerge. But LIC stuck to its guns. It kept doing what it had done for nearly 50 years. Why change what wasn't broken, right?

For instance, in 2005, LIC had 9.8 lakh active agents. But since then, the progress has been slow. By the end of 2023, it still only had 11.4 lakh agents who were active on its rolls.

Now there are a couple of reasons why this happened. For starters, young folks now have different outlooks on career opportunities. And being an LIC agent might not even be the last thing on their mind. If you look at the age group of LIC agents, you'll see that only 15% are below the age of 30.

LIC agents bring in over 90% of new business for it even today. But it can't really keep throwing more commissions or incentives to get them to stay. And that's because the insurance regulator IRDAI (Insurance Regulatory and Development Authority of India) has regulations that cap agent commissions and incentives. But at least in the private sector, the career prospects can be better. For instance, many private insurers are linked to their banks — like HDFC and ICICI. So, there's often a ready customer base to sell to. It might even offer the opportunity to shift careers from pure insurance to banking. And these things could affect agent attrition further.

Sure, LIC does have a large stake in IDBI Bank. But it's not the same thing. LIC gets just 3% of its business from corporate agents such as banks. Whereas the private sector really leverages on this segment that contributes to 58% of new business.

Also, a mere 0.16% of its sales happen directly on its website. This is compared to 2.30% for the private sector. So LIC might really need to up its technology game as customers' perspectives of insurance have changed today. They want to sit at home and compare policies online at their convenience from a website that's easy to interact with. And HDFC Life, India's second-largest private life insurer, is already showing that's the way to go. In FY23, it spent approximately 40% more on improving technology for its insurance business over the previous year. And that was much above the tech budget growth of about 15-30% it saw in the earlier couple of years.

And beyond all this, it's also about the product mix.

By Dhruv Bajoria

Update for the day #1927 | Biocon's Complex Journey: Unpacking the Rise, Fall, and Future Prospects

A few days ago, Biocon made headlines by completing the integration of Viatris' business into its own operations. This acquisition marked a significant milestone in Biocon's history, making it an opportune time to delve into the biopharmaceutical company's journey and current standing.

Before we delve into Biocon's story, let's address the ongoing Adani saga. While we haven't covered it in our newsletter yet, you can find a fact-based explainer on the matter on our YouTube channel [insert link here].

Biocon's Rollercoaster Ride:

From 2016 to 2020, Biocon was a shining star for investors, with its stock soaring over 400%. Everyone was full of praises, but the company's fortunes took a downturn after that. The stock lost over 40% of its value, while the Nifty Pharma index rose by approximately 20%.

So, what's behind Biocon's stock struggles? According to Kiran Mazumdar-Shaw, the Founder and Managing Director of Biocon, there are three key reasons:

1. Misunderstanding of Biocon's Uniqueness: Biocon is not your typical Indian pharmaceutical company that produces generic drugs. Instead, it invests heavily in research and development (R&D) and focuses on innovative biologics, setting it apart from others in the industry.

2. High R&D Expenses: Biocon allocates a substantial portion of its revenue to R&D, particularly in its biologics business. This extensive R&D investment is a necessity for developing breakthrough drugs, but it takes time to yield results

3. The Viatris Acquisition: A couple of years ago, Biocon acquired the U.S. company Viatris for over $3 billion, primarily financed through debt. Some investors may be uneasy about the significant debt component, as the pharmaceutical industry is not traditionally associated with high debt balances.

Understanding Biocon's Business:

Biocon's operations can be broadly categorized into three main segments:

1. Generic and API Segments: This is the core of Biocon's business. Unlike conventional pharmaceutical companies, Biocon specializes in biotechnology and uses living organisms like bacteria to create the molecules required for generic drugs. They also supply active pharmaceutical ingredients (APIs) for various drugs, such as statins used to treat cholesterol.

2. Contract Research: Handled by its subsidiary, Syngene, this segment serves as the company's R&D center. Syngene assists third-party drug makers in drug discovery, pre-clinical trials, and drug manufacturing.

3. Biologics Division: Biocon Biologics, another subsidiary, is a critical piece of the puzzle. It focuses on creating complex proteins, known as biologics, for treating diseases like cancer. Biocon also produces biosimilars, which are similar to biologics once patents expire. Developing biosimilars is complex and time-consuming, requiring substantial investment.

Biocon's Challenges and Opportunities:

While Biocon's biosimilars business is a major revenue contributor, it has faced challenges. Delays in approvals and difficulty in capturing the U.S. market share have hindered its growth. The original biologics maintain their dominance in the U.S., which has dampened investor sentiment. There have been phrases like "missed estimates" in recent analyst reports, which has contributed to the stock's decline.

Beyond these challenges, Biocon faced a corporate governance scandal a year ago, where top officials were accused of attempting to bribe their way to regulatory approvals for an insulin injection, a biosimilar product. Although Biocon denied all allegations, such negative publicity may have deterred investors.

In conclusion, Biocon's stock struggles can be attributed to a combination of factors, including investor sentiment, challenges in the biosimilars market, and corporate governance concerns. As Biocon continues to reduce its debt and demonstrates success in the biosimilars sector, it may regain investor confidence. The future holds potential, especially with a significant opportunity in the biosimilars market.

We'll be closely watching Biocon's journey to see if it can bounce back from its recent setbacks. Until then, investors will have to weigh their options carefully in the ever-evolving world of finance.

By Hardik S Patel

Update for the day #1928 | Being emotionally intelligent at work

Aa Improving emotional intelligence can take time and effort, but it is an important skill that can increase job performance and career success.

Emotional intelligence (EI) refers to the ability to understand and manage one's emotions and recognize and respond appropriately to the emotions of others. It has several components: self-awareness, self-regulation, motivation, empathy, and social skills. Someone with high EI can recognize their own emotions and the emotions of others, manage their own emotional responses, and effectively navigate social interactions.

Improving emotional intelligence can take time and effort, but it is an important skill that can increase job performance and career success. Employers can support the development of EI by providing training, promoting open communication, and creating a positive and supportive work environment.

Here are some strategies for improving EI:

Develop self-awareness: Self-awareness is the foundation of EI, which involves recognizing and understanding one's emotions. Pay attention to your thoughts, feelings, and reactions in different situations, and reflect on how they may impact your behavior and interactions.

Practice self-regulation: Work on managing emotions productively and positively. This involves developing coping strategies, regulating mood, and avoiding impulsive behavior.

Build empathy: Empathy is the ability to recognize and understand the emotions of others. Practice active listening, ask questions and show interest in others' perspectives to develop empathy and build stronger relationships with colleagues and clients.

Improve communication skills: Work on expressing yourself clearly and respectfully, listening actively, and adapting your communication style to various situations and people.

Seek feedback and learning opportunities: Ask for feedback from colleagues and supervisors, and be open to constructive criticism. Look for opportunities to learn and grow through training programmes, mentorship, or self-directed learning.

Measuring Emotional Intelligence (EI) can be challenging as it is a complex and multifaceted construct. There are several tools and assessments to measure EI. Here is how EI can positively influence the workplace:

Improved interpersonal relationships: Employees with high EI are more likely to form positive relationships with their colleagues, supervisors, and clients. They are better able to recognize and respond to the emotions of others, which can lead to more effective communication, collaboration and conflict resolution

Enhanced leadership skills: Leaders with high EI are better equipped to inspire and motivate their teams, as they can understand and respond to the emotional needs of their employees. They are more likely to create a positive work environment and foster a sense of trust and respect among team members

Increased job satisfaction and engagement: Employees with high EI are likelier to feel fulfilled and engaged in their work. They can better manage stress, adapt to changes in the workplace, and maintain a positive attitude

Improved decision-making: Individuals with high EI can better manage their own emotions and make decisions based on rational thinking rather than being swayed by their emotions.

By G N Abhigna

Update for the day #1929 | 10 things to know about The Great Wall of China

1. **The total length of the Great Wall is 21196.18 km:**

The Great Wall is the largest man-made project in the world. The complete route is over 20,000 km, stretching from the east seaside to the west desert in northern China, winding up and down across mountains and plateaus like a dragon.

2. T**here are 15 strategic passes from the East to the West:**

The Great Wall stretches across 15 northern Chinese provinces, municipalities and autonomous regions, from the Bohai Sea in the east to the Gobi Desert, 2,500 kilometers away in the west. There are 15 geographically important passes built along the route.

3. **It took over 2,000 years to construct the wall:**

The first emperor of China, Qin Shi Huang took the remnants of ancient fortifications, walls, and earthworks and linked them into a unified wall circa 220 B.C.

4**. It is not a wall but a series of fortifications:**

The Great Wall is not single-structured, it includes beacon towers, barriers, barracks, garrison stations, and fortresses along the walls, together forming an integrated defence system.

5. **Various materials were used to build the Great Wall:**

The Great Wall is a massive monument built with different materials. Most of the sections we see today were built with bricks and cut stone blocks, and lime mortar was used to hold the bricks together. Where bricks and blocks weren't available, tamped earth, uncut stones, and wood were used as local materials

6. The eastern beginning in the sea: Shanghai Pass:

Shanhai Pass was a fortress built in the Ming Dynasty (1368 – 1644) and is the first pass in the East of China. It is located outside of Qinhuangdao City on Bohai Bay and 305 km away from Beijing. Given its strategic location, it's reputed as the "First pass under heaven".

7. The western end in the Gobi Desert: Jiayu Pass:

Jiayu Pass is famous for being the first frontier fortress at the western end of the Great Wall of China in the Ming Dynasty. Among the hundreds of passes of the Great Wall, Jiayu Pass is one of the most well-preserved passes in existence.

8**. An ancient tale of love: the legend of Lady Mengjiang:**

It's one of the four greatest love legends in ancient China. Lady Mengjiang's husband was sent to build the Great Wall and never gave news. She departed to bring winter clothes to him but heard that he had already died. She wept so bitterly that part of the wall collapsed.

9. The workers from ancient times left marks on the bricks:

Some say that the texts on the bricks are a method that General Qi Jiguang devised to assess the quality of the bricks made by the soldiers and to clarify the responsibilities. However, historians questioned this.

10. It is the Chinese people's greatest cultural icon:

The Great Wall is the product of countless labours over 2,000 years and is a feast of engineering. It also reflected the collision and exchanges between the agricultural and nomadic civilizations. In the Yuan Dynasty (1272-1368), the Juyong Pass functioned as a major traffic artery from Beijing to Inner Mongolia. Since Yuan emperors often took this route between those places, temporary imperial palaces, temples, and gardens were constructed.

By Sailesh L Gandhi

Update for the day #1930 | Bank of Baroda is involved in fraud?

On 10th October, the RBI banned the Bank of Baroda from onboarding new clients on their mobile app 'bob World'. The reason?

Fraud!

Yup, a few months ago, the state-owned bank conducted an internal audit across 7,000 branches in the country. And they found something shocking—the bank's agents had secretively withdrawn ₹22 lakhs from customer accounts.

Oops. So how on earth did this happen?

Well, let's rewind a bit. To November 2021. BoB made a big splash by announcing that it was finally launching its banking app. It told customers that it would be a gamechanger and they could "Save, Invest, Borrow, and Shop" on the platform. In total, it would have at least 95% of the services that a retail user would need. And to make it a success, BoB went on overdrive.

They formulated a pull strategy. They promised customers special benefits. For each transaction a customer initiated—signing up on bob World, making UPI payments, recharging bills, booking flights, and even requesting a credit report—they'd earn points. And these points had a monetary value associated with them. This meant that at some point, customers could encash the points or redeem it for some online shopping.

But of course, that alone wasn't enough. They need to 'push' the app too. And that's when the top brass turned to the staff and said, "We want to see you getting xx customers on board the app each day. Go get 'em!"

That's where everything started to go wrong for Bank of Baroda. Because it seemed like the targets were too unrealistic. Staff couldn't meet them. They began to get an earful from the top management. And no one likes to be pulled up by the bosses, right?

So, some ingenious folks found a workaround. They simply downloaded a list of bank accounts that weren't linked to any mobile number. And they simply began to input random numbers—it could be the staff's own number, or that of their relatives, or even the cleaning and security staff who worked at the branch. Once the account was linked, they could simply download the app on a phone, get the OTP sent to themselves and sign the customer up on bob World.

Ta-da! They were able to meet their targets. They were applauded in meetings.

The word spread. Employees told their friends about the neat trick. And Bank of Baroda staff in Uttar Pradesh, Rajasthan, Gujarat, and Jharkhand all began to resort to the same tactic. But there was more—in some cases, customers didn't have smartphones. They still operated physical keypad-based feature phones which didn't support the app. So, the BoB staff called them to the branch, took out the sim cards, inserted it into their own smartphone and signed them up.

The number of downloads soared. The sign-up metrics ballooned. The management claimed that the app was a success! And Bank of Baroda even began to win awards for its app. And here's the shocker—Apparently, BoB whistleblowers claim that these tactics had the full blessing of the zonal and head offices too. Everyone wanted success by hook or crook.

It was insane. But wait…don't the banks have systems in place to prevent the same number being linked to multiple accounts?

Well, when Al Jazeera reached out to the bank with that question a few months ago, the bank vehemently denied the problem. They said, "No way. Every bobWorld account has a unique mobile number associated with it." But when The Reporter's Collective and Al Jazeera began to investigate, they found that on average, 47 accounts were linked to the same mobile number.

Now you can imagine what unscrupulous people could do, right? They'd have easy access to the bank account. They could transfer money easily or initiate transaction since they'd be the ones to receive the OTP. They could basically empty the bank account if they so desired. And that's what some bank agents did in rural areas. They quietly siphoned off ₹22 lakhs from customer accounts. Or at least, that's the number that has been revealed so far.

It's a sorry state of affairs at this state-owned institution. But wait…the matter doesn't end there.

You see, even the audit that the bank ordered seems to be quite problematic. Apparently, Bank of Baroda got their own employees to run the show!

Typically, when there's an inkling of fraud, you would hire an independent party to go through documents with a fine-toothed comb. It shows that you're serious about getting to the bottom of the problem and finding the truth. But taking one's employees with something so important doesn't cut ice with anyone. Because here's the thing. You can manipulate an internal audit if you so wish.

For instance, TRC says that to cover their backsides, the top brass in regional offices asked the 'auditors' to forge documents—get a signature or thumbprint of the customer on a blank form, fill it up with necessary details, and backdate it. Or when that was not possible, the bank staff simply forged the signatures themselves. So, when people asked questions, they'd have evidence that protocol was actually followed.

Basically, the allegation is that the audit was just a charade and rather than bring the truth to light, the objective was to sweep the problematic crumbs under the carpet.

And if all this sounds familiar, it's because we've seen it before. Remember the massive Wells Fargo bank scam in the US a few years ago? It was a similar modus operandi. The staff opened accounts without permission, forged signature and identification numbers, and then some folks took it a step further and stole money from customer accounts too. And then the top brass tried to hide all these dubious activities.

But why do these scandals continue to happen?

Well, the simple answer is that unrealistic goals or sales targets create an incentive to cheat. Or as one Bank of Baroda employee put it, "At the end of the day, to meet the number [target] and save your bread and butter, you have to do such things." And the thing is sometimes, such 'group' targets can be an even slippery slope—by group target, we mean a diktat saying, "Each branch is expected to onboard 100 digital app accounts daily." When Tae-Youn Park, an Associate Professor at Cornell University, dug into the matter he found that team-based incentives (or targets) can lead to members ignoring ethical problems. They don't want to be the odd one out who disrupts the group dynamic. He says that research indicates that teams are more likely to falsify data than individuals alone.

Maybe it's something that management teams across all companies should ponder when setting goals

Anyway, the bottom line for Bank of Baroda is that the RBI has taken notice. The bank will go through a cleanup. Maybe some heads will roll. But at the end of the day, the scandal may not rock the boat much. Things will continue in much the same way till some enterprising whistleblower reveals the next scam. That's just the unfortunate reality.

By Kishore R

Update for the day #1931 |Gujarat's Dhordo gets UNWTO 'best tourism village'

Aa The quintessential village of Dhordo in Gujarat has garnered international recognition after it secured a place on the list of the 54 best tourism villages announced by the World Tourism Organization (UNWTO), recently. Prime Minister Narendra Modi expressed his delight at the recognition of Dhordo as the "best tourism village". He lauded the rich cultural heritage and natural beauty of the village and emphasized its potentials to attract visitors from around the world. Union Home Minister Amit Shah celebrated the achievement, acknowledging the PM efforts to transform the area into a world-class tourism site.

Dhordo recently hosted the inaugural Tourism Working Group Meeting of the G20, during India's presidency of the influential group. The UNWTO's Best Tourism Villages 2023 accolade is a tribute to villages leading the way in nurturing rural regions, preserving landscapes, upholding cultural diversity, safeguarding local values, and celebrating culinary traditions.

Launched in 2021, the Best Tourism Villages by UNWTO initiative is a vital component of the UNWTO's Tourism for Rural Development programme to promote sustainable tourism practices. In its third edition, the UNWTO's initiative selected 54 villages from diverse regions out of nearly 260 applications.

The announcement was made during the UNWTO General Assembly held in Samarkand, Uzbekistan, from October 16 to 20. The initiative recognizes villages that have harnessed tourism as a catalyst for their development and well-being. Apart from Dhordo, other villages that achieved recognition include Barrancas in Chile, Biei in Japan, Cantavieja in Spain, Dahshour in Egypt, Dongbaek in the Republic of Korea, Douma in Lebanon, Ericeira in Portugal, and Filandia in Colombia, as per the statement. Furthermore, villages newly participating in the Upgrade Program this year include Asuka in Japan, Baos de Montemayor in Spain, Bilebante in Indonesia, Civita di Bagnoregio in Italy, El Cisne in Ecuador, and Iza in Colombia, among others.

The villages are evaluated across nine key areas, including cultural and natural resources, the promotion and conservation of cultural resources, economic, social, and environmental sustainability, and tourism development.

The Best Tourism Villages by UNWTO recognizes exceptional rural tourism destinations that boast accredited cultural and natural assets, a strong commitment to preserving community-based values, and a clear dedication to innovation and sustainability across economic, social, and environmental dimensions.

By Y. Aryan Sai Manjush

Update for the day #1932| India's Gaganyaan Mission

Gaganyaan Mission:

India's Gaganyaan Mission, spearheaded by the Human Space Flight Centre (HSFC), marks a significant chapter in the country's space exploration endeavours. The mission is led by ISRO (Indian Space Research Organization) with the primary objective of demonstrating human spaceflight capabilities. This monumental endeavour involves sending a crew of three astronauts to an orbit 400 kilometres above the Earth's surface, where they will spend three days before safely returning to our planet by landing in Indian sea waters

ISRO's Objective:

At the core of the Gaganyaan project lies a meticulously planned strategy, combining in-house expertise, the experience of Indian industry, the intellectual capabilities of Indian academia and research institutions, and cutting-edge technologies available from international agencies. The mission's success hinges on several critical technologies, including a human-rated launch vehicle to transport the crew safely into space, life support systems to create a habitable environment in space, provisions for crew emergency escape, and evolving crew management aspects for training, recovery, and rehabilitation.

New Training for Astronauts:

Astronaut training is a pivotal aspect of the Gaganyaan Mission, and ISRO has established a state-of-the-art Astronaut Training Facility in Bengaluru. This facility covers a wide spectrum of training, including classroom instruction, physical fitness regimens, simulator training, and flight suit training. The training modules encompass academic courses, Gaganyaan Flight Systems, microgravity familiarization through parabolic flights, aero-medical training, recovery and survival techniques, mastery of flight procedures, and training on Crew Training Simulators. Additional elements, such as aero-medical training, periodical flying practice, and yoga, are also integral parts of the training program.

Benefits to India

The Gaganyaan Mission brings with it a multitude of tangible and intangible benefits for India:

1. Advancing Space Exploration: This mission is a significant step toward building a sustainable and cost-effective program for both human and robotic exploration of the solar system and beyond. It bolsters India's position in advanced technology capability, paving the way for sample return missions and scientific exploration

2. Global Collaboration: India's space program will actively collaborate in global space station development and participate in scientific experiments of national interest. This opens doors for international cooperation and diplomacy.

3. Academia-Industry Partnerships: The Gaganyaan Mission creates a framework for wider academia-industry partnerships, encouraging development activities that contribute to national growth.

4. Employment Generation: This endeavour holds the potential to generate ample employment opportunities and foster human resource development in advanced science and R&D sectors.

5. Inspiring the Youth: The mission provides a unique opportunity to inspire and engage the Indian youth, steering them towards careers in science and technology. It encourages innovative and creative thinking among the nation's future leaders.

6. Leveraging Foreign Policy: A vibrant human spaceflight program can serve as a potent foreign policy tool, strengthening international partnerships and enhancing global security through the pursuit of challenging and peaceful goals.

In conclusion, the Gaganyaan Mission is a monumental leap for India's space program, with a vision not only to explore the depths of space but also to inspire a generation and secure a brighter future for the nation on the global stage. This mission's success stands as a testament to the nation's commitment to excellence in space exploration.

By Suhan Bammigatti

Update for the day #1933 | 'The Basmati Wars - India v/s Pakistan'

In 1997, an American company, RiceTec obtained a patent for a strain of rice never historically grown in America—"Basmati". They had achieved this feat by crossbreeding India's native plant with a US long rice variety and then claimed exclusive rights over any basmati hybrid grown in the western hemisphere. How could they use a traditional name and prevent Indian suppliers from exporting Basmati rice to the US? More importantly, how did a Patent office grant the company protection when Basmati is and will always be unique to India?

And with tensions mounting, the Indian government challenged this claim. The only problem—India was fighting an American company over intellectual property infringement, at a time when the country did not have robust domestic IP laws in place. But then, India found support from an unlikely source—Pakistan.

Pakistan, along with India, shares vast tracts of land in the Indo-Gangetic plains where Basmati cultivation is a prime occupation and farmers from both countries demanded rights over their produce. RiceTec for its part argued that its Basmati had a distinctive taste (and smell) making it unique in every respect. India, however, countered this claim, by providing pages of scientific evidence on how the unique taste and smell of Basmati came from Indian soil irrigated by the Himalayan rivers. They argued that RiceTec's products were poor imitations of the original product and in 2002, forced the company to withdraw most of its claims. Eventually, RiceTec rebranded its products and we had a minor victory of sorts.

However, it was evident that India was pretty ill-equipped to deal with Intellectual Property (IP) disputes. In September this year, India applied for a European Geographical Indication (GI) tag in a bid to claim exclusivity over Basmati rice in the region.

Think of GI as this special trademark that gives you an indication about a product's origin and its unique qualities/reputation. The GI tag belongs to the region and the people making this stuff and they'll be offered special protection under European GI laws.

Also, the GI mark allows consumers to trust the original product and its promise of quality. For agricultural produce, the value premium stood at 1.5X.

And so, in a bid to obtain the GI tag for Basmati, India's application presented details such as geographical peculiarities, environmental factors and all things that make Basmati "Indian". The application completely ignored the fact that some of the Basmati is also grown in their country and we just claimed full exclusivity. After all, the global export market share for Basmati shows that they contribute 35% of the total produce. But if we were to be awarded this tag, then Pakistan can no longer export their Basmati rice under the header "Basmati". And although they can dispute our application (during a 3-month period between September and November), it might be a bit difficult to build the case.

As a prerequisite, EU regulations require third party countries to have their own GI laws in place that protect the product in question. Pakistan got its domestic GI laws passed just this March, whereas India passed its laws in 1999. India also has a domestic GI tag for Basmati. So now, they have around 2 months to build their case, demarcate areas that cultivate basmati and obtain a domestic GI tag for Basmati rice under their own domestic laws before they can raise a dispute.

But that doesn't mean India will have a free pass either. In fact, it would have been a lot easier if India and Pakistan had filed a joint GI application.

By Vinisha S M

Update for the day #1934|Infra investments to double to Rs 143 trn in FY24- FY30

Aa Infrastructure investments in India – public and private – will more than double in the seven-year period ending March 2030, to Rs 143 trillion, as compared to Rs 66.7 trillion between 2017 and 2023, according to a report.

These investments could play a crucial role in doubling the size of the economy to $6.3 trillion by FY31.

The seemingly optimistic estimates have been made by Crisil, even as only 38% of Rs 111 trillion original target of the National Infrastructure Pipeline 2019-2025 was achieved till the end of the last fiscal (despite this, the target was since raised to Rs 147 trillion).

According Crisil's Infrastructure Yearbook 2023, 70% of the initial NIP goal may be achieved by the end of FY25.

The report, however, identified a few policy impetuses required for ambitious goals to be realized. These include elaborate legal arrangements to ensure proper distribution of pay-offs and risk sharing to align incentives. It is also essential to develop new instruments, deepen the secondary corporate bond markets and tap into ESG funding (investments that are decided based on environmental, social and governance principles), it added.

The next phase of infrastructure development will be marked by growth in the average ticket size of projects and a significant number of mega-scale projects, Crisil said.

Appropriate and consistent policy and regulatory interventions and focus on timely execution build an attractive case for various stakeholders to accelerate investments across infrastructure sectors, it added.

"While the lion share of investments will come from the government in roads, railways and urban sector, the private sector is increasingly focused on energy and transportation sectors," senior director (transport, mobility and logistics) at Crisil Jagannarayan Padmanabhan said.

As for NIP, the Centre so far contributed 49% of the total investments, state governments 29% leaving the balance to be covered by the private sector. While roads, railways, urban and other infrastructure have drawn on government funding the private sector has dominated power and industrial sectors in terms of investments.

Of the total projected infrastructure spend till 2030, Rs 36.6 trillion or 26% will be green investments. This will be five times more than the amount invested in 2017-2023. "The biggest share in green investments of Rs 30.3 trillion will be in renewable energy followed by Rs 6.3 trillion in transportation," Crisil said.

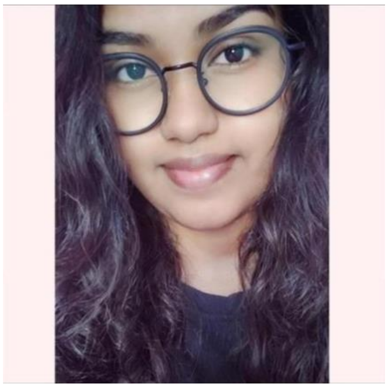
Of the total green investments in the power sector, non-fossil fuel additions will account for 78% of the share at Rs 22.4 trillion. Green infrastructure investments of Rs 3.9 trillion are expected till 2030 and the remaining will be in efficiency improvements and smart meters.

The green investments would be up to 75% financed by debt. Rest will some from equity, asset monetization and foreign direct investment. Debt will include overseas bonds and external commercial borrowings and loans from non-bank finance companies and banks themselves. Tax incentives for investments in green bonds should also be considered.

Out of the total investments of Rs 7 trillion in the transport sector, 90% will be in green. The sharp increase in investments will be led by electrification of transportation sectors which will see investments increase in sectors like battery manufacturing, electric charging infrastructure and component manufacturing for electric vehicles. The hydrogen sector is expected to attract investments of Rs 1.5 trillion.

Among the sectors with the highest investment attractiveness score, roads and highways tops the list followed by power transmission, renewable energy and ports. At the bottom are conventional power generation, power distribution and urban infrastructure. Sandwiched between the two extremes is oil and gas, mining, airports, electric vehicles ecosystem and railways.

By Chandana D



Update for the day #1935| Will India's new mining rules be a gamechanger?

As India has ambitious goals. By 2030 we want EVs to make up at least a third of private vehicles on the road; we want 65% of our energy requirements to be met by renewable energy such as solar and wind and to achieve these goals, we first need a whole boatload of batteries. The lithium-ion kind that power EVs and also serve as grids to store renewable energy.

But here's the thing. At the moment, we're heavily dependent on importing these batteries. Over 95% of the lithium-ion batteries make their way into the country from China and Hong Kong. And it doesn't come cheap. So, we need to achieve some form of self-reliance to help our cause.

And the good news is that we seem to be heading that way. Remember the big news from February this year? We discovered massive reserves of lithium in Jammu and Kashmir. And the whispers began — if we could mine just 10% of it, it could be enough lithium to power 6 crore EVs in India. It was a jackpot.

But as with most good things in life, we need to clear some hurdles to get there.

For starters, ever since we first formulated the Mines and Minerals Act after independence, we limited the private sector's involvement. We barred them from mining critical minerals and metals like lithium and nickel, deeming these too vital for national security to entrust to private hands. This limitation impeded progress. With just a handful of state-owned enterprises with the technical expertise for mining, we were quite restricted. Exploration and mining activities were slow.

So, in the past year, the government has been tweaking rules in a hurry.

Firstly, they opened up the critical minerals segment to the private sector. They decided that with the money and resources that private mining companies had, it made sense to get them to participate in the process.

They also decided to speed up the auctioning of mines. How, you ask?

Well, the central government's complaint was that the states in charge of auctions were too slow. They hadn't conducted proper mining auctions in over 4 years. So, the central government took matters into their own hands and decided to conduct auctions themselves. Maybe this would convince private companies that the government was serious about the whole business.

Secondly, they also decided to hand out composite licenses for the cause. You see, mining licenses were typically issued in two parts. If you want to first explore and identify worthwhile deposits, you'd need an exploration license. And then, if you wanted to mine what you discovered, you needed to obtain another license for production. It wasn't attractive for companies because they'd have to deal with severe financial consequences if they spent time and money finding the deposits, but then were denied the license to explore. But a composite license allows for both activities. And the government thinks that will be attractive for the private sector.

Thirdly, the government addressed mining royalties. Historically, India has had one of the highest royalty rates globally, primarily because state governments saw this as a revenue source. These high charges discouraged miners. For perspective, an annual survey by the Fraser Institute that ranked countries based on their mining policies consistently rated India poorly. In 2017, India was even excluded from the list.

So, if we were opening up to the private sector, we needed to ensure the rates were competitive. We looked at how other countries charged royalties. We figured that in Australia, companies paid a mining royalty that amounted to 3% of lithium's quoted price on the London Metal Exchange. And in Argentina, Bolivia, and Chile (the lithium triangle), it was 4.5%. So, this time, instead of being on the pricier side, we went low — we've fixed it at 3% for lithium and niobium. And kept it at just 1% for other rare earth elements.

So yeah, putting all these amendments together could be quite a gamechanger. We might see both Indian and foreign mining companies rush to participate. Some estimates also suggest that the contribution of the mining industry could jump from just 1.75% of the GDP to 2.5% over the next five years. Not to forget the millions of jobs these activities could create too.

By Arun Nagarajan

Update for the day #1936 | The Ghost of RBI's Past?

The RBI likes to keep one thing firmly under control—liquidity. Or in simple terms, the amount of money sloshing about the system.

Because if there's too much money lying with banks, they might be tempted to lend it out quickly. Corporates could borrow and expand their business. People might take loans and spend—buy new cars, take holidays etc. Demand could shoot up. You know what happens as a result of that right? It can push prices higher and we get the dreaded inflation.

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Because if there's too much money lying with banks, they might be tempted to lend it out quickly. Corporates could borrow and expand their business. People might take loans and spend—buy new cars, take holidays etc. Demand could shoot up. You know what happens as a result of that right? It can push prices higher and we get the dreaded inflation.

Or, the RBI could indulge in some Open Market Operations (OMO). They sell government bonds to the banks. Banks part with the money they have and voila, the excess money gets sucked out again.

But in April 2022, the RBI decided to do something else too. It announced a currency swap. It told banks, "We're going to give you $5 billion from our forex reserves immediately since we have plenty of dollars. You give us rupees in return. In October 2023, we'll reverse this deal. We'll give you back the rupees plus a premium at a predetermined rate. And you hand back the dollars."

Now it's not often the case that a central bank toys with currency swaps to suck out liquidity. But the RBI was increasingly relying on this tool. And this endeavor removed nearly ₹40,000 crores from the banking system. To be honest, this wasn't a massive sum of money. There was an excess of over ₹7 lakh crores in the banking system. So, it was a drop in the bucket.

So, we dug around. Maybe the RBI had another goal too. And some experts believe that it had something to do with the rupee. You see, back then the rupee was going through a bout of depreciation against the US dollar.

It was losing its value. But offloading dollars and buying rupees from the banks would give it some support. And it probably worked. Its price rose and it staved off further depreciation.

Also, there's one more bit. And remember this is just a hypothetical example of how a transaction like this might work. The RBI might look at what the market quoted for a ₹/$ trade. Firstly, there's the spot market, where an immediate trade would take place.

Maybe this indicated that $1 was worth ₹70. Then the eyes turn to the forward market, where say the trade would be settled in a year's time. And maybe this signaled that $1 would be worth ₹73 in a year. That ₹3 is the forward rate premium.

Putting these two things together, the RBI might say, "Look, we'll give you $1 dollar in return for ₹70 now. And a year later, when you give us back the $1, we'll give you ₹73.5.

Why on earth would the RBI offer a premium? Well, maybe the premium is an incentive for the bank. Something to convince them to enter a swap deal with the RBI.

So anyway, if you think about it, giving a premium may not seem like a great idea. It kind of shows that the RBI is betting on the rupee's depreciation. But there's a flip side to that.

See, this forward market premium is also a reflection of interest rate differentials between two currencies. If the forward premium remains high, it could indicate that interest rates in India are much higher than in the US. And that could lure people into something called a carry trade.

Traders might choose to borrow in the currency which is associated with a low interest rate (the dollar). And invest in another currency which gives a higher interest rate (the rupee). Suddenly, the rupee looks attractive, the demand for it rises, and it might actually support its value.

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Now you know what that means, don't you?

A strong demand for dollars could weaken the rupee further. And the forward market behaves in reverse. The premiums fall. People either don't participate in the carry trade anymore or they try to exit their positions. That'll mean selling pressure on the rupee. And it could impact the value even further.

So yeah, all this might just negate the strategies the RBI has been employing to defend the rupee value lately. And we'll just have to wait and see how the RBI plays this now.

By KK Krupa

Update for the day #1937 | BrahMos Supersonic Cruise Missile

Indian Air Force successfully tests BrahMos Supersonic cruise missile!!

The BrahMos missile is a supersonic cruise missile developed jointly by India and Russia. It is one of the fastest cruise missiles in the world, capable of reaching speeds of up to Mach 3 (three times the speed of sound). The name "BrahMos" is derived from the Brahmaputra River in India and the Moskva River in Russia.

This missile system is known for its precision and versatility, and it can be launched from various platforms including ships, submarines, aircraft, and land-based launchers. It's designed for both land-attack and anti-ship missions.

In the Bay of Bengal, the Indian Air Force (IAF) successfully tested the BrahMos supersonic cruise missile. This achievement illustrates the IAF's expanding capabilities in strengthening India's military capabilities.

The BrahMos missile, noted for its supersonic speed and precision, was fired from a Sukhoi fighter jet, demonstrating the IAF's capacity to deploy long-range BrahMos cruise missiles. This successful test represents a big step forward in India's defense capability.

"The BrahMos air-launched missile was fired from a Su-30MKI fighter jet in the last few days," defense officials said according to a TOI report. The aircraft took off with the missile from a southern peninsula air base and went almost 1,500 kilometers to effectively attack a target from a wider range than before."

This air-launched missile is a longer-range variant of the already formidable supersonic weapon system, and it represents a one-of-a-kind collaboration between India and the Russian military sector. In addition to this achievement, the Indian Air Force has recently conducted two successful trials of the land attack missile system, demonstrating impressive precision in hitting their designated targets.

The BrahMos missile is highly versatile, capable of being launched from a range of platforms, including fighter jets, submarines, ships, and land-based systems. Already inducted into the Indian Armed Forces, the missile's operational prowess is well-established. Ongoing tests aim to extend its range from 250 kilometers to up to 450 kilometers, and even up to 600 kilometers.

A recent successful test launch from the indigenous stealth missile destroyer, INS Visakhapatnam, stands as a testament to its effectiveness.

The Indo-Russian joint venture behind the BrahMos missile is regarded as a "precious gem" in the defense cooperation between India and Russia. This collaboration signifies the trust and expertise shared between the two nations, resulting in the development of advanced military technology. By leveraging this partnership, India can tap into the accumulated knowledge and experience, further strengthening its defense capabilities.

The successful test of the air-launched BrahMos supersonic cruise missile underscores India's growing capabilities in the defense sector and its commitment to enhancing its defense arsenal. This accomplishment is a testament to the collaboration between India and Russia in the development of advanced defense systems, while also contributing to India's global influence in defense technology exports.

By Ektha M

Update for the day #1938 | Are Indians struggling to pay bills?

"Net financial savings of Indian households is at a 50-year low."

That one headline sent everyone into a tizzy last month. See, the net financial savings is simply the difference between the investments made in financial assets such as bank deposits and the loans taken. So, if this band—calculated as percentage of GDP—is narrowing, it could indicate that people are earning less, they're saving less money, and taking loans to fund their consumption.

And that's quite a scary phenomenon. Because we all know what happens when debt gets out of hand. People begin to default. They might enter into a debt trap where they borrow just to pay back old loans. And their long-term financial well-being gets compromised. Meanwhile, banks get saddled with bad loans. That affects their risk-taking ability too. They might dial back on lending money to parts of the economy that really need it.

It could be a vicious cycle.

But wait…the government was quick to provide a rebuttal. It pointed out that while people's financial savings might be lower, they were actually investing more in physical assets—such as housing. And even SBI's economic research team jumped in echoing that same sentiment. They said that while loans were rising, a substantial chunk was for buying homes—50% of the loan value in the system as of March 2023 was for homes. And that meant that physical assets were being built by households too.

So yeah, maybe things are not so dire.

Also, there might be another positive lens through which we can view all this. It's something that Marcellus, an investment management firm pointed out and it's called the Lifecycle Hypothesis Model. It was created in the 1950s by Franco Modigliani and Richard Brumberg. And in a nutshell, it says that when people are young, their income might be on the lower side. So, they have a tendency to borrow money to spend on consumption. YOLO and all that, right! But as they get older, the income levels rise and this overtakes the spending behavior. The borrowings reduce. And the savings increase. It's just how it is.

Now consider this in the context of what's happening in India today. Firstly, we have a very young demographic. The median age of our population is 28. And that means a large section of India are in the early years of the careers. So, there might be a mismatch between their incomes and their consumption aspirations. They might resort to borrowing.

So yeah, despite the global economy looking quite gloomy, Indians are upbeat about their future. And who can blame us—we're still one of the fastest growing economies in the world. It's natural then to extrapolate income growth into the future. And live to the hilt today.

Also, don't forget the American economy has been built on mass consumerism as well since the 1950s. Now you can disagree with the state of their economy now, but the spending helped forge superior economic growth for decades. So again, it's not necessarily a bad thing when citizens spend money. But we still have to talk about some problems. Problems that the RBI seems to be worried about. And it's the rise of unsecured loans, or the ones without any collateral, in this mix. Especially the 'tiny' personal loans as Reuters put it.

For instance, while overall bank credit in FY23 grew by 15%, the growth in these unsecured loans worth ₹10,000-₹50,000 zoomed by a staggering 48%. And the defaults are already creeping up. While the overall bad loans in the retail segment is below 1.5%, in the tiny personal loan category, it has soared to 8.1% already. To make matters worse, according to a UBS report released this month, the share of lending to people who're already past their due dates has nearly doubled from 12% in FY19 to 23% in FY23.

Put all this together and you'll see that there's a certain section of the economy that's actually taking on more loans just to pay older dues. They're struggling to pay the bills. And we can't paper over this problem. And with credit becoming even more easily accessible—fintechs like Google Pay now launching 'sachet' loans and the growth of Buy Now Pay Later Schemes, you have wonder if there are some dark clouds on the horizon. Is there a credit disaster lurking around the corner?

We don't know. And we certainly hope that's not the case. Luckily, the RBI has already made it known to lenders that this type of lending might just be problem. That it's not comfortable with the lending spree in the unsecured segment. It wants them to rein it in. And maybe that's exactly what we need to avoid the great Indian growth story from going off the rails.

By T Ganesh Pai

Update for the day #1939 |The Ghost of RBI's Past?

The RBI likes to keep one thing firmly under control—liquidity. Or in simple terms, the amount of money sloshing about the system.

Because if there's too much money lying with banks, they might be tempted to lend it out quickly. Corporates could borrow and expand their business. People might take loans and spend—buy new cars, take holidays etc. Demand could shoot up. You know what happens as a result of that right? It can push prices higher and we get the dreaded inflation.

Now typically, the RBI resorts to a few tried and tested tricks to rein in this excess money.

For instance, it could raise interest rates. There's something called the reverse repo rate. Just think of this as the rate at which banks can deposit money with the RBI. So, whenever the RBI wants to nudge banks into depositing excess money in its vault, it will increase the reverse repo rate. Or these days, it raises the rates for something called the Standing Deposit Facility which works in a similar manner. The liquidity drops either way.

Or, the RBI could indulge in some Open Market Operations (OMO). They sell government bonds to the banks. Banks part with the money they have and voila, the excess money gets sucked out again.

But in April 2022, the RBI decided to do something else too. It announced a currency swap. It told banks, "We're going to give you $5 billion from our forex reserves immediately since we have plenty of dollars. You give us rupees in return. In October 2023, we'll reverse this deal. We'll give you back the rupees plus a premium at a predetermined rate. And you hand back the dollars."

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Why on earth would the RBI offer a premium? Well, maybe the premium is an incentive for the bank. Something to convince them to enter a swap deal with the RBI. (Again, remember this is just hypothetical. The RBI might impose a discount or a premium depending on the many variables it thinks might affect rupee value and liquidity).

So anyway, if you think about it, giving a premium may not seem like a great idea. It kind of shows that the RBI is betting on the rupee's depreciation. But there's a flip side to that.

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By Ganesh S Bhat

Update for the day #1940 | RBI shelves plastic banknote plan

The Reserve Bank of India (RBI) seems to have shelved its project to implement plastic banknotes due to concerns about the ability of the currency notes to withstand Indian climatic conditions, characterized by high temperatures.

Moreover, with the Unified Payments Interface (UPI)-based transactions growing by leaps and bounds and the planned launch of Central Bank Digital Currency (CBDC) in FY23, the need for introducing plastic banknotes has diminished.

Per RBI's 2015-16 annual report, a billion pieces of banknotes in denomination of ₹10 were to be printed on all available plastic (polymer) substrates and issued to the public in five cities having different climatic zones — Kochi, Mysuru, Shimla, Jaipur and Bhubaneswar, on a trial basis.

The Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL) and the Security Printing and Minting Corporation of India Limited (SPMCIL) have taken up this project.

But not much headway could be made in this regard due to reasons such as the possibility of plastic banknotes reacting to high temperatures and catching fire and UPI-based transactions gaining traction.

While polymer banknotes have a long life, weigh less and are waterproof vis-a-vis paper bank notes, Bankers emphasize that once the former react to high temperatures, it may be difficult to get them exchanged.

However, soiled and mutilated paper currency notes can be easily exchanged across Bank and RBI counters.

UPI-based transactions

According to RBI data, the volume of UPI-based transactions soared by 100.50 per cent year-on-year (yoy) to 46,171.56 lakh in January 2022 (23,027.28 lakh in January 2021), with the value of transactions jumping about 93 per cent to ₹8,31,993 crore in January 2022 (₹4,31,182 crore in January 2021).

In a July 2021 speech, RBI Deputy Governor T Rabi Sankar had observed that "A CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different.

"...Introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, higher seigniorage due to lower transaction costs, reduced settlement risk."

Sankar noted that introduction of CBDC will possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option.

"There are associated risks, no doubt, but they need to be carefully evaluated against the potential benefits. It would be RBI's endeavor, as we move forward in the direction of India's CBDC, to take the necessary steps which would reiterate the leadership position of India in payment systems," he said.

Ordinary users: Mixed reactions

A June 2016 article by Ping Wang, Communications Officer, IMF, captured ordinary users' mixed reactions to the polymer bills' plasticky feel.

According to the article, Zoë Martin, a tutor in Toronto, Canada, opined that, "They stick to each other because of static cling, they don't fold up nicely like paper bills when they're new, and they're slippery so they slide out of your pocket."

But Michael Brienza, a Toronto day care teacher, said, "I prefer them; they're so much cleaner. The paper bills got all grimy."

"Peter Cecil Sinnott, a data science graduate of Montreal's McGill University, says, 'The fact that they're waterproof means getting them wet isn't going to cost you.

'True story: my sister once found one of the new Canadian $100 bills while snorkeling in the tropics. Who knows how long it was sitting on that reef?" quoted Wang.

By Shravan Prabhu N

Update for the day #1941 | Jindal vs Adani in a battle of the ports?

Imagine you're a steel producer with a massive operation in the hinterlands of India. You get a lot of export orders and you find yourself running to the port quite often to ship it across the deep seas. But whenever you use the port's services, you end up shelling a lot of money. And over time, this pinches you a bit. The money is slowly trickling out of your pocket. So, you might think, "Maybe it's a good idea to own the port itself."

And that's exactly what the JSW Group run by Sajjan Jindal did in 2002. They were churning out all that steel in Tornagallu, a town in Karnataka. One of the nearest ports was the Mormugao Port in Goa which was around 300km away by road. So, they acted on it. They bid for the port. Not the whole thing. But a couple of berths—slots where their ships could come in for loading and unloading.

Within a couple of years, the JSW Group felt this was a viable business. They decided to create a separate entity that would have a single-minded focus on unlocking the value of handling ports—and JSW Infrastructure was born in 2006. What followed was a slow and steady expansion. In 2008, they built the Jaigarh Port in Maharashtra and followed it up with another port in Dharamtar in 2012. 3 years later, they moved to the east coast and bid for the Paradip Port in Odisha. And in 2020, they went after a port in Mangalore as well as in Ennore in Tamil Nadu. Meanwhile, they set up a port in the UAE as well.

Like we said, it wasn't a mad rush to acquire and run ports. They took their time. Today, they have 9 ports which they manage across the country. They've become the second largest commercial port operator in India. and there's quite a bit of visibility on the revenue front from these ports too. The thing is, on average, they have at least 25 years to go on most of their port deals. You see, most of these ports are actually government-owned. They've just decided to act like a landlord and hand it out on rent for a certain number of years. The private company has the right to use the ports for that period and develop them as it sees fit. And it typically pays the government a royalty.

Sure, once the agreement ends, it's an open field. Anyone else can come and bid for it again. But unless something catastrophic happens, it looks like JSW Infrastructure is sitting pretty for at least the next couple of decades. they don't even have to actively convince customers to use their ports either. Because their biggest customer is the JSW Group itself. With steel, cement, and energy operations spread across the world, it meant that the ports business saw sticky revenues from the start. But of course, some diversification is always good and JSW Infrastructure has gradually reduced its dependence on the group. They've tapped third-party companies too. From accounting for just 25% of cargo volume in 2021, it makes up 35% today.

Think of India's coastline — it's over 7,500 km long. And we're probably strategically located in the world sea routes too. But yet, we haven't really become popular for our ports. Just 2 Indian ports feature in the Top 50 list of Container Ports in the world. And maybe that's because they haven't been given the attention they need. For instance, as per a report in the Economic Times, the depth of the port areas that allow floating has been extremely low—just 7 meters in older ports. It's just not enough to keep up with the ships and cargo sizes that are getting bigger and bigger. And that means, we'll end up losing business too. Ships might choose to transit through other places with better ports.

But the government is intent on changing that. For starters, they have the Maritime Vision charted out for 2030 and it involves a massive investment of over ₹1 lakh crore to develop the infrastructure at ports. And then, the government wants to involve the private sector even more. Because 50% of the port capacity is managed by the government even today. So, they want to share the work. And it looks like they have a pipeline of 81 public-private partnerships to be awarded before March 2025. A partnership could unlock the value of our ports faster.

So yeah, when the CEO of JSW Infrastructure said, "The kind of pipeline of opportunity which is coming up is unimaginable," you see what he means.

And when you know how things are shaping up, the timing of the ₹2,800 crore JSW Infrastructure IPO last month makes sense. They wanted the money to pay down debt. And to have a war chest ready to expand the port business as and when the government opens the door for partnerships. Adani Group is the largest private port operator in India. They had just two ports in FY11 and today they have 14 ports in their bag. The expansion has been rapid. Remember how we said that JSW is the second-largest port operator in the country? Well, the difference between #1 and #2 is actually quite stark—Adani commands a 24% volume share whereas JSW Infrastructure is a mere 6%.

And Adani has diversified the business even more. Not just in terms of locations—they acquired a 70% stake in Israel's Haifa Port in FY23—but also in terms of the kind of shipments they handle. The Adani Group on the other hand has been focusing on growing their container shipping business. You know, when folks like Amazon or Hyundai want to ship stuff, they stuff it into these massive containers. That kind. And from 32% of revenues in FY16, it has inched up to 38% in FY23. That's the area they want to tap even further now. Not to forget that Adani has a full-fledged logistics play too—Adani Logistics. That means customers not only get access to ports but Adani can help them with warehousing, moving their goods by rail or air or even via trucks to get one from one point to another. JSW isn't quite there yet when it comes to these expanded services.

So how does JSW make up for this lost ground?

Its net profits have zoomed by 62% annually while Adani Ports has struggled. Meanwhile, paying off debt with the IPO proceeds also will make it a debt-free company for now. And that's something that Adani can't claim just yet.

And maybe that's why investors are willing to pay a premium for the company right now. It's already trading at 50 times its FY23 earnings compared to 32 times for Adani Ports.

By Lohith M

Update for the day #1942 | Telcos are in a tax sou

Telecom companies just got sucker punched by the Supreme Court of India. And now, they might have to shell out a whopping ₹14,000 crores in taxes!

What's going on, you ask?

Okay, let's quickly take it from the top. In the early 1990s, the government made a huge announcement. Private companies could finally enter the telecom industry. We formulated a National Telecom Policy in 1994 and rolled out licenses. And the applications poured in.

But the good times didn't last. Companies found that running a telecom business in India simply wasn't viable. Why? The costs were prohibitively high. There was an entry fee and fixed* license fee to be paid to the government each year. And companies weren't making enough money to cover these costs. The companies suffered losses. Some of them began to default on the fees too. The government realized that something had to change.

So, they tweaked the rules. They issued a revised telecom policy in 1999. And they ditched the fixed license fee. Instead, they announced that the license fee would be linked to the annual revenue of a telco. It would be on a percentage basis.

And folks, here's where the crux of today's tax battle began.

You see, in the accounting world, you can treat expenses in two ways.

There's revenue expense. Or the cost incurred by a business to keep its operations ticking. It could be a sum of money spent on maintaining machinery. It could be salaries. It could be utility bills. You get it, anything that's needed to keep the lights on basically. And the rules say that you can deduct these yearly expenses from the revenues. The tax to be paid to the government is calculated only on the money left over after these deductions.

Then there's the capital expense. Think of this as the money spent to acquire things that helps the company actually make profits. It could be land and machinery. It could be computer hardware and software for an IT company. And the rules state that you can amortize these costs. Or simply put, the initial cost of buying these capital assets can be written off over a period of time. In instalments.

Which begs the question—are these annual telecom license fees a revenue expense that can be written off each year? Or is it a capital expense that has to be split over a longer period? It's this classification dilemma that became the bone of contention in the 20 year long court battle.

And it all started with the telco Bharti Hexacom (now a subsidiary of Bharti Airtel). When it had to calculate the tax to be paid for the assessment year 2003–04, it looked at the license fee first. Remember, it was a percentage of revenue by then. And this amounted to nearly ₹12 crores. So Hexacom simply wrote off the entire ₹12 crores as a revenue expense. It deducted this amount from its top line and reduced its tax liability for the year.

But you can bet that the tax authorities were not happy.

They said, "Look, you can't just deduct the whole thing and avoid paying us the tax for the year. We believe the license fee is a capital expense. You should amortize it."

Or simply put, they believed that Bharti Hexacom could only deduct part of the license fee expense each year. For instance, in this case, since the license fee was roughly ₹12 crores for the year, they should've deducted only ₹1 crore in the first year. Hexacom could split the rest of the expense over the following 12 years.

That meant Hexacom would have had to add back around ₹11 crores to its bottom line for that year. And then shell out a higher chunk of tax.

Both sides didn't back down. And the case first went to Income Tax tribunal. They ruled in favor of the telco. Then the case went to the Delhi High Court and the end result was the same. This time, the court actually said that since the telecom policy had changed some rules in 1999, the fees could be split in two ways—the license fee for 1994–1999 would be treated as a capital expense. And the license fees post that period would be treated as a revenue expense. Even the high courts of Bombay and Karnataka agreed. It looked like the IT department couldn't win.

Until the 16th of October…the highest court in the land, the Supreme Court, finally ruled against the telcos. It concluded that the annual license fee was indeed a capital asset. The IT department was right!

So, we pored through the 127-page court document to figure it out how it came to this conclusion.

Now the Supreme Court took numerous examples of cases from the past—both from India and England. And if you're an aspiring lawyer, you'll probably love reading the document. But unfortunately, the cases are quite complicated. And this newsletter isn't going to be a case study of previous judgements, so we won't delve into their nuances. Rather, we're simply going to tell you that this judgement actually boils down to one simple principle. A question that the Supreme Court asked—What happens if the telco fails to pay the annual license fee? Can they still continue to operate the business in some way or the other?

The answer was no. A default would mean a cancellation of the license. The telco would have to shut down. Basically, that meant the license to the telco was like machinery to a manufacturing firm. It was intrinsic to setting up the business and generating revenue. Ergo, it's a capital asset at its core. Also, just because the fee was paid yearly or in instalments, it didn't change this principle. It was just a way to reduce the burden of a one-shot lumpsum payment.

That's it. 20 years of debate has ended with just that one principle.

And now, the ruling could put telcos in a soup. They might just need to go back in time and recalculate everything. They'll have to add back the license fees they deducted as revenue expense. It will increase the tax liability. They might have to pay penalties too. Ouch.

It was tough being a telco in 1994. It looks like it's even harder being one in 2023!

By Muskan Jamadar

Update for the day #1943| When a CEO moonlighted as a DJ

In June 2022, Whitney Houston's classic song I Wanna Dance with Somebody got a new official remix. The man behind it was a 60-year-old DJ named David Solomon and the track quickly became popular. It climbed the charts and was soon a summer favourite. It was the biggest hit of David Solomon's career. But wait…there's something you should know about David Solomon. He has a day job. And quite an important one at that. He's the CEO of the legendary Wall Street firm Goldman Sachs.

Sounds crazy, right?!

It looked like David Solomon was living the dream—a globe-trotting CEO by day and a turn-table spinning DJ by night. But suddenly, this dream has come to an abrupt halt. Because on Tuesday, the Financial Times reported that the CEO had called time on his side hustle. He'd hung up his deejaying boots. Now this isn't a story about how David Solomon became one of the most powerful CEOs by day and a roving DJ by night. Rather, it's a story about 3 things—distractions, reputation, and ethics.

You see, the biggest problem right now is that the investment bank is going through quite a tumultuous period. The bank laid off 3,200 employees. Its foray into consumer banking with a sub-brand called Marcus began to fail. The profitability took a beating with the latest figures announcing a 30% drop in the bottom line. Meanwhile, Solomon's predecessor, Lloyd Blankfein, lambasted him at an annual Goldman Sachs retreat. He said that the bank was in trouble because Solomon was distracted by deejaying at nightclubs. The criticism came thick and fast.

And it didn't matter that most folks actually knew that Solomon was a workaholic. Apparently, he's someone who doesn't take more than 3 hours to respond to an email. It didn't also matter that there might be some real benefits to being a CEO-DJ. You see, back in London, Ali Miraj, a managing director at banking giant ING moonlights as a DJ too. In fact, he actually thinks it helps his cause. It gives him a unique edge. That's because clients are always being pitched deals by bankers. And Miraj believes that such side gigs might have actually helped him bond and land better deals. And maybe even become a better dealmaker.

Unlike some DJs, he doesn't arrive with a preordained set, but adapts his playlist to the room. "It's a communal experience—you are feeding off them, and they are feeding off you," he says. After years of doing this, Miraj says he's become more attuned in client interactions too. "If the client isn't responding, you need to change the record. There's no point in trying to push a deal or mandate down a client's throat when they're not interested."

Being a good DJ is about "observational skills" and building rapport, Miraj explains.

But maybe the Goldman Sachs team didn't believe that David Solomon's gigs added any value to the business.

Then there was the problem of image. Take the case of David Solomon's set last year at a massive music festival called Lollapalooza. It's an event that's quite infamous for rampant drug use. People have even died due to drug overdose. And that's not probably good for optics for a Wall Street CEO. Maybe that's why when Solomon once pointed out that deejaying is simply a hobby, just like how other bankers took to golfing as a hobby, a board member said, “No one has ever OD’d at Pine Valley or Shinnecock [golf clubs]. There’s a reputational thing.”

So maybe the kind of side hustle does matter when you’re the CEO of a Wall Street legend. Maybe there’s a Do/Don’t list someone should create. Yes, to running a local library. No to playing music at nightclubs.

And finally, there’s the elephant in the room—the question of a conflict of interest.

See, getting the rights to remix a classic track of the late Whitney Houston isn’t easy. You can’t just waltz into her office and make a pitch to the folks in charge. You probably need to know someone who knows someone to even get a meeting. If you’re an amateur music producer that is. But what if your investment bank managed the business for a top tier music executive who could pull some strings? Maybe you’d be tempted to cozy up and nudge him into helping your fledgling DJ career too.

And that’s what some people are worried about. See, Larry Mestel, who runs one of the biggest music catalogue businesses in the world, is also a client of Goldman Sachs.

He’s the one who convinced Whitney Houston’s team to give the green signal to Solomon. Which begs the question—was it Solomon’s DJ talent that landed him the gig? Or was it a sweet connection he made through the bank?

Now usually, you might say that there’s nothing wrong in calling in a favor. But the thing is that the year after this gig, Mestel found a place in an annual list published by Goldman Sachs. A list titled “100 Most Intriguing Entrepreneurs”. Apparently, this was a project overseen by Solomon.

A case of quid pro quo? No one can be sure. And that’s the problem.

For a bank like Goldman Sachs, these are reputation and ethical dilemmas that simply can’t be ignored. It’s bad publicity. And unfortunately for David Solomon, it meant choosing between being the CEO of one of the most powerful banks in the world or crafting music alongside Metallica and Dua Lipa.

Maybe that's a stretch. But yeah, it's an interesting dilemma nonetheless.

By Yashwanth M N

Update for the day #1944 | AI in agriculture

The growth of the global population, which is projected to reach 10 billion by 2050, is placing significant pressure on the agricultural sector to increase crop production and maximize yields. To address looming food shortages, two potential approaches have emerged: expanding land use and adopting large-scale farming or embracing innovative practices and leveraging technological advancements to enhance productivity on existing farmland.

Pushed by many obstacles to achieving desired farming productivity — limited land holdings, labor shortages, climate change, environmental issues, and diminishing soil fertility, to name a few, — the modern agricultural landscape is evolving, branching out in various innovative directions. Farming has certainly come a long way since hand plows or horse-drawn machinery. Each season brings new technologies designed to improve efficiency and capitalize on the harvest. However, both individual farmers and global agribusinesses often miss out on the opportunities that artificial intelligence in agriculture can offer to their farming methods.

At Intellias, we've worked with the agricultural sector for over 20 years, successfully implementing real-life technological solutions. Our focus has been on developing innovative systems for quality control, traceability, compliance practices, and more. Now, we will dive deeper into how new technologies can help your farming business move forward.

Benefits of AI in agriculture

Until recently, using the words AI and agriculture in the same sentence may have seemed like a strange combination. After all, agriculture has been the backbone of human civilization for millennia, providing sustenance as well as contributing to economic development, while even the most primitive AI only emerged several decades ago. Nevertheless, innovative ideas are being introduced in every industry, and agriculture is no exception. In recent years, the world has witnessed rapid advancements in agricultural technology, revolutionizing farming practices. These innovations are becoming increasingly essential as global challenges such as climate change, population growth together with resource scarcity threaten the sustainability of our food system. Introducing AI solves many challenges and helps to diminish many disadvantages of traditional farming.

Data-based decisions

The modern world is all about data. Organizations in the agricultural sector use data to obtain meticulous insights into every detail of the farming process, from understanding each acre of a field to monitoring the entire produce supply chain to gaining deep inputs on yields generation process. AI-powered predictive analytics is already paving the way into agribusinesses. Farmers can gather, then process more data in less time with AI. Additionally, AI can analyze market demand, forecast prices as well as determine optimal times for sowing and harvesting.

Artificial intelligence in agriculture can help explore the soil health to collect insights, monitor weather conditions, and recommend the application of fertilizer and pesticides. Farm management software boosts production together with profitability, enabling farmers to make better decisions at every stage of the crop cultivation process.

Cost savings

Improving farm yields is a constant goal for farmers. Combined with AI, precision agriculture can help farmers grow more crops with fewer resources. AI in farming combines the best soil management practices, variable rate technology, and the most effective data management practices to maximize yields while minimizing minimize spending.

Application of AI in agriculture provides farmers with real-time crop insights, helping them to identify which areas need irrigation, fertilization, or pesticide treatment. Innovative farming practices such as vertical agriculture can also increase food production while minimizing resource usage. Resulting in reduced use of herbicides, better harvest quality, higher profits alongside significant cost savings.

Automation impact

Agricultural work is hard, so labor shortages are nothing new. Thankfully, automation provides a solution without the need to hire more people. While mechanization transformed agricultural activities that demanded super-human sweat and draft animal labor into jobs that took just a few hours, a new wave of digital automation is once more revolutionizing the sector.

Automated farm machinery like driverless tractors, smart irrigation, fertilization systems, IoT-powered agricultural drones, smart spraying, vertical farming software, and AI-based greenhouse robots for harvesting are just some examples. Compared with any human farm worker, AI-driven tools are far more efficient and accurate.

By Rachana N

Update for the day #1945 | A bending phone for your wrist? Just check out what Motorola rolled out

Surprisingly, foldable smartphones have become a common thing now. While technology was seen as revolutionary and perhaps impractical at one point in time, it has now become ubiquitous with every brand coming up with its own fold or flip smartphone as is evident by recent launches of the Oppo Find N3 Flip, Google Pixel Fold, and OnePlus Open.

However, there is one technology that we've only seen in prototypes, which hasn't made it to the consumer market yet - bending smartphones. At the Lenovo Tech World 2023, Motorola, which is owned by Lenovo, showcased the latest iteration of its prototype bending smartphone. For the unaware, Motorola first unveiled a bending? wrist? phone for the first time at the Tech World event in 2016. Since then, the device has mostly been kept under wraps.

But now, Motorola took the opportunity to bring out the new concept while also demonstrating some of its features.

According to the company, the device features an FHD+ pOLED display which when laid out flat, stretches to a full 6.9-inch panel. On the other hand, it can also be adjusted into a self-standing position, which reduces the display real-estate to 4.6 inches. Since it is a bending smartphone, it can also be wrapped around your wrist? for a similar experience to the external display on Motorola Razr+ to stay connected while on the go.?

In the snapshot shared in the release, a fabric can be seen on the back of the device, perhaps to make it more comfortable to wear for long periods of time.

According to Motorola? This adaptive display concept further builds upon the display and mechanical innovations from our foldable and rollable devices in both the smartphone and PC categories.?

When could it come out? While the bending concept showcased by Motorola had the wow factor, it was just a prototype and not all of them make it to the production stage. Foldable smartphones have recently become common despite being present for around 5 years now. Therefore, it is likely that we won't be seeing bendy smartphones slapped on wrists for at least a few years.

By Harshita Jain B

Update for the day #1946 | Saudi Arabia wants a piece of IPL, expresses interest to buy 'significant' stake

Saudi Arabia is considering investing in the Indian Premier League (IPL), with plans to place the IPL in a holding company worth up to $30 billion. The kingdom aims to invest up to $5 billion into the league and expand its presence internationally, similar to the English Premier League or the European Champions League.

Saudi Arabia has expressed interest in buying a multibillion-dollar stake in the Indian Premier League, international cricket's most lucrative event, following a string of investments that have upended professional talks were held when the kingdom's defacto ruler visited India in September, the people said, asking not to be named as the information is not public. Under plans discussed at the time, the kingdom proposed investing as much as $5 billion into the league and help lead an expansion into other countries, similar to the English Premier League or the European Champions League, the people said. While the Saudi government is keen to press on with a deal, the Indian government and the country's powerful but opaque cricket regulator — BCCI — are likely to take a call on the proposal after next year's federal elections, the people said. The BCCI is led by Jay Shah, the son of India's Home Minister Amit Shah — a close ally of Premier Narendra Modi.

Saudi Arabia's powerful sovereign wealth fund, which has anchored many of the kingdom's previous sports investments, could ultimately be the vehicle used to do a deal with the BCCI if an agreement is reached. No final decisions have yet been made. Representatives for the BCCI and the Saudi government's Center for International Communication didn't respond to requests for comment. The Public Investment Fund declined to comment.

The league has drawn a plethora of sponsors, including Aramco and the Saudi tourism authority. And despite a season that runs for just eight weeks each spring, bidders last year paid $6.2 billion for the right to broadcast IPL games through 2027. That works out to $15.1 million per match, more than the EPL and just behind the $17 million networks pay for each game in the National Football League in the US. Any Saudi investment into the IPL or changes to the league's format will likely mean those agreements for media rights will need to be reworked, according to people familiar with the matter.

Global Cricketing Destination:

Over the past few years, Saudi Arabia has splashed out billions of dollars on sports and the chairman of the sport's governing body in the kingdom has said he wants to turn the nation into a global cricketing destination. "You can't compete with money, especially the money that Saudi Arabia is throwing around to certain people," England cricket captain and one of the world's top players, Ben Stokes, said in an interview this year. Meanwhile, other attempts to replicate the IPL formula overseas are underway. Major League Cricket, a US upstart part-funded by Satya Nadella and Shantanu Narayen — the chief executive officers of Microsoft Corp. and Adobe Inc. respectively — concluded its first season in July. That league, and others in South Africa, the United Arab Emirates and elsewhere, haven't dented the IPL's commercial dominance. For Saudi Arabia, any investment in cricket would come after significant spending on sports, primarily golf and football. The PIF backed the LIV Golf tour, which this year agreed to a shock merger with the PGA Tour. Saudi Arabia has also led a group that bought English Premier League football club Newcastle United FC, and is now on the brink of hosting the 2034 FIFA World Cup.

As part of its push into the world's most popular sport, the kingdom has spent millions on the likes of Brazil's Neymar, France's Karim Benzema and Portuguese superstar Cristiano Ronaldo.

That spending has opened up the Saudi Govt. to claims of "sportswashing" its image and human rights record, though the kingdom's crown prince has emphasized the deals are primarily intended to boost country's economy.

By Amogh V N

Update for the day #1947 | How Songs Help You Learn a Language

How Songs Help You Learn a Language

Learning songs in your target language is an incredibly useful tool for your language goals because…

Music is Sticky: Ever had a song stuck in your head? Who hasn't! Music sticks in your brain – which is why songs are so often used in language classes to help students memorize new words. Most people who enjoy music listen to their favorite songs over and over until they know them by heart. This repetition, accompanied by a catchy tune, is the perfect formula for getting new words and phrases stuck in your brain so you can't get rid of them. No grammar charts required!

Music is Portable: You can take music with you to listen to anywhere, unlike textbooks, movies or conversation partners. Keep a playlist handy on your phone to listen to your favorite songs in your target language anytime you have a few minutes free. Be sure to listen actively; pay attention to the words, pronunciation and cadence for maximum benefit.

Singing Songs Improves Your Pronunciation: The joy of singing along to songs you love makes it easier for you to pick up correct pronunciation.

Song Lyrics Help You Learn Vocabulary in Context: Learning how vocabulary is used in sentences is a key part of learning how to speak a language in the real world. You can't learn isolated words in your target language and expect to get fluent.

Think of it this way. Even if you could download a foreign-language dictionary into your brain, that still wouldn't make you a very good speaker in your target language. You would have no idea how to put words together into complete sentences.

By Manu M

Update for the day #1948 | The man who saved the world- Vasili Arkhipov

I would like to bring to your notice the story of an unsung warrior that we were never told about. In the annals of history, some heroes remain unsung, their courage and quick thinking obscured by the passage of time. Vasili Arkhipov is one such hero, whose actions during the Cuban Missile Crisis of 1962 averted a catastrophic nuclear war between the United States and the Soviet Union. Though his name might not be as familiar as JFK or Khrushchev, Arkhipov's pivotal role in preventing doomsday deserves recognition.

At the height of the Cuban Missile Crisis, tensions between the two superpowers were at a boiling point. The world watched nervously as the United States blockaded Cuba, demanding the removal of Soviet nuclear missiles. In this tense atmosphere, a Soviet submarine, the B-59, patrolled near Cuba. Unbeknownst to the Americans, the submarine was armed with nuclear torpedoes, and its crew had lost communication with Moscow. As the situation deteriorated, the crew believed that war had broken out.

On October 27, 1962, the B-59 faced a critical moment. Depth charges dropped by American warships were shaking the submarine, and the crew was disoriented and desperate. The captain, Valentin Savitsky, and the political officer, Ivan Semonovich Maslennikov, were inclined to launch a nuclear torpedo. But Arkhipov, the flotilla commander, disagreed.

Arkhipov's level-headedness was instrumental. He argued against launching the torpedo, emphasizing the importance of following orders from Moscow. Ultimately, he convinced the captain to surface the submarine instead of initiating nuclear war. Had the torpedo been launched, it might have triggered a chain reaction leading to full-scale nuclear conflict.

Vasili Arkhipov's bravery and commitment to preventing nuclear war saved the world from a catastrophic showdown between the superpowers. His story underscores the vital importance of individual judgment and restraint during moments of crisis. While the Cuban Missile Crisis is often remembered for the resolve of Kennedy and Khrushchev, Vasili Arkhipov's role as a calming influence on the brink of disaster should not be forgotten. His actions stand as a testament to the power of rationality and diplomacy in the face of nuclear annihilation, and his legacy deserves a place in history alongside the more prominent figures of that perilous time

By Divya N Y

Update for the day #1949 | Delhi grapples with air pollution

Google "Best time to visit Delhi" and it'll probably tell you October's a great time. The weather's cooler and you can soak up all the historical sights the city has to offer without the sun sucking the energy out of you.

But here's what the internet might not be telling you…

October might be pretty horrible for your health. Because that's when air pollution gets pretty bad. Yup, right now, Delhi's topping the Air Quality Index (AQI) charts. Not in a good way, mind you. Think of the AQI as a yardstick that runs from 0 to 500. The higher the number, the greater the level of air pollution and hence greater the health concern. In general, an AQI value of 50 or lower means good air quality. While an AQI value of over 400 implies hazardous air quality.

Why does this happen? Well, there's the usual suspects. There's stubble burning — this is when farmers in the neighboring areas deliberately set their fields on fire. And they do this to get rid of the remnants of their previous crop quickly. They don't have a lot of time before the next sowing season kicks in and they resort to burning the leftover as fast as possible. Also, people lay blame on the onset of the festive season and the associated fireworks celebrations. And then the climatic conditions kick in — the winds disappear and the pollutants just get locked up in the air. The AQI drops drastically. So, when the AQI began to drop precipitously this year, Delhi got into action. They implemented GRAP or the Graded Response Action Plan.

What's that, you ask?

Well, GRAP dates back to 2016 when Delhi was facing a crisis. Pollutants had engulfed the city and visibility and air quality had deteriorated sharply. It was the worst smog in two decades and it was dubbed 'The Great Smog of Delhi'. The city had to do something.

So, it created an action plan and called it GRAP. Basically, the city would prohibit certain activities depending on the level of air quality. Remember the odd-even rule where cars ending with an even registration number could only be taken out on the roads on certain days and odd-numbered cars on the others? Yeah, things like that. It would ban the use of diesel generators. It would put a halt to fireworks. It would stop burning garbage. And if that didn't help, the city would hike parking fees to discourage people from taking their rides out. Or even increase the frequency of public transport like buses and metros.

Even the Supreme Court gave this a green signal. So, did it work?

Well, not quite. You see, a non-profit called the Legal Initiative for Forests and Environment (LIFE) conducted an analysis between 2017 and 2021 and didn't find any improvement in the overall air quality. And the reason was simple. GRAP didn't care about all kinds of pollutants. It only focused on certain particulate matters — PM2.5 and PM10. Now that's not a bad thing. Because particulate matter is pollution at the end of the day. They're tiny particles of dust and smoke that hang around in the air. And that causes health problems as well. But the thing is, AQI measurements include a whole host of other air pollutants too such as nitrogen dioxide (NO_2), Sulphur dioxide (SO_2), and carbon monoxide (CO). And since GRAP's action plan didn't include keeping track of the levels of these pollutants, if these rose in value, GRAP simply did not come into effect. So sure, GRAP might've helped with reducing PM2.5 and PM10 pollution in the air, but that didn't necessarily translate into a better AQI.

And not to forget, GRAP had its implementation flaws too. Some action plans such as increasing the frequency of public transport or hiking parking fees were either not implemented or delayed because of slow administrative decisions. And maybe the folks in power realized this. Because within a few years, they made changes to GRAP.

For starters, the measurement began to include the other pollutants which we mentioned earlier — SO2 and NO2. It would be more comprehensive. Then, they decided that they wouldn't wait for AQI to drop. If the air quality forecast began to indicate that things would get worse, they'd begin to implement various stages of GRAP. And finally, they tightened the rules. For instance, if the earlier plan banned the use of firewood in restaurants under Stage 2, they'd make things stricter and ban the practice under Stage 1 of the plan itself.

So, will all this finally result in giving credibility to the Google result saying "Winter is the best time to visit Delhi"? Well, we don't know about that yet. All we can say is that in 2022, Delhi seems to have registered the best average daily AQI since 2018 (barring Covid-affected 2020). And it does seem like maybe GRAP 2.0 is turning out to make a little bit of a difference.

But let's see how 2023 turns out before we come to some sort of conclusion, eh?

By Dhanush D D

Update for the day #1950 | Muhurat Trading

The Festival of Lights – Diwali is an auspicious time according to the Hindu calendar. It symbolizes the victory of light over darkness, knowledge over ignorance, and good over evil. Like any religious festival, there is a plethora of beliefs, customs, and traditions that surround Diwali. One such tradition is Muhurat trading.

What is Muhurat Trading?

Before we answer the question, what is Muhurat trading meaning, let's look at the term Muhurat. The word 'Muhurat' means an auspicious time. In Hindu customs, Muhurat is a time when planets are aligned favorably to ensure positive results. Muhurat Trading is a common ritual followed by the traders in India. This is a one-hour time that is considered auspicious on the day of Diwali for investing in shares. The stock exchange specifies the time of Muhurat trading every year.

According to beliefs, people trading during this one hour have a better chance of earning wealth and gaining prosperity throughout the year. Typically, this period is during the evening of Diwali and most people prefer buying stocks as a token of Goddess Lakshmi. This is unique to the Indian stock markets only.

Muhurat Trading Timings 2023

Here is a quick look at the Muhurat Trading time for 2023 for both BSE and NSE:

Muhurat Trading will be conducted on November 12, 2023 (Sunday).

Event	Time
Pre-Open Session	6:00 PM - 6:08 PM IST
Muhurat Trading	6:15 PM - 7:15 PM IST
Post-close	7:30 - 7:38 PM IST
Market Close	7:40 PM IST

History of Muhurat Trading

When did Muhurat Trading start?

Traditionally, stockbrokers started their new year from the day of Diwali. Hence, they would open new settlement accounts for their clients on Diwali during the auspicious time – the Muhurat.

The broking community would also perform Chopda Pujan or worship their books of accounts on Diwali. There were many beliefs that were associated with Muhurat trading.

The primary among them was that most Marwari traders/investors sold stocks during the Muhurat since they believed that money should not enter the house on Diwali and Gujarati traders/investors purchased shares during this period. While there is no data to back this, in current times, this doesn't hold.

Today, Muhurat trading has become more of a symbolic gesture than a cultural one because people believe the period to be auspicious. Most Hindu investors do Lakshmi Pujan (pray to Goddess Lakshmi) and then purchase shares of strong companies that can generate good returns in the long run.

What Happens in Muhurat Trading?

On Diwali, both NSE (National Stock Exchange) and BSE (Bombay Stock Exchange) permit trading for a limited time. Typically, the session is divided into the following parts:

Block Deal Session – where two parties agree to buy/sell a security at a fixed price and inform the stock exchange about it

Pre-Open Session – where the stock exchange determines the equilibrium price (usually around eight minutes)

Normal Market Session – the one-hour session where most trading takes place

Call Auction Session – where illiquid securities are traded. Security is termed illiquid if it satisfies the criteria set by the exchange.

Closing Session – where traders/investors can place a market order at the closing price

Who Can Benefit from Muhurat Trading?

The Muhurat trading Session is a good time to buy or sell stocks since the trading volumes are high. Also, usually, the market is bullish since the festive spirit focused on prosperity and wealth drives people to be optimistic about the economy and the stock markets. Hence, it is a good time for both investors and traders, experienced and new, to benefit from the Muhurat trading session.

For people who believe in auspicious planetary alignments, Diwali is celebrated for bringing in wealth and prosperity. Hence, if you have never invested in stocks, then Diwali can be a good day to begin.

Look for high-quality companies and purchase some stocks with a long-term horizon and in sync with your investment plan. However, if you are planning to enter the stock trading domain, then it might be prudent to observe the markets during Mahurat Trading and probably do some paper trading to get the hang of things. Markets are known to be volatile since the trading window is open for only one hour. Hence, being watchful as a new trader is recommended.

Experienced day traders can benefit from this session since most investors/traders will buy and/or sell stocks as a gesture to acknowledge the auspiciousness of the day.

The focus might not be on profitability as much as it might be on the gesture. Hence, seasoned day traders can make good profits by taking positions after careful consideration. This year has been bad for the economy since the pandemic impacted businesses and livelihoods alike.

While many experts are hoping for a good Muhurat trading Session in 2023, you will do well to keep the fervor in your heart and make trading decisions with your head.

Things to Keep in Mind Before Indulging in Muhurat Trading

Here are some aspects that you must keep in mind before you start buying or selling stocks during the Diwali day trading time (Muhurat Trading Timings).Most traders and investors consider this period to be auspicious to make investments. All open positions at the end of the trading session will result in settlement obligations.

Muhurat trading session will be held on November 12, 2023.

Traders must keep a close eye on the resistance and support levels. During Muhurat trading Sessions, it has been observed that the markets can be volatile with no specific direction. Hence, as a day trader, keeping the resistance and support levels at the center of your trading decisions will help you make better trading decisions.

Investors must ensure that they stick with the fundamentals of a company before investing in its stock for the long-term. The Muhurat trading session is usually filled with a lot of excitement and rumors can spread fast. Stick with the basics and invest in sync with your investment plan and risk tolerance.

If you plan to profit from the volatility, then ensure that you choose stocks with good trading volumes since the trading window is only for one hour.

Investing during this period does not guarantee returns. Even if the stock performs well on Diwali, its performance in the future will depend on its fundamentals and macroeconomic factors. Invest smartly.

Happy investing and a very happy Diwali!

By Charvika Rathore

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