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Foreword

We at SURESH & CO. are thrilled to present the latest edition of "EMERGING THOUGHTS." This publication is a compilation of global events and innovative ideas, crafted by our dedicated articled assistants—aspiring Chartered Accountants—and our esteemed employees.

In today's dynamic world, staying informed about global history, news, and current events is vital. Understanding the latest developments, both local and international, is crucial as they can directly or indirectly impact our lives. The positive feedback from our readers has been incredibly encouraging, marking each milestone as an illuminating learning journey filled with knowledge.

At SURESH & CO., we cultivate an environment where everyone is encouraged to be bold in their pursuit of innovation and wisdom. Our team members are empowered to think beyond their perceived limits, enriching their vision and exploring realms beyond their academic focus.

In this edition, we share the initial insights from these young minds. It's important to note that these updates have not been reviewed by senior or technical experts, so readers are encouraged to view them as sparks that ignite positive reflection. We advise further research and analysis on topics of interest to ensure a comprehensive understanding.

Beginning this issue with key highlights of the Union Budget 2024-25 proposals:
The Union Budget of India for 2024-25 focuses on sustainable economic growth, infrastructure development, and social welfare. It exhibits a significant boost in capital expenditure, with ₹13.7 lakh crore allocated for infrastructure projects, including roads, railways, and energy. The budget emphasizes green growth, with ₹35,000 crore set aside for energy transition and addressing climate change. The government also introduces measures to boost the manufacturing sector, particularly in electronics and semiconductors. Social welfare schemes receive continued support, with enhanced allocations for health, education, and rural development.
Tax reforms include increased tax benefits for middle-income groups, particularly in personal income tax slabs, and a focus on simplifying the tax regime. The budget aims to drive inclusive growth while maintaining fiscal discipline.

Thank you for joining us on this journey. May "EMERGING THOUGHTS" inspire and stimulate your intellect as we collectively explore the boundless horizons of knowledge and innovation.

"Success is not final. Failure is not fatal. It is the courage to continue that counts."

"The price of excellence is discipline. The cost of mediocrity is disappointment."

Update for the day #2071 | Is the newspaper industry fighting an endless battle?

The Story

When was the last time you picked up a newspaper? And no, we're not talking about an e-paper, but a physical one.

If your answer was "this morning" because reading the paper is part of your daily routine, then you're probably one of the 35% of Indians who reads a physical newspaper every day. Well actually, that figure is from the Indian Readership Survey (IRS) which dates back to 2019. And it suggests that the percentage of people reading a daily newspaper has been slowly dropping. For context, in 2017 37% of Indians read a newspaper every day.

Thanks to the rise of digital media such as smartphones, social media has become everyone's favorite method to access news on the go. But it's not just the rise of digital news that's killing newspaper readership.

Publishers believe that the government is hurting the industry too.

In 2019, the government reintroduced a customs duty or import tax on all foreign made newsprint which enjoyed an exemption for nearly a decade. And since then, publishers have been pursuing the government to roll back its decision.

But with the customs duty still in place, the tussle is now harder. Publishers' arguments are simple.

The pandemic hit their already declining businesses. Domestic newsprint manufacturers were either forced to shut shop or switch to making packing paper. And lockdowns and blocked supply chains globally meant that publishers couldn't import printing paper either. Costs nearly doubled.

On top of that, revenues nosedived because people stopped buying newspapers and magazines fearing them to be virus carriers.

Even after everyone started hopping back to business, sales failed to go up. And by FY22 the combined profits of some newspaper groups including HT Media (Hindustan Times) and Bennett Coleman & Co. (Times Group) had dropped by nearly 25% from their pre pandemic figures.

And just when they were ready to shift gears, the Russia-Ukraine war came swooping in.

You see, India doesn't produce enough publishing paper. It consumes about 2.5 million tons of newsprint a year. But domestic mills are only able to produce about 1 million tons. And the Indian Newspaper Society, the country's central Press organization, believes that even that isn't as good as the imported variety in terms of quality.

So, we end up depending mostly on Russia for close to half of our newsprint imports. And since many countries in the West severed their trade ties with it, global shipping companies weren't supplying enough newsprint again. Newsprint almost vanished from the Indian market!

Not just that. Newspaper milling requires a significant amount of power. And Russia is the world's largest fossil fuel exporter. But in preparation for Ukraine's invasion, it began limiting supply to countries like those in the EU (European Union), who are heavily dependent on it. That led to a rise in coal and natural gas prices, hurting countries like India that relied on coal for their power needs. And since power costs contribute to about 30% of the newsprint production overheads, the newspaper industry was doomed.

So yeah, things began to look bad. And dealing with another cost in the form of a newsprint tax on foreign paper was simply unacceptable for the publisher folks. Their input costs rose. And passing it on to readers meant that buyers of the physical newspaper dropped.

Seems like valid reasons for the government to take heed, no?

Actually, it did. In 2020, the Finance Minister Nirmala Sitharaman made it a point to announce in her Budget speech that ever since customs duty on print media had made a comeback, she'd been receiving a lot of representations about it becoming an additional burden to the industry. So, the government actually decided to halve the tax to 5%.

But since then, it has refused to budge to give away any further concessions. Because here's the twist.

Customs duty on imported newsprint actually protects domestic newsprint manufacturers.

You see, the absence of customs duty on newsprint imports meant that many countries like Australia, Canada, Singapore, and the EU were conveniently dumping newsprint to poor as well as developing economies including India. Even when the demand for imports dropped, newsprint continued flowing in from these countries simply because they were cheap.

And the end result was that domestic newsprint manufacturers lost their market share to such dumped imports. To put things in perspective, between 2016 and 2019, dumped imports had increased their market share from 37% to 48%. This meant that the domestic players weren't getting enough orders to operate at their full capacities. Working capital dried up. Losses widened. Many employees had to be laid off. Nearly half of them were forced to pull down the shutters on their businesses too.

So, this customs duty was necessary to revive them.

But that's not the only reason. Costs are now stabilizing for the publishing industry. Newsprint costs which account for about 45% of the production overheads, have come down to more reasonable levels now. And a recent FICCI-EY report has highlighted that advertising in print

media is expected to grow at about 4% every year until 2026, causing a parallel bump in industry revenues.

Besides, the government won't want to lose out on an opportunity to cash in on whatever revenues it gets from customs duty on newsprint imports.

And that might mean that the newspaper industry may be stuck in an endless struggle against increasing its profit margins.

Or will it succeed in convincing the government another time? We'll only have to wait and see.

By Hardik S Patel

Update for the day #2072 | Loan Insurance

Loan insurance, also known as payment protection insurance (PPI) or loan repayment insurance, is a type of insurance policy that helps borrowers pay their loans if they can't due to certain circumstances. It can protect you and your family in the event of unforeseen events such as:

- Loss of income
- Critical illness
- Death
- Unemployment
- Partial or permanent disability

Loan protection insurance (LPI) policies are usually for people between the ages of 18-65 who are working at the time the policy is purchased and are available for all types of loan (home loan, car loan or personal loan).

In the event that a borrower needs to make a claim on their loan insurance policy, they will typically need to provide documentation supporting their claim, such as medical records, proof of unemployment, or death certificates. The claims process can vary depending on the insurance provider and the type of coverage.

Benefits of Loan Insurance

Having a loan insurance policy can offer several advantages. Some of the most notable advantages are–

- In case of an unfortunate event, such as job loss or disability, the policy will pay the remaining EMIs, depending on the policy coverage.
- They can also help policyholders maintain their credit score by allowing them to keep up with their loan payments.
- In the event of the policyholder's sudden demise, the loan protection policy relieves family members of the burden that they would have faced if they were required to pay the EMI immediately.
- You will find various loan protection policies in the market that offers tax benefits under Section 80C of the Income Tax Act.
- Various loan insurance policies include a money-back feature. It means that if you do not file a claim during the policy period, the insurer will provide you with a certain amount of money as a cashback offer.

Disadvantages of Loan Insurance

- Is a financial burden on the borrowers who have to pay premium after payment of EMI
- Anyone with pre insurance disease is either excluded or face difficulty in availing the insurance option
- Self-employment, freelancing and part time jobs are mostly not covered in case of job loss

What factors influence the premium of loan insurance?

Anything that increases the likelihood of a claim filing and adding to the insurer's liability affects the policy cost. Premiums Loan insurance, like any other insurance, is determined by multiple factors like:

1. Loan amount
2. Repayment tenure
3. Age
4. Health condition

Loan insurance can be obtained through the lender or through a separate insurance provider. It's important for borrowers to carefully review the terms and conditions of loan insurance policies to understand what is covered, any exclusions, the cost of premiums, and the claims process. Additionally, borrowers should consider whether they really need loan insurance or if they have alternative means of financial protection, such as personal savings or existing insurance policies.

By Gaurav K Patiyat

Update for the day #2073 | What if the world's Coral Reefs disappeared?

If you said 'colorful plants under the ocean' then we're sorry to burst your bubble. But corals are actually animals! Yup, animals. And these animals are called polyps. When these individual polyps connect with each other, they form colonies called reefs across tropical ocean waters around the globe.

And although they cover less than 1% of the ocean floor, these coral reefs house 25% of all marine creatures. You could say that they're the rainforests of the seas.

Yeah, we know that makes it sound like they're plants, but hey, the scientists have classified these as animals.

But anyway, the problem we're facing right now is that these underwater homes are being destroyed, all thanks to global warming!

See, one of the organisms that live within a coral is algae. And there's a symbiotic relationship between the two. The algae use the sunlight to produce nutrients — a type of photosynthesis. And these nutrients serve as fodder for the corals and it gives the coral a colorful appearance. In return, the corals then emit waste products in the form of ammonium and this is nutrition for the algae. It's a relationship that has sustained for over 200 million years!!!

But here's the thing. When ocean waters get warmer, it throws everything out of whack. The corals get stressed and expel the algae. And without the algae, the coral loses part of its food source. The end result is that corals begin to turn into white skeletons as the vivid colors die out.

And that folks, is called coral bleaching — an event that's happening globally even as you read this story.

In fact, the Great Barrier Reef in Australia which is also the world's largest coral reef has been recently hit by a mass bleaching event. It's the seventh such instance to happen and five of them have occurred in less than the last decade!

So yes, over 1,500 species of fish and 400 species of hard corals are under threat.

But why should we care about the fish and corals?

Okay, to begin with, coral reefs are natural protectors of the environment. Hard corals for instance can reduce wave energy by 97% because of their spiky structures. And this means that they provide a natural defense against floods along nearly 70,000 km of coastline worldwide. That could protect nearly 200 million people from storm surges and waves.

Then there's tourism.

And there's no better example of this than the Great Barrier Reef. These picturesque undersea wonders attract at least 1.6 million contributors annually, translating into a contribution of about $6 billion to the Australian economy.

Not only that, it's a boon to commercial fishing too.

Fish rely on coral reefs for their food and shelter. It's the place where they breed and grow. In the US for instance, half of all federally managed fisheries rely on reefs. To put things in perspective, fisheries benefit by over $100 million annually from commercial fishing that's dependent on reefs.

Coral reefs also benefit from having the fish around because they help clean corals, provide nutrients for their growth, and keep pests in check. So, it's a great circular partnership.

But human activities including overfishing can destroy that equation. Besides, it only takes a temperature spike of 1°C above average underwater to upset corals and lead to bleaching. And since the earth could be 2C warmer by 2050 without us preserving it, we could lose 90% of the world's coral reefs by then.

That would destroy the livelihoods of people in over 100 countries and translate into a global economic loss of about $375 billion every year

And this begs the question — How do we revive our coral reefs?

Look, that's hard to answer because reefs weren't built overnight. Corals can take anywhere between 10,000 years up to even 30 million years to fully form into reefs. And the Great Barrier Reef is the youngest we have on our planet. It's at least 50,000 years old

So, reviving them can be a tall order.

But that doesn't mean we can't protect what we already have.

Just look at the Belize barrier reef, the second-largest reef system and one of the most successful coral restoration projects in the world. A community-based conservation effort has been able to improve the coral coverage in the area from just 6% to 60%. All it took was a group effort from the guides, fishers and divers who have been trained to plant coral and monitor their growth.

No talk zones also helped. Think of them as areas where governments don't allow extractive activities including fishing, hunting, logging, mining and even drilling. Belize's government approved a plan to expand its no-take zones from just about 5% to 12% of its total waters in 2019. And that may have also been another partial trigger for its Reef's recovery.

But there's something else we can do to nurture our reefs too — coral farming!

Some experiments have shown that nurturing corals in man-made habitats in nurseries and then replanting them on reefs destroyed by bleaching can potentially save them. And maybe even help the reefs adapt to climate change.

So yeah, let's hope that humankind can save the reefs because, without them, the world would be a poorer place.

By Shravan Prabhu N

Update for the day #2074 | What's the Digital Competition Bill anyway?

In 1983, Lotus Development Corporation launched a spreadsheet application called Lotus 1-2-3.

And it instantly became a darling among computer users at the time. They didn't have to worry about crunching numbers manually. They didn't have to recalculate when they altered a single digit or an errant figure in their accounts. And they could update pretty much anything they wanted without excessive intervention. It worked like a charm, and it was better than most spreadsheet software available in the market. Spreadsheet software like Microsoft's Multiplan.

Yeah, Microsoft wasn't as big in the spreadsheet space back then. And it wanted to fix that. So, a few years later it revamped its spreadsheet software and launched 'Excel'.

Today Excel is one of the most widely used spreadsheet software globally. And Lotus 1-2-3 is long gone. Now no doubt, Excel is a great product. But Microsoft managed to bag the top spot in large part thanks to its dominance in the Operating Systems (OS) market.

This is why it could push its spreadsheet software as a bundled service along with a suite of other applications. And as the Windows operating system began picking up steam, Excel managed to capture people's imagination because that's pretty much all they could imagine.

This is a classic example of unfair competition.

Microsoft used its status as a monopoly in the OS market to crush other spreadsheets. In fact, it did this on several other occasions. It imposed legal and technical restrictions on PC manufacturers and users who intended to opt for Netscape (as a web browser) and engaged in similar shady practices elsewhere.

This forced the US government to take matters into its own hands and eventually, the Department of Justice filed an antitrust lawsuit against the software giant. The judge presiding over the matter even ordered the company to split itself into two separate entities in a bid to curb Microsoft's dominance. But in the end, political intervention and other concessions allowed Microsoft to remain intact.

This was supposed to be a landmark case. A once in a lifetime event that would set things right. Nobody could ever again abuse their dominant position to crush competition. But two decades later, not much has changed.

We have even bigger names engaging in anti-competitive practices. Names like Apple, Google, Meta, and Amazon. And that's exactly why global regulators feel the need for stronger laws that can offer every competitor in the market a level playing field. For instance, the European Union (EU) introduced the Digital Markets Act (DMA) a couple of years ago. The US is pondering over an American Innovation and Choice Online (AICO) Bill. And the UK has formally set up a Digital Markets Unit (DMU) under its existing Competition Authority.

All of these laws and policies have just one goal — to ensure fair competition among businesses.

And maybe this has inspired India too. India has over 350 million users who transact online across e-commerce, shopping, travel, hospitality, and OTT apps thanks to affordable data. And that number is only set to double by 2030, accounting for about 70% of internet users by then. Also, India's consumer based digital economy is expected to be a whopping $800 billion market in 2030. That's a 10x growth from 2020!

And in the absence of strong regulation in a fast-growing digital economy, big companies will likely use their scale, size, and influence to restrict new players from entering the market.

So, in 2022, the government sat with the folks running these big companies and sought out their perspective on the matter, eventually coming up with the idea of having a separate law in the form of a Digital Competition Act (or Bill before it's passed by the parliament) to prevent anti-competitive practices.

Now, it's not as though India doesn't have a regulation in place. At the moment, it's the Competition Act doing all the heavy lifting. The law does prevent unfair competition. But it was devised over two decades ago. And despite having its fair share of amendments, it has not been able to keep up with the growing size of India's digital economy. So yeah, that's why the government is thinking about a new bill i.e. The Digital Competition Bill.

But what is it really?

Well, the idea here is actually pretty straightforward. Identify big players who are likely to bully others with their market power based on their revenues, market capitalization and number of active product users. Classify them as Systemically Important Digital Intermediaries (SIDIs). And slap a self-reporting obligation. Simply put, these entities will have to declare that their operations are fair and transparent.

And if everything works out there should be fewer anti-steering measures i.e. the thing that happens when Apple or Google mandate the use of their payment systems for in-app purchases. And little self-preferencing i.e. when Google nudges you to use its pre-installed apps on Android by not letting you uninstall them. And fewer instances of deep discounting i.e. when companies like Flipkart or Amazon sell products at extremely low prices which others can't compete with.

Also, bringing in a Digital Competition Bill means floating an ex-ante regulation.

What's that, you ask?

Well, it's simple. Right now, we deal with anti-competitive practices post ante or after something unfair happens. For instance, remember when the Competition Commission of India (CCI) accused MakeMyTrip of colluding with OYO and controlling prices in the market?

The CCI went after these companies only after the collusion transpired. It had to go through a whole lengthy process of cherry-picking offences that the companies committed.

But had a regulation existed, things would have been easier and quicker. The CCI could just say "Hey, MakeMyTrip and OYO have gone against the code we've already chalked out. So, we are going to take them to task." That's an ex-ante approach.

And we know all this sounds like wishful thinking. But here's the thing. Laws like this have sort of worked globally.

Just look at the EU's DMA. After it took shape, it was able to save Epic Games from Apple's nifty tricks. Not long ago, Epic Games had planned to launch its app store for iOS, Apple's operating system. And knowing Apple, you can probably already guess what it did. It simply banned Epic from its online store by revoking its developer license. But then came the DMA. It opened an inquiry into the matter. And voila! Epic Games will now be allowed to have its own app store on iOS in Europe.

That's not a sole example. EU's DMA has also pushed Apple to allow EU-based iPhone users to uninstall its default Safari browser by the end of this year. And by 2025, it will even have a more user-friendly option to transfer data from an iPhone to a non-Apple phone.

But perks like that come with drawbacks too.

Well, perhaps one point of contention is that global markets that have rules to curb digital dominance are mostly developed economies. While India is not. And some observers believe that these laws can actually stifle innovation in a country like ours. Startups may have to deal with onerous compliance burden and the law may empower officers to just go after everyone without due consideration.

So yeah, the Digital Competition Bill means well. But we still have to make sure that we don't get too carried away. Which perhaps also explains why it's been on the government's to-do list for a while now and hasn't yet seen the light of day.

Will it happen anytime soon? We don't know. But if does, we hope that it promotes fair competition.

By Bhumika Pareek

Update for the day #2075 | Mission Divyastra: Who is Sheena Rani, the DRDO scientist behind Agni 5 missile test

The Indian men's football team won the SAFF Championship 2023 title after beating Kuwait 5-4 in a thrilling penalty shootout at the Sree Kanteerava Stadium in Bengaluru on Tuesday.

India, who are 100th in the latest FIFA rankings, won their ninth SAFF Championship 2023 in 14 editions. This was India's second silverware on the trot after clinching the Intercontinental Cup last month.

After the regulation time ended 1-1 and neither team could score in the extra time, the final came down to penalties. Kuwait's captain Hajjeia missed the decisive spot kick in sudden death.

In regulation time, the newly-crowned AIFF Player of the Year Lallianzuala Chhangte (39') had equalized for India after Shabaib Al Khaldi (14') had given the Kuwait football team the early lead.

Indian head coach Igor Stimac, who was banned from the touchline and had to watch the match from the stands, made three changes from the starting eleven that started against Lebanon in the semi-finals. Akash Mishra and Nikhil Poojary returned as full-backs while Sandesh Jhingan, who was suspended in the previous match, returned to replace Mehtab Singh at the heart of the defense.

India, playing with a four-man defense, started on a cautious note, and resorted to counter-attacks. Kuwait, meanwhile, pressed high and attacked the Indian half with incisive crosses and through-balls. It was the visitors who took the early lead via Shabaib Al Khaldi, a quarter into the match.

Al Feneeni dribbled into the Indian half and cut the ball back for an unmarked Shabaib Al Khaldi in the box, who slotted it past the Indian goalkeeper to give Kuwait a 1-0 lead.

Trailing by a goal, India pushed their men forward in search of the equalizer, Minutes later the hosts had a golden opportunity to level the scores but Lallianzuala Change's long-range shot was saved by goalkeeper Mubarak Marzouq.

As the game progressed, India grew in confidence and attacked the Kuwait half in waves. The hosts managed to score the equalizer during one such move. Ashique Kuruniyan won the ball in the Kuwait half and passed it to Sunil Chhetri. The Indian football team captain sent in a weighted through-ball to Lallianzuala Chhangte, who slotted it in to make it 1-1.

The first half ended with scores deadlocked at 1-1.

Towards the beginning of the second half, Nikhil Pooojary and Lallianzuala Chhangte combined on the right and made overlapping runs down the flank in an attempt to get the ball to Sunil Chhetri. However, the alert Kuwait defense thwarted any dangers.

India had a golden opportunity to go ahead in the match in the 62nd minute when Kuwait goalkeeper Mubarak Marzouq's kick was headed back by Sunil Chhetri towards Lallianzuala

Chhangte. The Mizoram player's weak shot at the goal, though, was comfortably collected by the Kuwait custodian.

As the clock ticked away, the game turned into a feisty affair with the referee dishing out yellow cards to the players on both sides.

With minutes left in the regulation time, Kuwait almost scored the winner when Mohammad Abdhulla intercepted a throw-in and sent the ball flying towards the Indian goal but an alert Gurpreet Singh Sandhu made a brilliant save to deny the visitors a certain goal.

Regulation time ended with scores level at 1-1, forcing the match into extra time.

Both teams had several chances to clinch the match in the extra time but neither could score the decisive goal as the final progressed into the penalty shootout, where India claimed a thrilling win.

En route to the final, the Indian football team beat Lebanon in the semi-finals after finishing the group stage with wins over Pakistan and Nepal while drawing against Kuwait.

By KK Krupa

Update for the day #2076 | Did Hari Shankar Tibrewala crash the stock market?

Penny stocks (one's trading under ₹10 a share) and small-cap stocks are being punished. And there is one name cropping up as a probable cause for a part of this mayhem—Hari Shankar Tibrewala. But who is this shadowy figure, you wonder? Well, does the name Mahadev betting scam ring a bell? No?

Okay. The details are a little murky, but we have tried to piece everything together. So, let us take it from the top.

It all started in the mid-2010s in a town in Chhattisgarh. A young man named Saurabh Chandrakar had decided to set up a juice stall. He called it Mahadev Juice Centre and he had his fingers crossed for this to be successful. The problem was that he had not had much luck with previous business ideas and to make things worse, Chandrakar had already racked up a few lakhs in losses due to an ugly gambling habit.

That is when he bumped into a fellow gambler and businessman named Ravi Uppal. And maybe they decided that they could not keep losing money to these betting schemes. So, they decided it made sense for them to be the 'house.' Together the two of them decided to set up a betting website. And in 2017, they set up their gambling app named after the juice centre—Mahadev Book. They wanted people to place live bets on sporting events such as cricket and football.

And since they really did not have any experience creating something that would scale, as per some reports, they managed to get an introduction to the folks who already ran a successful betting app called Reddy Anna. Apparently, that technical know-how changed their fortunes.

By 2019, Uppal and Chandrakar migrated to Dubai and their families followed soon after. They began advertising to lure in the millions of users and soon began raking in crores of rupees a day. They set up over 10,000 bank accounts across the world to receive all this money.

Either way, when Chandrakar decided to flaunt his newfound wealth by splashing ₹200 crores on an opulent wedding in 2023, India's Enforcement Directorate woke up. "Who on earth was this guy who suddenly had Bollywood A-listers attending his wedding in Dubai?" they thought.

So, they investigated. They found that everything about the app and the money it made was illegal. And then worked with the UAE law enforcement to arrest Chandrakar and Uppal.

Anyway, that is the short version of this scam that is allegedly worth a mammoth ₹6,000 crores! Okay. But how does Hari Shankar Tibrewala fit into all this, you ask? Ah, so Tibrewala is a Dubai-based 'businessman' who allegedly teamed up with Chandrakar and Uppal. He ran a variant of the Mahadev Book app called 'Sky exchange'.

And his modus operandi was simple. He took money from customers and then handed it over to a clandestine network of money operators. These folks would find ways to park it surreptitiously into bank accounts. And these bank accounts would be controlled by Indian or foreign entities.

What would they do with this money?

Well, as per the Enforcement Directorate, the money eventually wound up in the Indian stock markets—a whopping ₹1,100 crores worth of it. And most of it would be in the stocks of smaller companies such as Tiger Logistics, Toyam Sports, and Gogia Capital Services. In fact, around 30 listed stocks are suspected to have investments from one of Tibrewala's many dummy companies.

Now the reason for choosing smaller companies was simple. Hardly anyone would trade in these shares. And that meant it would be easier to manipulate the prices. He could quite easily play the pump-and-dump game—drive up the prices, fool retail investors into thinking the stock are the next big thing and then exit it at a hefty profit.

And since this dubious practice worried the folks at the ED, they jumped right in and have frozen shares worth a whopping ₹1,100 crores in demat accounts linked to Tibrewala. But wait…does it mean that all 30 stocks are being manipulated, you ask?

Probably not. Anyone can buy stocks from the open market, right? And it is not necessary that Tibrewala has a direct connection with the promoters of the companies. In fact, at least 6 of these companies have issued public clarifications saying that they have no direct connection to Tibrewala. But here is the thing. It may not be enough to assuage investor fears that their beloved stock is being manipulated.

Take, for instance, a solar utility company called Gensol Engineering. The Morning Context points out that one of Tibrewala's companies Zenith Multi Trading DMCC has a stake in the firm. And for a period after Zenith took its spot as an investor, the stock had a meteoric rise.

If you ask Gensol, they will say there is no connection. Their official statement says: "Zenith, a passive shareholder since September 2022, holds less than 1.5% in Gensol and holds neither decision-making rights nor any involvement in the business and operational strategies of the company."

Now that might be true. But you do not need to have decision-making rights to drive up an illiquid stock's price, no? And that could mean the Tibrewala connection could still optically look quite bad for Gensol. In fact, companies with links to Tibrewala have all fallen by 10–30% in just this month. And that's why people are laying blame on Tibrewala's doorstep for the recent rout.

By Gaurav Y

Update for the day #2077 | An insight on waste generation

We all know it's important to reduce, reuse, and recycle. But what does that mean? And why is it important to be mindful of our waste?

Reducing waste means using less stuff. It's about using less paper, plastic, water, and energy. Why? Because using less stuff reduces the amount of pollution that goes into the air, water, and land.

Reusing means using something again. It's about finding new ways to use old things. Why? Because it takes less energy and resources to reuse something than to make something new.

Recycling means turning something that would be wasted into something that can be used again. Why? Because recycling saves energy and resources, and it helps reduce pollution.

So, why is it important to be mindful of our waste? Because waste reduction, reuse, and recycling are important ways to protect our environment.

In today's article, let's explore waste segregation, another essential aspect of being mindful of our waste. Here's what you need to know:

What Is Waste Segregation?
Waste segregation separates different types of waste so that it can be recycled or disposed of more effectively. By segregating waste, we can reduce the amount of waste that goes to landfill and recycle more materials.

There are many types of waste, and each type should be segregated into its bin. The most common types of waste are general, recyclable, and hazardous.

General waste is any waste that cannot be recycled. This includes food waste, packaging, and other household items. Recyclable waste includes paper, plastic, metal, and glass. Hazardous waste includes chemicals, batteries, and electronic waste.

Waste segregation is important because it helps to reduce the amount of waste that goes to landfill. It also makes recycling more effective, as different materials can be recycled more easily when separated.

The Benefits of Waste Segregation

Most people are aware of the importance of recycling and the benefits it has for the environment. However, many people are not aware of the benefits of waste segregation. By segregating your waste, you can make a big difference in the amount of waste sent to the landfill.

Waste segregation is the process of separating your waste into different types. This can include separating your organic waste from your recyclable waste. By doing this, you can ensure that your waste is sent to the correct place for disposal.

One of the biggest benefits of waste segregation is that it can help reduce the amount of waste sent to landfills. Landfills are a major source of greenhouse gas emissions. By segregating your waste, you can help reduce the amount of waste sent to landfills and therefore help reduce your carbon footprint.

Another benefit of waste segregation is that it can help reduce waste disposal costs. By segregating your waste, you can ensure that your waste is sent to the most appropriate disposal facility. This can help to reduce the overall cost of waste disposal.

Waste segregation can also help to improve the efficiency of waste disposal. By segregating your waste, you can ensure the waste is sent to the correct facility for disposal. This can help to reduce the amount of time and resources that are required for waste disposal.

Overall, waste segregation is a great way to impact the environment positively. By segregating your waste, you can help reduce the amount of waste sent to landfills, reduce the cost of waste disposal, and improve the efficiency of waste disposal.

By Harshita Jain B

Update for the day #2078 | Paytm gets five UPI handles: what these means for the company and Paytm users?

Fintech major One97 Communications, the parent company of Paytm, has obtained five UPI handles in collaboration with four banks. These four banks are HDFC Bank, Axis Bank, State Bank of India (SBI) and Yes Bank.

Paytm on Thursday was granted a third-party application provider license by the National Payments Corporation of India (NPCI), just a day before the deadline for Paytm Payments Bank to cease its operations. The license offers Paytm's customers a means to continue using its app for payments following the shutdown of Paytm Payments Bank on March 15.

This strategic move ensures the continuity of UPI transactions for Paytm users, as confirmed by an update on the National Payments Corporation of India (NPCI) website earlier this week. Among these handles, the existing and widely recognized @paytm remains fully operational, allowing users to continue their transactions without any adjustments.

Additionally, NPCI has granted approval for a closed user group UPI handle, @ptyes, in partnership with Yes Bank. Two other handles, @pthdfc (in association with HDFC Bank) and @ptsbi (with State Bank of India), have also received NPCI's approval. However, these handles will not be immediately active.

Paytm's spokesperson reassures users that the @paytm handle can be seamlessly used without any modifications. This development comes after NPCI's recent approval of a third-party application (TPAP) provider permit for Paytm. The collaboration involves SBI, Axis Bank, Yes Bank, and HDFC Bank, ensuring uninterrupted UPI services for Paytm's customer base.

Previously, Paytm's UPI transactions were facilitated through Paytm Payments Bank (PPBL). However, the Reserve Bank of India (RBI) has restricted PPBL from accepting deposits, credit transactions, or top-ups in customer accounts after March 15.
One97 Communications Limited (OCL) holds a 49% stake in PPBL, while the company's Founder and CEO, Vijay Shekhar Sharma, retains a 51% stake in the bank.

Paytm app continues for payments: You can still use the Paytm app to make UPI payments even though their banking arm, Paytm Payments Bank, is shutting down several services.
Behind the scenes change: Paytm will now partner with other banks (like Axis, HDFC, SBI, YES Bank) to process your UPI transactions instead of their own bank.

By Ektha M

Update for the day #2079 | E Sala Cup Namduu!!

Finally, after 16 long awaited years we got a chance to say E Sala Cup Namduu !!

In a low-scoring thriller, RCB finally managed to bring their first trophy home by beating Delhi Capitals in the WPL final by eight wickets.

RCB lifts WPL trophy: Check Women's Premier League winner prize money here | News - Business Standard

Royal Challengers Bangalore scripted history on Sunday by lifting their first Women's Premier League trophy with a win over Delhi Capitals in the final. RCB had a forgettable campaign last season where they finished fourth by winning just two matches, however, tables turned for them in the WPL 2024 as they gained momentum right from the start. They did suffer a few hiccups on their journey to playoffs but the big stars stood up on big occasions to help them clinch the prestigious title.
RCB's journey started at their home ground M Chinnaswamy Stadium as they enthralled their fans with some memorable performances at the home ground till the middle of the season. The fanbase which was created by the RCB men's team came in big support of the women's side and Smriti Mandhana and Co. took their legacy forward.

After RCB's massive title triumph, the fans in Bengaluru came out of their home in big numbers to celebrate the glory moment together on the streets. Several videos went viral on social media where fans went bonkers and enjoyed the title win which the city has been waiting for since the inception of Indian Premier League as the men's team is yet to open its account.

RCB skipper Smriti Mandhana also shared a special message after the title win for the fans for their incredible support.

"I have a message for all the RCB fans, the most loyal fan base. Nothing would have been possible without their support. Ee Sala Cup Namde (The Cup will be ours this time) always comes up, and now I just want to say Ee Sala Cup Namdu (The Cup is ours this time)," Mandhana said in the post-match presentation.

RCB off-spinner Shreyanka Patil, who ended up as the highest wicket-taker in WPL with 13 scalps, also

shared the same sentiment and relief after the triumph. "They keep saying 'Ee sala cup namde' and we got it. That's it guys, it is for the fans," said Patil.

Now it’s time for our boys to bring that cup home !.

By Dhanush DD

Update for the day #2080 |Can Delhi clear its garbage dumps

Delhi!

It is not just a city. But a food lover's paradise and a fairyland for history buffs. You could say, it is a melting pot of cultures.

But Delhi's charm may now be melting away. Thanks to its mountainous piles of garbage dumps that are waiting to be cleared out. The scene in some places is far from charming. Their stench fills the air, choking residents in the neighbourhood, while stray animals rummage for food and aeries of eagles soar in the sky above them.

Welcome to Bhalswa, Ghazipur and Okhla — three of Delhi's biggest garbage dumping grounds.

Now we know that every city has a few of these. But Delhi's dumping grounds are different. Its biggest and oldest dumping ground at Ghazipur houses about 78 lakh tonnes of waste which has now grown 65 metres tall. That's a little over 50% taller than the India Gate! And a garbage pile like that is no longer considered safe when it crosses the 20-metre mark. For Ghazipur's site that saturation point had come way back in 2002.

And the Municipal Corporation of Delhi (MCD) wants to change that. It wants to erase some of these dumping grounds using something called biomining. Think of it as the process of segregating Municipal Solid Waste (MSW) into fuel, inert soil, and compost which industries, infrastructure and agriculture could ultimately use. It's a technique that many Indian cities have successfully adopted to get rid of their legacy waste or solid waste lying on their dumping grounds for decades.

And there is no better example of this than Indore, India's cleanest city since 2017.

In 2018, Indore's Devguradiya dumping ground was successfully able to get rid of 13 lakh tonnes of legacy waste spread across 100 acres of land in just about 6 months.

Thanks to biomining which helped segregate waste and put it to good use. Stuff that could be recycled was sent to recycling stations. If any of that recyclable material contained polythene, it went to cement plants or was diverted for making roads. Construction and demolition (C&D) waste became building materials for other infrastructure projects. And soil generated from the dumping ground became refilling material for the site which boasts of plants and greenery now.

But Indore is not the only city that has accomplished this feat. Bhopal, which is India's cleanest capital city has also been able to work this magic.

And it seems like Delhi has drawn inspiration from cities like these. By December this year it wants to clear lakhs of tonnes of garbage, at least from Ghazipur and Balswa.

But here's the thing. No matter how motivated Delhi seems to be, the progress is slow. And the fear is that the city may miss the looming deadline it has set for itself.

Why, you ask?

Look, the height of the dirt piles at Delhi's three major dumping grounds has only increased over the years. And it's not because there's no work in progress. Delhi initiated efforts to clear up its legacy waste way back in 2019. And the trommel machines used in the process can separate about 2,500 tonnes of garbage every day. That should've easily cleared over half of the trash that the Ghazipur dumping ground shoulders. But more fresh waste coming in daily means that all its attempts prove futile. To put things in perspective, this site receives up to 3,000 tonnes of MSW every single day, replenishing the legacy waste that is being biomined.

Now we know what you're thinking. Can't Delhi just stop dumping fresh waste on these overflowing heaps?

You wish! But herein lies the problem. Delhi simply doesn't have enough land that it can use as an alternative dumping ground. In fact, the three existing dumping grounds that we've been talking about all this while, are not even authorised by the Delhi Pollution Control Board. Municipal bodies simply keep using them because they have no other option.

Even if it tries to acquire more land, the government simply may not have that kind of money to budget for this arrangement. So, comparing Delhi's dumping grounds to Bhopal or Indore may not be fair because these cities made sure that fresh waste had separate dumping grounds where it was properly segregated right from the start.

And yes, waste segregation is a problem as well. Most of the city's waste isn't centrally managed. So, you don't have folks from the Municipal Corporation going door-to-door and collecting segregated waste in most parts of Delhi. This is still spread across informal players who pay to secure contracts area wise. They then deploy one worker per cluster of households which must pay a fee of up to ₹250 a month for the service.

This makes way for two big problems. One, unsegregated waste adds up to the existing piles at Delhi's dumping grounds. And two, a huge chunk of construction and demolition (C&D) waste ends up getting illegally dumped into these sites. Delhi generates the maximum C&D waste in India — upwards of 6,000 tonnes every day. And despite the city earmarking over 150 sites for waste of that kind, the lack of a centrally managed disposal system only makes things worse.

But does that mean Delhi can't overcome its heap of waste management problems?

Not really. Because there may still be a sliver of hope.

For starters, Delhi has slowly begun implementing Municipal Ward wise plans to completely segregate its waste. The folks at the MCD have begun sending their waste collection vehicles to every ward. They plan to steadily increase their fleet of vehicles, fetch daily status reports of work being done with photographs and finally monitor all waste collection vehicles through GPS tags. And this has made way for a small bit of progress according to the latest Delhi Economic Survey Report. About 80 out of 250 wards falling under the MCD now have over 80% of their waste segregated.

Another silver lining is that Delhi just got a new engineered landfill at Tehkhand. This means that the treated waste from its existing dumping grounds will be diverted to this new landfill to process the residue.

Now, here's something you may not know. Dumping grounds are very different from landfills. Although we often use these terms interchangeably, landfills are scientifically planned waste disposal sites which prevent gases and hazardous residue in the waste from leaching into the soil or water. So yeah, Tehkhand's site is exactly that.

And if all of this goes as per plan, Delhi's biomining deadlines may not seem all that scary anymore. What do you think?

By Aniket Jain R

Update for the day #2081 | The Gold Rush

The reason why there are extreme opinions about gold is that, as an asset, it doesn't generate any cash flow. Unlike a company which sells stuff and earns revenue, gold doesn't have that feature. Or consider a bond. If you buy a bond issued by a company, you can at least earn an interest. You can't say the same thing about gold.

Simply put, gold doesn't have any intrinsic value. That's why a lot of investors don't touch it with a barge pole.

The only real value is because of sentiment.

The 'gold bugs' who buy it impute some magical powers to it. They say that central banks are playing fast and loose with paper money, so you need a physical asset for protection. There's the argument that when there's turmoil in the world, gold is a savior that people rush towards. And also, gold is finite. It doesn't have an endless supply. So, you could accord some value to its scarcity.

And right now, the 'believers' are winning. Gold prices have hit all-time highs. In India, it has breached ₹66,000 for 10 grams.

So, we have to wonder why gold is on a massive bull rally right now. And we have to try and break it down a bit.

Is it global instability or a geopolitical crisis?

Well, there is definitely plenty of conflict in the world. The invasion of Ukraine doesn't seem to have an ending, and this has hurt food supplies. Israel is still engaged in a war against Hamas in Palestine which affected shipments through the Red Sea. And there's a worry of an armed conflict between two of the world's big powers—India and China.

So yeah, you can see why gold would be attractive in such a situation.

But there could be a deeper issue at play here.

Remember how the Western world imposed all kinds of sanctions on Russia after it invaded Ukraine?

And one thing they did was also freeze Russia's foreign reserves. The country had parked money in bonds and other assets in the West. And then found that it couldn't access any of it due to the whims of the West.

Suddenly, other countries woke up to the fact that this could happen to them too if they ended up on the wrong side of the Western countries. And maybe that triggered them. But many emerging market central banks suddenly rushed to stock up on gold to park their currencies—they bought over 1,000 tons of gold in both 2022 and 2023. And you can be sure that trend is continuing even today.

Typically, people say that gold is a hedge against inflation. But today, it's cooling inflation that could be making the case for gold.

Confused?

See, the thing with gold is that it doesn't offer any yield. There's no interest paid out. So, when a central bank like the US Fed keeps interest rates high, people prefer to buy things like a US government bond. It's a more attractive proposition.

And since the US was battling high inflation ever since the pandemic, the US Fed also kept interest rates higher than it had been in the past decade.

So, people rushed to buy bonds and gold took a backseat. And that inflationary hedge argument kind of broke down a bit.

But imagine this in reverse now. Imagine the US Fed starts cutting interest rates.

Gold wouldn't suddenly seem so bad, would it? Investors won't lose out on much 'yield'. And it makes sense, especially considering the geopolitical mayhem in the world.

And that's what is on the cards for gold today. The US economy isn't battling high inflation anymore and the economy isn't growing at a scorching pace either. There are worries about a slowdown leading to a recession. And since Jerome Powell, the man in charge of the US Fed, has pretty much said they're "not far from" cutting interest rates, you can see that there's some anticipation building up around gold.

Because as per a Morgan Stanley report, gold is quite sensitive to changes in interest rates. Over the past 25 years, the price of gold has jumped by 10% for every 1% fall in the inflation-adjusted interest rates of the US 10-year government bond.

So yeah, you can see why investors seem quite excited to buy the metal today.

Will it work out the way the gold bugs are hoping for? Or will inflation rear up again and spook the US Fed and gold as a result?

We'll have to wait and see

By Rohit S Paradkar

Update for the day #2082| The SOHO house frenzy explained

The Story

In 2016, Prince Harry (now Duke of Sussex) met his would-be wife Meghan Markle (now Duchess of Sussex) at a swanky club in London. It's a place decked up with Georgian fireplaces and lavish interiors that serves ox cheek doughnuts as a snack and sea trout drizzled with miso beurre blanc as a main course.

The place where the Royals had their first date is the central theme of our story today — Soho House.

What's that?

Well, it's an exclusive members-only club where creative people get together. And there are over 40 such clubs spread out across the world. But just being creative isn't enough. For an annual membership in India, you need to have upwards of ₹1.5 lakhs to splash too. And even then, getting a membership isn't an easy affair. Because if you aren't cool, you can't be a Soho House member. No kidding! A committee, consisting of club members, decides who is and isn't eligible for membership. For instance, if you want to get an entry pass to Mumbai's Soho House you'll be screened by a committee of Bollywood barons like Karan Johar, Masaba Gupta, Rhea Kapoor and Kiran Rao. At least, that was when it launched. So yeah, the criteria to get in is subjective. But the reason we're talking about it is because Soho House is expanding its empire in India. It now wants to spread out in South Mumbai and New Delhi. And for those in cities like Goa, Hyderabad, and Bengaluru, Soho House is also rolling out its Cities Without Houses (CWH) membership format. So, folks here don't need to feel they're missing out — they can shell out around ₹3 lakhs annually and get access to experiences, events, and full access to other Soho Houses. And this expansion is all thanks to the ballyhoo and perceived success of its Mumbai house, the first ever in Asia.

Why "perceived" success, you ask?

To begin with, it all started from a café in Soho, London that had become a hangout place for artists — Café Boheme. The space upstairs had a small door which could make a perfect entrance to a private club. At least that's what Nick Jones, the founder, thought; making way for the first-ever Soho House in 1995. The concept of creative environments or milieux took off, a lot like how artists and architects rebuilt the trade and economics of Europe through a transition called the Renaissance during the 14th and 15th centuries. Maybe even Richard Florida's Creative Class Theory of 2002 fuelled Soho's membership fire simply because it suggested that diverse and cool cities or groups would bring economic growth and outperform others. Members rose and so did the waitlist. As of today, it has over 1,90,000 members globally. And you may even have to wait in a virtual queue of about 1,00,000 applicants for anywhere between 3 months to a year to get in. But investors in the company haven't been too pleased with it. After Soho House launched its IPO in 2021, shares have dropped by 60%!!! One research firm even said its shares are worth $0.

And the reason for this pessimism is simple. Soho House has not turned a profit in its nearly 30 years of existence! And it doesn't look to be closer to achieving that goal either. See, nearly 80%

of its houses are leased. So even if it has been getting more memberships over the years, it's simply because it has been expanding to rake in more revenues. Over half of its 42 locations opened only after 2018. Now these expansions mean that lease rents increase simply because landlords shoulder the responsibility to renovate the clubs in exchange for higher rents. Not just that. Growth for Soho House comes with huge bags of debt — the net debt is at nearly $650 million now. And what happens when debts rise? The company keeps having to shell out more interest payments. This keeps pushing profits even more out of reach.

The other problem is that the aggressive expansion may have killed exclusivity for Soho's members. Here's how an "every house" member who has access to all of Soho House's locations worldwide describes his experience to The Guardian: It's like this every time, every time I come…You can never get a table, it takes ages to get served, and you're paying a lot for the privilege of being a member. I don't really know what the point is any more. It doesn't feel special, I don't feel special. So why would anyone want to pay big bucks for non-exclusivity, eh? And Soho House has heard these complaints. It has stopped accepting new members in some cities after getting way too popular. But being a public company also means that you must show investors that you're growing and innovating. The business must scale and limiting members doesn't help with that cause. That also may be why Soho House wants to expand its presence in India too. India's affluent class is rising, with 60 million or 4% of the working-age population now earning over $10,000 annually as compared to just 24 million in 2015. That's probably what Soho House is banking on. But will this be enough for investors to smile about? We'll have to wait and see if the Soho House frenzy continues to play out or whether the illusion of exclusivity is over.

By T Ganesh Pai

Update for the day #2083 | How a Bengaluru firm gave wings to ISRO's reusable launch vehicle

The Indian Space Research Organization (ISRO) on Friday achieved a significant milestone in reusable launch vehicle (RLV) technology through the RLV LEX 2 landing experiment in Karnataka, a release by the space agency said. The winged vehicle – Pushpak – was lifted by an Indian Air Force Chinook helicopter and released from an altitude of 4.5 km. The landing gear of the RLV was designed, developed, and supplied by Bengaluru-based Timetooth Technologies.

The landing was executed as a two-point landing. The main landing units absorbed the major shock energy in a small stroke, followed by the slap-down of the nose landing gear. Then the wheels-on-ground status sensed by sensors and stage-wise braking started — through parachute & wheel-brakes — to stop the RLV in a short distance. Additionally, the nose-wheel-steering mechanism safely kept the steering in control at high speed.

Calling it a proud moment, Girish Mudgal, Co-Founder of Bengaluru-based Timetooth Technologies, recalled how the project was completed on a "war footing" given the short timeline to execute it. "The design was completed in 8 weeks, and the manufacturing and qualification testing completed in another 12 weeks. ISRO and our team worked round the clock to deliver in such a tight project timeline of about 5 months," he stated.

ISRO had successfully completed its RLV autonomous landing experiment (RLV LEX) on April 2 last year. In its statement on Friday, it stated how RLV-LEX-02 demonstrated the autonomous landing capability of RLV from off-nominal initial conditions at release from a helicopter. "The RLV was made to undertake more difficult maneuvers with dispersions, correct both cross-range and downrange and land on the runway in a fully autonomous mode," it added.

Hailing the success of the mission, Amitav Chaudhuri, co-founder, Timetooth Technologies, stated that the LEX 02 mission validates their capabilities as one of India's top engineering solutions companies for mission-critical system development and supply.

By Sree Harshitha S R

Update for the day #2084|Can Fly91 fly where others couldn't?

The Story
India has a new regional airline—Fly91.

And for its founder Manoj Chacko, it's the start of a dream that has been almost a decade in the making.

Yup, for the past many years, Chacko had run from pillar to post trying to raise funds for his airline. He sent out over 400 pitch decks and met with over 200 investors. Yet, everyone gave him the cold shoulder.

Maybe it had something to do with Chacko being part of the Kingfisher Airlines founding team. So maybe no one wanted to fund a new venture run by a former top honcho of an airline that went bankrupt. Maybe it was partly because of the collapse of the storied Jet Airways brand. Or maybe it was simply because India has a graveyard filled with defunct carriers such as Air Sahara, Air Pegasus, Air Carnival, Air Costa, and even Go First.

So even though the country has seen a boom in air traffic with the number of domestic passengers doubling to over 15 crores in the past decade, Chacko struggled to raise the ₹200 crores he needed.

Until somehow things finally fell into place recently—after getting a ₹100 crore cheque from a PE firm called Convergent Finance a few years ago, Chacko finally managed to cobble together the rest from a bunch of around 40 investors. And got the green light from India's aviation regulator.

But the question now is—can Fly91 succeed where others couldn't?

For starters, despite attempts to increase the number of airports across the country, the growth drivers have been the big cities of Delhi, Mumbai, Bengaluru, Hyderabad, Kolkata, and Chennai. Around 60% of the domestic traffic originates from these cities. And that number hasn't changed in over a decade.

This also means that when an airline attempts to fly routes between regional city pairs, it doesn't turn out to be lucrative. It's a loss-making proposition. That's why, even despite special subsidies being provided by the government, 46% of the flights under the Regional Connectivity Scheme (RCS) have stopped.

Even the government-owned regional airline Alliance Air has been struggling. It is racking up losses of over ₹500 crores annually. And even the government subsidy isn't making much of a difference. In fact, the government is having to pump more money into it.

So, why will Fly91 succeed here?

We don't know. But one idea they seem to have been to operate on a code-sharing agreement. Tell the bigger airlines that Fly91 isn't looking to compete but to collaborate—by tying up with Fly91, the bigger carriers can provide last-mile connectivity to smaller towns on a single ticket.

It could be quite convenient for a flyer.

The other factor that could be a tailwind for Fly91 is the Aviation Turbine Fuel (ATF).

The fuel accounts for around 45% of an airline's operating cost. And since this is linked to global oil prices, it can be quite volatile. But the problem is that regional airlines typically operate on routes where the disposable income of customers might be a bit lower than the metros. They may not be willing to pay big money on airfare and they're more price sensitive. So, airlines can't pass along a higher ATF cost easily either.

Apart from that, Indian states also taxed ATF quite heavily. Just like how your everyday petrol and diesel aren't subsumed under GST and it's left to the states, ATF is treated in the same way. The states get to choose how much value-added tax (VAT) to add.

And for many years, the VAT on ATF hovered around the 30% mark.

But in the past couple of years, there seems to be some hope. The government has tried to nudge states into cutting back on ATF taxes with the argument that if taxes were low, more airlines would fly to their state for refueling. And that higher demand could potentially offset any fall in taxes. For instance, Srinagar witnessed a rise of 30% in earnings and Kerala and Andhra Pradesh improved connectivity by 15–20%.

And currently, the government says that 31 states and union territories have since slashed the VAT to even as low as 1–5%.

That means these lower rates could be a big boost for a regional airline that is looking to make a mark now. But things could get even better.

Remember how the government has mandated blending ethanol into our petrol? Yeah, since we get ethanol by processing sugarcane and even rotten potatoes, we've got plenty of it at home. And if we can mix 20% ethanol with 80% petrol, we can reduce our import costs, save money, and pass along the savings to customers.

Anyway, the government has been looking to include 1% of sustainable fuel in ATF as well. One that can be made from domestically available feedstock. And if that happens soon, it could help deal with the price vagaries a little bit too. And make things a tad bit cheaper for the airline companies.

By Sourabh Jain

Update for the day #2085| RBI's journey of 90 years the building of India's financial fortress

RBI's Journey of 90 Years: The Building of India's Financial Fortress

The Reserve Bank of India (RBI) stands as a towering institution, its roots delving deep into the annals of India's economic history. Established on April 1, 1935, under the recommendations of the Hilton Young Commission, its inception marked a pivotal moment in India's financial landscape. Sir Osborne Smith, a seasoned professional with a rich banking background, assumed the helm as the first governor, lending his expertise garnered from years of service with prestigious institutions such as the Bank of New South Wales and the Commonwealth Bank of Australia.

Expanding Roles and Responsibilities

Initially entrusted with overseeing currency issuance, banking services, and agricultural credit, the RBI's mandate has steadily evolved over the decades. Today, its purview encompasses a diverse array of functions, including monetary management, regulation and supervision of the financial system, management of foreign exchange, regulation and supervision of payment and settlement systems, and developmental roles aimed at fostering financial inclusion and stability.

Significant Achievements

The RBI's journey of 90 years is marked by several monumental achievements that have solidified its position as the cornerstone of India's financial architecture.

Balance Sheet and Liquidity Support

The RBI boasts a formidable balance sheet, surpassing Rs 63 lakh crore as of March 31, 2023. This robust financial foundation enabled the RBI to extend liquidity support amounting to nearly 9% of GDP (US$ 227 billion) in the aftermath of the COVID-19 pandemic, underscoring its resilience and capacity to weather economic storms.

Foreign Exchange Reserves

India's foreign exchange reserves stand at an impressive USD 642 billion, ranking fourth globally. These reserves serve as a bulwark against external shocks, bolstering the stability of the Indian rupee and fortifying the nation's economic resilience during tumultuous times.

Inflation Management

The RBI's role in maintaining price stability has undergone a transformative evolution. Adopting a flexible inflation targeting framework in 2016, the RBI, through its Monetary Policy Committee, diligently strives to keep inflation within the target range of 2-6%, with a focal point of 4%.

Financial Sector Regulation

In its capacity as the apex financial regulator, the RBI has spearheaded initiatives aimed at curbing

non-performing assets (NPAs) in banks and ensuring a robust capital adequacy ratio of 15-16%. Additionally, it has acted as a bastion of stability, intervening as a lender of last resort to salvage failing financial institutions.

Promoting Digital Payments

Embracing the digital revolution, the RBI has been instrumental in fostering the proliferation of digital payments in India. The Unified Payments Interface (UPI), a groundbreaking instant transfer system, has witnessed exponential growth, handling a staggering 12 billion transactions per month, with transaction values soaring to Rs 18.23 lakh crore in December 2022 alone.

Future Outlook

Looking ahead, the trajectory of India's digital payments landscape appears promising, with UPI poised to further diminish the dominance of traditional payment modes. Forecasts indicate that within the next 2-3 years, India's UPI transaction volume is poised to eclipse the combined transaction volume of global payment giants like Visa and Mastercard.

As the RBI commemorates its 90th anniversary, it stands as a beacon of stability, steering India's economic course with unwavering resolve. Through its multifaceted roles and unwavering commitment to fostering financial resilience and inclusivity, the RBI continues to chart a course towards a prosperous and digitally empowered future for India.

By Anvy Susan Sabu

Update for the day #2086 | Why Musk denounced Bitcoin?

In February of this year, Tesla announced that it had purchased $1.5 billion worth of bitcoin while also suggesting that it intended to accept Bitcoins as a mode of payment from people looking to buy its vehicles. This was a show of confidence by all accounts. And the value of the cryptocurrency soared.

But then, just last week, Elon Musk broke his promise. After selling about 10% of the company's bitcoin holding, he announced that Tesla had suspended purchases using bitcoin amid concerns surrounding the use of fossil fuels in mining. The price of bitcoin crashed and investors were up in arms. And while you might question the timing of the announcement, Musk was indeed pretty accurate with his assessment.

Mining bitcoin is expensive. Each participant in the network solves a mathematical problem to keep the network secure. And these computations are carried out using sophisticated computers that use inordinate amounts of energy. Reports allege that the bitcoin network consumes as much electricity as a medium-sized country (Like Egypt). And since miners predominantly operate in countries that offer cheap electricity by burning dirty fuel, it's been a source of concern for many people in the ecosystem.

Let's start with Tesla and America's environmental initiatives. Many states in the US mandate automakers to produce a certain number of clean energy vehicles or in other cases reduce CO2 emissions. If they don't, the state penalizes them. So, if you're a traditional automaker who's still struggling to put together the infrastructure needed to pump out energy efficient vehicles by the bulk, then you're in for a rough ride. Thankfully, however, you do have a "get out of jail" card. If you can't meet your quota, you can go to somebody who does.

For instance, consider Renewable Energy Certificates (RECs). These certificates or credits, as they are often called, prove that you've done your fair share in reducing the carbon footprint. And if you generate excess credits, beyond your mandated quota, you can sell them to others, who have trouble meeting their targets. You can make money off this scheme if somebody is willing to pay up. Tesla is in the business of renewables and since they're a market leader of sorts, they get access to boatloads of RECs. RECs, they can sell to traditional automakers like Fiat-Chrysler and General Motors.

And this works well for stakeholders involved. The old companies now must pay the likes of Tesla to avoid harsh penalties and Tesla has an added incentive to keep producing more energy-efficient vehicles. And if the old guard doesn't fall in line and make the transition to EV, then they'll have to keep paying their biggest competitor boatloads of money each year. It's a huge disincentive.

In fact, Tesla made $428 million from selling RECs between April and June 2020. And while that may pale in comparison to the $6 billion, they made in total revenues that quarter, you must remember that the RECs come at no cost. They are pretty much pure profits. So, it's kind of a big deal. Unfortunately, for Tesla, traditional automakers are catching up. They're trying to meet the clean energy quota themselves and they may no longer need Tesla to sell them the coveted RECs. So, analysts have been sceptical of Tesla's prospects on this front.

But then in April 2021, something changed.

The White House asked the EPA to study whether electric vehicles can generate renewable fuel credits. Since 2005, the US has also had a plan in place to reduce energy emissions. Under the U.S. Renewable Fuel Standard, oil refiners were expected to blend a certain number of biofuels into their fuel mix. If they didn't meet the quota, then they were expected to buy tradeable credits from those that did. These credits were called Renewable identification numbers or RINs. It's like RECs, only in this case, it's supposed to aid progress in the renewable energy market. And as of today, this market is dominated by ethanol producers who sell these lucrative credits to oil refiners across the US.

But with the White House now seeking a review, it might pave the way for the likes of Tesla to participate as well. The company already produces electricity from biogas. And a recent report from Reuters alleges that Tesla has an application pending with the Environment Protection Agency. If it goes through, Tesla could potentially start generating and selling RINs while also mustering billions in revenues. It's an opportunity you simply can't afford to pass up. So, the story goes that Musk disowned Bitcoin to reinforce his commitment to the environment. That this was all an elaborate ploy to sway the regulators at the EPA. It's an interesting theory.

By Mohana Priya E

Update for the day #2087 | RBI to conduct special audit for regulatory breaches by IIFL finance, JM financial reports

IIFL Finance Ltd and JM Financial Products Ltd (JMFPL) will undergo a special audit to further probe their regulatory breaches, as the Reserve Bank has initiated the process for the appointment of auditors. The Reserve Bank has floated two separate tenders for the appointment of auditors for special audits of these two non-banking finance companies.

Audit firms empaneled by the Securities and Exchange Board of India (Sebi) for forensic audit can participate in the tendering process, and the last date for submission of bids is April 8, as per the tender document published by the Reserve Bank of India. The selected firms will be awarded work on April 12, 2024, as per the bid documents.

Earlier this month, the Reserve Bank put a curb on these two entities for non-compliance of regulatory guidelines. The central bank barred IIFL Finance from sanctioning or disbursing gold loans after certain material supervisory concerns were observed in its gold loan portfolio. The RBI had said an inspection of the company was carried out by it with reference to IIFL's financial position as of March 31, 2023.

"Certain material supervisory concerns were observed in the gold loan portfolio of the company, including serious deviations in assaying and certifying purity and net weight of the gold at the time of sanction of loans and at the time of auction upon default," the RBI had said in a statement. These practices, apart from being regulatory violations, also significantly and adversely impact the interest of the custom .

A day after, the Reserve Bank imposed restrictions on JM Financial Products Ltd following the finding that the company indulged in various manipulations, including repeatedly helping a group of its own customers to bid for various IPOs by using loaned funds.

The central bank barred the systemically important non-deposit-taking NBFC from providing any kind of financing against shares and debentures, including sanction and disbursal of loans against initial public offering (IPO) of shares and subscription to debentures.

In a statement, the RBI said the actions were "necessitated due to certain serious deficiencies observed in respect of loans sanctioned by the company for IPO financing as well as NCD (non-convertible debentures) subscriptions".

By Nishika Nayan Shah

Update for the day #2088 | Has the real Oil marketing companies run out of fuel?

The oil industry can be split into Upstream companies, which explore and drill crude oil, and Downstream companies, or Oil Marketing Companies (OMCs), which refine and market petroleum products. Notably, OMC stocks soared by around 100% from November 2023 to February 2024. However, government interference, such as a ₹2 price cut on petrol and diesel, has raised concerns among investors about the impact on OMC revenues and profitability, especially with elections approaching.

OMCs purchase crude oil primarily from the Middle East, with recent significant imports from Russia due to sanctions-related discounts. This shift boosted their Gross Refining Margins (GRMs), a profitability measure, as they kept retail prices high. For instance, HPCL's marketing margins doubled during the first nine months of FY24. However, the recent price cuts mandated by the government are expected to severely impact OMC revenues, with JPMorgan estimating a ₹30,000 crore reduction.

The situation is further complicated by the decreasing availability of discounted Russian crude and additional LPG price cuts. Analysts worry about continued government interference, especially given that petrol, diesel, and LPG make up 80% of OMC sales volumes. The lack of pricing freedom poses a significant threat to OMCs' financial health in the run-up to the general elections.

Investor sentiment is also affected by the fact that the recent profitability of OMCs was driven by favorable global conditions rather than improved efficiency. Moreover, current valuations are not considered cheap. For example, Indian Oil's EV/EBITDA ratio is significantly higher than its five-year average, indicating that investors may be cautious about further investments in these stocks unless they believe that oil prices will remain steady and price cuts will be rolled back post-elections.

By Harshini M

Update for the day #2089 | Can a living wage replace the minimum wage?

The Story

In 1776, Scottish economist Adam Smith published his seminal book Wealth of Nations. If the title wasn't obvious enough, the central thesis of the book was about how countries can accumulate more wealth through productive means. And he also wrote about labor, saying:
"A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise, it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation."
Simply put, if a person didn't get paid a fair wage that helped them live a full life, it would affect the very growth of the availability of labor in the country. Just think about it, if people didn't have enough money, they wouldn't be able to raise children and eventually, the human race would collapse.

Okay, that's a bit extreme. But the concept of people being paid enough to help them carry forward their genes and live a comfortable life is what you'd call a 'living wage'. Maybe it's about having access to nutritious food. Or providing a good education for their children. Maybe it's about having something left over for treating sickness and for old age. Even something as basic as being able to afford rent in the area where they work. That's all part of it.

As one article put it, "Living wage is the minimum income standard that draws a very fine line between financial independence and the need to seek out public assistance.".

Now you and I know that companies don't really care about all this. They only care about their profits. So, they'd prefer to pay employees only in line with the perceived labor contribution. For instance, if a worker contributes ₹10 in extra revenue each day, the company would only prefer to keep them on the payroll if they could pay them less than that.

How much less?

Well, as much as they could stretch it, of course. And when some countries realized that leaving this completely in the hands of companies could be a bit problematic, the governments stepped in. They introduced a form of the bare minimum wage that companies are mandated to pay. They believed this would at least guarantee a basic level of income. And they called it the 'minimum' wage.

Take the US for example which instituted such a policy in 1938 in the aftermath of the Great Depression. The government felt that creating a minimum standard of living would stabilize the economy. And it probably did. For many years, the minimum wage also kept rising to keep up with inflation.

But over time, it became a joke. The purchasing power of the minimum wage reached its peak in 1968. And since then, it has declined. This means that these employees are actually being paid less with each passing year.

Now what you should note here is that the US minimum wage mandated at the central or federal

level stands at $7.25 an hour and it was last increased in 2009. But many fast food and retail chains pay more than this already. Not because they really want to but because they have no other alternative because the demand for labor is high and supply is tight.

Even so, the pay is nowhere close to a 'living' wage. For instance, for a single person living in the capital city of Washington D.C., they'd need close to $20.50 to meet the basic necessities. And if you add on the cost of raising one child, that nearly doubles.

That's the sort of wage Adam Smith had proposed way back in the 18th century.

But the question is how many companies pay such a wage?

Hardly.

And sure, you could argue that forcing companies to pay a minimum wage would lead to some adverse effects. Companies would find ways of automating stuff or using tech to replace these workers to keep their profits churning. So, a higher minimum wage would actually lead to unemployment.

But many economists have shown that doesn't hold true in real life. Countries in Europe which have increased their minimum wages haven't suffered from unemployment issues as a result.

In fact, many businesses such as McDonald's and Ikea which have increased their minimum wage payout have said that the higher morale of employees has actually translated into better business outcomes for them.

So yeah, there goes that argument out of the window.

And maybe those results are nudging the conversation in the right direction. Because 250 years after Adam Smith, people are finally talking in earnest about a living wage.

So yeah, it definitely looks like we're moving in the right direction. And if employers finally open up their purse strings a little, it could even reduce the subsidy burden on the government. Instead, the government could redirect it towards other development activities.

By Shanu M

Update for the day #2090 | The most powerful company you've probably never heard of

In the realm of global finance, names like Apple, Google, and Amazon often dominate headlines and conversations. Yet, there exists a behemoth with a profound influence that stealthily operates behind the scenes: BlackRock.

What exactly is BlackRock? At its core, BlackRock is a colossal asset management firm wielding unparalleled control over the world's financial landscape. With assets under management exceeding $10 trillion, BlackRock's financial prowess rivals the GDP of most nations. But is it merely a conventional investment firm, or does it possess a deeper, more intricate influence?

Firstly, BlackRock's staggering asset management portfolio speaks volumes. Handling over $10 trillion of assets, BlackRock's financial footprint eclipses that of most nations, except the United States and China. Reports indicate that its assets have surged to over $9.09 trillion, underscoring its relentless expansion and dominance in the financial realm. Moreover, BlackRock's utilization of the Aladdin risk-management system further solidifies its grip on the financial markets. Aladdin oversees a staggering $21.6 trillion in assets for 200 financial firms, including central banks and governments. This affords BlackRock unprecedented access to data and insights, granting it a pivotal role in shaping market dynamics.

Another intriguing aspect of BlackRock's influence lies in its recruitment strategy. By employing former government authorities, regulators, and central bankers from across the globe, BlackRock gains invaluable access and influence in policy-making circles. This convergence of financial acumen and political clout amplifies BlackRock's impact on global economic policies.

Furthermore, BlackRock's involvement in public-private partnerships underscores its multifaceted influence. Collaborations with entities like Canada's Infrastructure Bank and Mexico's pension funds not only yield financial benefits but also enable BlackRock to exert influence at a systemic level.

Additionally, BlackRock's strategic investments in rival companies raise eyebrows. As the largest shareholder in tech giants like Apple, Microsoft, Google, and Amazon, BlackRock's ownership stakes transcend mere market competition, potentially influencing corporate strategies and market dynamics.

However, dissenting voices argue against portraying BlackRock as an omnipotent entity. They contend that BlackRock operates as a fiduciary, acting in the best interests of its clients. Moreover, competition from other asset management firms like Charles Schwab, Northern Trust, Vanguard, and Fidelity Investments challenges BlackRock's dominance, albeit without surpassing its magnitude.

BlackRock staunchly maintains that it operates as a responsible corporate entity, advocating for sustainability and social responsibility. Nevertheless, the sheer scale and scope of BlackRock's operations continue to fuel debates and scrutiny regarding its influence on global finance and politics.

Does BlackRock truly wield the power to control and own the world? The answer remains elusive, shrouded in ambiguity and speculation. Yet, the thought lingers like a haunting whisper in the

corridors of global finance. It is an unsettling realization that while we go about our daily lives, BlackRock has been silently pulling the strings, shaping the world economy with an iron grip. As the curtain falls on this enigmatic revelation, one cannot help but ponder the implications of such an influence. In the shadowy realms where giants like BlackRock operate, the line between power and obscurity blurs, leaving us to grapple with the unsettling truth: that the forces shaping our world may not always be visible to the naked eye.

By Vishnu Sankar

Update for the day #2091 | Candy making company to Global Leader

Parle-G is the largest-selling biscuit in the world with a 70% share of the global biscuit market.

Parle-G has surpassed biscuit giant brands like Britannia, Oreo and Chips Ahoy without increasing its price for more than 25 years. The question is How do they do it?

Beginning

The story began in 1928. Mr. Mohanlal Dayal started a company called Parle Products to make orange candy. At that time India was under British rule and biscuits were the most imported and expensive food consumed only by the elite classes. Mohanlal spotted this problem and saw it as an opportunity and in 1939 started making biscuits at affordable prices for Indians. He named the biscuit Parle Gluco.

After independence, Parle Gluco got heavy demand due to the Swadeshi movement. The biscuit becomes popular with the public.

Fall

During the 60s a lot of competitors came into the Indian market with the concept of selling glucose biscuits. This caused heavy pressure on Parle Glucose, People got confused by similar brand names, and most people would ask shopkeepers for glucose biscuits, which decreased the demand for Parley biscuits.

Rise

To avoid this confusion, Parle-Gluco heavily invested in its brand. Adopted a new packaging by adding its yellowish wrapping with a plump little girl, and changed its brand name from Parle-Gluco to Parle-G the "G" stands for glucose but later it stood for Genius. This strategy worked so well and created a separate position for Parle-G in the market.

In 2013, Parle-G is the first FMCG brand to cross 5000cr. Fast forward to today Parle-G made billions in revenue and is the market leader worldwide by surpassing the brands like Britannia and Oreo

5 Strategies used by Parle-G to become successful.

1. Value-for-Money Strategy: Parle-G provides quality and tasty biscuits for less money. Whether you're rich or poor you can easily afford it. They have never raised prices in over 25 years. Their Rs 5 biscuit is the best-selling package.
2. Wide Distribution Network: Parle-G biscuits are available in almost every part of India from small villages to big cities. The company has an extensive distribution network that includes over 3 million retail outlets, which include small mom-and-pop shops, grocery stores, supermarkets, and online platforms.
3. Strong Manufacturing Network: Parle Products has a vast manufacturing network in India, with several manufacturing units located across the country. The company has 10 manufacturing units, which are strategically located to ensure efficient distribution and supply chain

management. This helped Parle-G to reach quickly to their distributors.
4. Product Innovation: The brand name, packaging and introduction of various flavors helped Parle to stay ahead of all age groups in India.
5. Emotionally Connected Branding: Parle-G is positioned as Bharat ka Apna Biscuit. The patriotism and emotional connection with family and friends in their advertisement helped Parle-G to connect with people's hearts #YouaremyparleG is a great example of this.
The story of Parle-G is an inspiring one of how a small candy-making company transformed into a global leader in the biscuit industry. By identifying a gap in the market and providing affordable biscuits to the masses.

By Aditi Jain

Update for the day #2092 | Chocolate Chaos

People are calling cocoa the new Bitcoin.

Not because cocoa is becoming tech-savvy or decentralized or any such thing. It's simply because of how its prices have shot up. At the start of this year, cocoa was trading at $3000 a ton. Cut to today, and it's hit a record high of $10,000 a ton.

In just 3 months!!!

Now I know what you might be wondering—will our favorite chocolate get more expensive?

But before we answer that, we need to address what's on earth is happening.

Now the first thing you must know is that cocoa production is extremely concentrated. Globally, the world produces 6.5 million tons of cocoa. But just two countries in West Africa—Côte d'Ivoire (Ivory Coast) and Ghana make up over half of the production.

And this sort of extreme concentration means if anything goes wrong in West Africa, it affects the world's chocolate.

Today, it's the weather causing havoc. It's a culprit known as El Nino.

Just think of this as a situation where the winds don't blow the way they're supposed to. And this creates a problem. West Africa first experienced heavy rains in December due to El Nino. And the extra moisture led to diseased crops. And then, the region failed to get rain when it needed and things became too dry. The harvest suffered again.

The end result?

We now face the largest deficit of cocoa supply in more than 60 years

And that's probably compounded by two other factors too.

For one, soil fertility is declining in West Africa. So, farmers are rethinking their cocoa production efforts. Some of them are already setting aside part of their farmland for rubber and other crops.

In other cases, many cocoa trees are already past their maximum yield potential. There hasn't been a major round of replanting in over two decades. So, the old trees aren't able to deliver as much.

And that put upward pressure on cocoa prices.

But that's where the fundamentals end. And then, the financials take over.

Yup, there's more. Because you have the wolves of Wall Street* in the mix too.

See, many funds have decided that the best way to make money is to jump onto the cocoa bandwagon. So, they're lapping up financial contracts—which we'll explain about in a bit—related to this hot commodity.

And this sort of speculative demand is pushing prices even higher. In fact, the Financial Times says that such speculative trades in cocoa are now worth $8.7 billion at least. And it's the highest ever in dollar terms on record.

But that's not the end of this.

If that were true, this wouldn't be the first time these investment funds have orchestrated such a price rise. In 2010, Anthony Ward, who ran a London-based fund Armajaro, cornered the European cocoa market and pushed prices higher. The trade even earned him the nickname "Chocfinger.

So yeah, it looks like there might be a few Anthony Wards operating in the cocoa market right now.

And that means, the $10,000 a ton price we mentioned at the start is not really the price that farmers are selling at the ground level. It's just the financial markets being silly.

Now the only question that remains is what we asked right at the start—will chocolate get more expensive?

Well, some reports say that the manufacturers are already bumping up the prices of chocolate. Or if they aren't, they're resorting to the sneaky practice of shrinkflation. You know, when they reduce the size of the chocolate but keep the prices the same. So, you get less bang for your buck.

And that might be true for many smaller chocolate makers.

But the big ones such as Hershey's and Lindt might have had a trick up their sleeve.

See, these folks need a lot of cocoa to produce their truckloads of chocolate. So, they have to forecast their demand well in advance. They can't be running from pillar to post at the last moment trying to source cocoa, no? Now these folks know that cocoa prices can be quite volatile. So, the first thing they do is try and protect themselves against the adverse event of cocoa prices rising when they need the beans.

How do they do this, you ask?

Well, they enter into an agreement with a counterparty—someone who owns rights to a lot of raw cocoa beans. They tell the cocoa farmers that they'll pay $3500 for 1 tons today. And the farmer has to deliver this 1 tons in six months.

The chocolate maker does this because they fear prices will be higher then. And the farmer agrees because he's worried it will be lower.

So, both of them shake hands on the deal and call it a "cocoa forward".

Now imagine a stock exchange-like entity that can help connect sellers and buyers for such commodity trades. The contract is standardized. There will be rules on the minimum quantity of cocoa that can be traded per contract. There will be certain fees to be paid in case one person backs out of the contract. Stuff like that. And this is called a "Futures contract".

And that's how some of the big chocolate makers have already hedged against these prices. During a February earnings call, Hershey's CFO claimed the company had locked in its costs for a year. And even Lindt had said it had felt prices would get more expensive and had 'bought' cocoa much in advance.

But if the prices remain elevated for long, it won't matter. And our sweet treats will get dearer.

By Barani Shre S S

Update for the day #2093 | What is Reverse Innovation?

On 26th March, GE Healthcare announced it would invest a whopping ₹8,000 crores in India over the next 5 years.

What GE Healthcare wants to do instead could be termed reverse innovation.

GE Healthcare first set up shop in India, their focus was to simply sell their expensive medical equipment such as CT, MRI, and ultrasound machines to hospitals and physicians in the country. The idea was to innovate the products in the rich countries and sell them in lower-income places. But soon, GE realized that this imported stuff might be a little too pricey to achieve the desired scale. So, the American management team decided the best way to go about it would be to simply cut back on features. This way, they could reduce the cost of the equipment and make it more palatable to Indian consumers.

GE decided they needed to do something radically different. If they wanted to sell products en masse in a country like India, they first needed to make products for a country like India. It couldn't be just about cutting back features to reduce costs. They needed to innovate and sell what customers in India needed. Not what GE wanted to make for them. So that meant the engineering and research team had to be in India and understand the country to figure out what to build.

And to ensure that the India plan was a success, they needed to overhaul their organizational structure too. Earlier, the India business was subsumed under Asia, which was further under Europe, which then reported to the head office in the US. It was a long chain of command. So, India became a new organizational unit with its head directly reporting to the top brass in the US. This unit would have the power to decide which products to develop for their markets and how to make and sell them too.

India was becoming a key cog in the GE machine.

And by the late 2000s, GE had its first big success—it created an electrocardiogram (ECG) machine that catered to India's needs. Since power outages were frequent, they decided it would be battery-operated. Since healthcare professionals wanted it to be portable, they made it lightweight. And since servicing headaches could crop up in rural areas, GE decided to use commercially available parts instead of the proprietary ones.

The ECG machine was available at a mere ₹35,000. In comparison, GE's other flagship devices were sold at upwards of ₹2 lakhs.

But that's when GE realized that this innovative device needn't be constrained to India alone. Even developed markets could use it. And pretty soon, it began to be used by first responders in the American and European markets too.

That's reverse innovation. Or at least, that's the term that Jeffrey Immelt, Vijay Govindarajan, and Chris Trimble coined for an article in the Harvard Business Review in 2009.

Simply put, it's when a multinational company decides to create new products in developing

markets and then exports them across the world.

But while it sounds easy, reverse innovation is anything but. And that's because once these low-cost products are exported to other countries, management often fears it could end up cannibalizing sales of higher-margin products there.

Take for example Harman, the audio company.

In 2007, the firm got a new CEO, Dinesh Paliwal. When he looked at the company's luxury car infotainment division, he realized that even though it contributed to 70% of the company's $3 billion revenues, the growth had saturated.

So, he decided to flip the script. He wanted the focus to be on emerging markets such as India.

But Harman had tried making products for Indian cars before by cutting features on their premium products to make them more attractive. And it didn't work.

So, this time, Paliwal decided to innovate in India for India. He set up a software team in India and a hardware team in China to focus on emerging markets. They called the project Saras (which means 'adaptable' in Sanskrit). And the goal was a product that would be as functional as the high-end product at one-third the cost.

You can imagine that not everyone was a fan of this new initiative. The salespeople felt that they would earn lower commissions on sales. And the Chief Technology Officer even attempted to scuttle the project and overthrow Saras' project leader. The general feeling was that creating low-cost products with modular components would dilute the Harman brand.

It took time, effort, and cajoling from the CEO to change the culture at Harman and support this reverse innovation.

And it was probably only when Japanese carmakers decided that they liked the new Harman products for their mid-priced cars, that everyone at Harman believed in it truly too. And by 2012, these product innovations contributed to 40% of the division's $10.9 billion in new business.

That was how Harman took an infotainment system from India to the world too.

The problem with 'reverse' innovation is that it assumes the natural direction of innovation is from the rich countries. This then trickles down in the form of cheaper, modified devices or products to lower-income countries. But maybe that was true a few decades ago. We know that's not the case today. Countries like India are innovating for the world now. So, it's time we did away with the 'reverse' aspect of innovation.

By S H L Vasavi

Update for the day #2094 | What is ESG investing and how is this framework changing the investment landscape?

ESG stands for environmental, social and governance. It is a framework for investing in businesses that are good for the planet, society, and their stakeholders. These businesses are expected to be low-risk and high-quality, and to create long-term wealth for investors by growing their profits

A high ESG score of a company means that it cares about environmental protection, social values, and stakeholder interests. It also follows high standards of governance and transparency. ESG-focused investing is becoming more important as more investors look for sustainable and ethical returns. As interest rates go down, more investors will choose equities over other assets. However, they may not want to take too much risk. The best way to reduce risk is to invest in companies with high ESG scores or products that invest in these companies. Also, a system that rewards green businesses and penalizes polluters will encourage more ESG investing.

In COP26, a climate summit held in Paris in November 2021, India committed to achieve net-zero emissions by 2070. In FY26, India will start a carbon credit trading scheme. This means that companies that emit less than their targets will earn carbon credits, and companies that emit more than their targets will have to buy carbon credits. This will affect the profitability of companies and force them to invest more in reducing their emissions. Environmental responsibility is not the only factor that drives ESG investing. Social values are also important. Companies that have good policies for their employees, customers and communities will have an edge over others. Governance standards are also improving. More disclosures, independent directors and fair income distribution policies will help many companies improve their ESG scores.

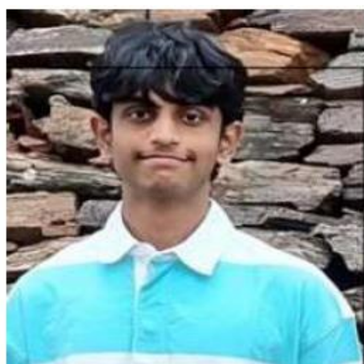
Some businesses, such as tobacco, alcohol, and gambling, are excluded from ESG investing because they are harmful for the environment, society, or health.

Some large companies in traditional industries, such as cement, paper, and metal, have made efforts to improve their ESG scores and now rank better than their global peers. These companies can attract more foreign institutional investors. Lending institutions are also offering products such as green bonds and green fixed deposits to raise money from green investors. The money raised from these products is lent only to green businesses.

Many fund houses in India have launched ESG-focused equity schemes, both active and passive. These schemes manage assets worth ₹10,946 crore across 10 ESG schemes. The ESG framework is evolving and affects the quality of a business in the medium to long term. Therefore, most investors in these schemes are long-term investors who benefit from ESG investing.

For very short-term trading, such as intra-day, ESG investing is not very relevant. There is no ESG index that is traded in the derivative segment. There is an exchange traded fund that tracks the Nifty 100 ESG Sector Leaders TRI. Investors who trade for a few days or weeks may consider the ESG scores of stocks when they trade. A stock that has a strong ESG score and an upward breakout may attract more buyers. A stock that has a low ESG score or belongs to a no-go ESG sector may not have many institutional buyers, even if it has an upward breakout. Some traders may want to short-sell some stocks with low ESG scores, especially when there is negative news about the company.

By Karthik A S



Update for the day #2095 | Blackstone to invest $2 bn every year in India; wants quicker M&A clearances

Global private equity major Blackstone Group is confident of investing USD 2 billion annually in India, a top official said on Wednesday. Its chief operating officer Jonathan D Gray pitched for a slew of measures to improve the ease of doing business for firms like it in India, including quicker approvals on mergers and acquisitions, easier privatization of listed companies, and improvements in dispute resolution in commercial matters.

The New York-based group, which has been operational in India for nearly two decades, said Indian PE investments have delivered the highest return for it worldwide, and the investment in realty, which made it the largest landlord in the country, has also delivered well.

"We plan to invest around USD 2 billion every year in India," its senior managing director Amit Dixit told reporters here.

The firm has invested a total of USD 50 billion in the country till now, and the value of its assets, after accounting for the exits, stands at USD 30 billion. It has an investment team of 75 people based in Mumbai who scout for assets across sectors.

Dixit said over the next five years, the value of assets is seen rising by USD 25 billion, including USD 17 billion in fresh bets and up to USD 7.5 billion value creation across portfolio companies, where it has already invested but is yet to exit.

Gray suggested some reforms while appreciating the work already done by the government, including the Insolvency and Bankruptcy Code and the Goods and Services Tax.

A merger and acquisition deal takes up to two years to go through in India, while the same in its home market of the US gets done in weeks, he told reporters here.

In the case of privatizing a listed entity, Indian regulations require the nod of over 90 per cent of all shareholders making a deal "mathematically impossible", he said, adding that it is because of challenges on this front that India has 7,000 listed entities, which is double that of the US, but their market capitalization is just a tenth of the US.

"One thing that can help unlock the market here is the ability to take companies private to help improve them, then bring them back to the market with more scale. It's just one of the reforms," he said.

There is also more work to be done on dispute resolution in matters of commercial disputes, he said, adding that all these aspects will help attract more capital into the country.

He also said that some reforms like allowing public funds to invest in real estate investment trusts -- the group was a sponsor to three of the four listed REITs -- can also be helpful.

The economic momentum is building in India and not slowing, Gray said, adding that this is attracting a lot of global investors into the country.

Blackstone's favorites for the future will include the infrastructure sector, where it has not been as active in India as it has been in Europe and the US, Gray said, adding that there is also a possibility

of it starting a credit fund like many of its peers have done.

Apart from that, it is keen to invest in real estate, logistics, data centers, hospitality, value-added exporters, energy transition and themes playing on the growing middle class in the country, including sectors like healthcare, financial services and travel, Gray said.

By Darshan N

Update for the day #2096 | Axis Bank-Max Life Insurance deal cleared by fair trade regulator CCI

Last year in August, the company announced a capital infusion by Axis Bank by issuance of 14.25 crore equity shares to help Max Life to support its future growth ambitions, augment its capital position and improve solvency margins.

The Competition Commission of India (CCI), the country's fair-trade regulator, on Tuesday said it had approved Axis Bank's proposed acquisition of a stake in Max Life Insurance Company. The insurer had announced a capital infusion by Axis Bank through the issuance of 14.26 crore equity shares to help Max Life support its future growth ambitions, augment its capital position, and improve solvency margins.

While private sector lender Axis Bank provides services in retail banking, which includes retail lending, Max Life Insurance is engaged in the business of providing life insurance and annuity products and investment plans in the country.

Deals beyond a certain threshold require approval from the regulator, which keeps a tab on unfair business practices as well as promotes fair competition in the marketplace.

Meanwhile, the competition watchdog also gave the nod to a bunch of proposed acquisitions.

It approved the acquisition of a 100 per cent equity stake of Sharekhan and Human Value Developers collectively by Mirae Asset Capital Markets (India) and Mirae Asset Securities Co, respectively.

It also cleared the acquisition of compulsorily convertible preference shares (CCPS) in Northern Arc Capital (Northern Arc/Target) by International Finance Corporation (IFC), as well as that of a 10.39 per cent shareholding of Annapurna Finance and the subscription to its certain debentures by Piramal Alternatives Trust.

The regulator also cleared the acquisition of shares of MG Motor India by IndoEdge India Fund-Large Value Fund (LVF) Scheme.

By Tushar U

Update for the day #2097 | Daniel Kahneman's Prospect Theory

In many economics' classes, you'll encounter the fundamental assumption that humans are rational beings who make decisions that maximize their self-interest. This idea is encapsulated in the concept of "homo economicus." However, Daniel Kahneman, a psychologist, challenged this notion. Kahneman believed that humans are far more complex and prone to irrational behavior than traditional economic theories suggested.

Kahneman's journey to debunk the myth of human rationality began in the 1970s when he came across an economics paper that he found absurd. Recognizing the need for a new perspective, he collaborated with Amos Tversky, a fellow psychologist in Israel. Together, they explored the nature of decision-making and rationality, publishing their findings in a seminal 1971 paper.

They proposed that human decision-making operates through two systems: an intuitive system (System 1) and a reasoning system (System 2). While Kahneman popularized these terms, he credited Keith Stanovich and Richard West for the original labeling. System 1 is fast, automatic, and relies on mental shortcuts, or heuristics, to make decisions quickly. In contrast, System 2 is slower, more deliberate, and logical. However, humans tend to favor System 1 to avoid cognitive effort, leading to decisions that might not always be in their best interest.

This reliance on intuition can lead to errors, especially in economic decisions. Factors such as how a question is framed or the recency of information can significantly impact choices. Kahneman and Tversky's work revealed that rationality is not as common as classical economics assumes.

Once they had established that humans are not inherently rational, Kahneman and Tversky turned their attention to decision-making under risk. Traditional economic models, like the expected value theory, assumed that people would rationally calculate the probabilities of outcomes and make decisions accordingly. However, in the 1700s, Swiss mathematician Daniel Bernoulli introduced the expected utility theory, which suggested that people's decisions depend on the subjective value, or utility, they ascribe to outcomes, not just the objective probabilities.

Kahneman and Tversky expanded on this idea by proposing that decisions are influenced by an initial reference point. They illustrated this with two problems:

1. You have ₹x in your bank account. You're given an additional ₹1000 and asked to choose between a 50% chance to win ₹1000 or getting ₹500 for sure. Most people choose the sure thing.

2. You have ₹x in your bank account. You're given an additional ₹2000 and asked to choose between a 50% chance to win ₹1000 or losing ₹500 for sure. Here, most people choose the gamble.

Despite both scenarios offering the same final wealth increase of ₹1500, the different reference points lead to different choices. This insight highlighted that people's decisions depend on perceived gains or losses relative to their current state, rather than final outcomes.

Moreover, in experiments involving 50:50 probabilities, Kahneman and Tversky found that people generally rejected the gamble unless the potential win was at least twice the size of the potential loss. This led to the conclusion that people are naturally risk-averse and experience losses more

intensely than equivalent gains.

These findings culminated in the development of prospect theory in 1979, fundamentally changing economic thought. Prospect theory demonstrated that people value gains and losses differently, leading to decisions that deviate from expected utility theory.

Kahneman's contributions to economics were profound, earning him the Nobel Prize in Economics in 2002. However, he acknowledged that he wasn't infallible. His bestselling book "Thinking, Fast and Slow" relied on studies from social priming, a field later discredited due to replication issues. Despite these errors, Kahneman embraced his mistakes as opportunities for learning and growth.

This openness to being wrong and the willingness to learn from errors is a valuable lesson. It's a reminder that even the most respected thinkers can make mistakes, and it's the pursuit of knowledge and understanding that truly matters.

While Amos Tversky passed away in 1996 and couldn't share the Nobel Prize, his collaboration with Kahneman remains a cornerstone of behavioral economics, highlighting the importance of questioning and expanding our understanding of human behavior.

By Divya G Shanbhag

Update for the day #2098 | Disney's billion-dollar Boardroom Battle

Disney has recently emerged victorious in a boardroom battle against Nelson Peltz, an activist investor. But who is Nelson Peltz? Aside from being the father of Hollywood actress Nicola Peltz, Nelson Peltz is a significant figure in the investment world. His role at Disney involved pushing for substantial changes in the company's management and operations.

Peltz, holding a minority stake in Disney, had been vocal about his dissatisfaction with the company's financial performance for over a year. His criticism centered on Disney's hefty investments in streaming to compete with Netflix and its significant expenditure in acquiring 21st Century Fox. These investments led to soaring costs and debt, severely impacting Disney's earnings. Between 2018 and 2022, Disney's earnings per share plummeted by 50%.

Peltz also expressed frustration with Disney's succession planning. Robert Iger, Disney's CEO, had postponed his retirement five times since his initial plan to retire in 2015. Iger's brief exit in 2020, followed by Robert Chapek's unsatisfactory tenure, further emphasized the lack of a clear succession plan. With Iger returning to the CEO role in 2022, Peltz's concerns about leadership continuity remained unresolved.

To address these issues, Peltz acquired a stake in Disney through his hedge fund, Trian Fund Management, and demanded a seat on the Board of Directors for himself and a former Disney CFO. This move aimed to influence the company's strategic direction and improve its performance.

Disney's shareholders were initially rattled by Peltz's demands, possibly due to his previous similar actions at companies like Procter & Gamble and PepsiCo. In response, Disney implemented several strategic changes to persuade shareholders not to support Peltz. These included reinstating dividend payouts, reorganizing its movie and television studios to align content decisions with financial performance, cutting streaming losses, and making substantial cost reductions, including slashing 7,000 jobs, and reducing expenses by $5.5 billion.

Despite these efforts, 2023 turned out to be a dismal year for Disney at the box office. It was the first non-pandemic year since 2014 that none of its movies reached the billion-dollar mark. Meanwhile, top global hits like "Barbie," "The Super Mario Bros Movie," and "Oppenheimer" were all produced by Disney's competitors. Additionally, Disney's stock price plummeted to an eight-year low.

Amidst this turmoil, Peltz renewed his activist campaign against Disney, now with even more influence. Following Disney's cost-cutting measures, which included the dismissal of Isaac

Perlmutter, Marvel Entertainment's chairman and one of Disney's largest shareholders, Perlmutter granted Trian the voting rights of his Disney shares. This move significantly bolstered Peltz's position.

Armed with increased voting power, Peltz's hedge fund intensified its efforts against Disney's management, leading to a prolonged proxy battle. Peltz's demands included a solid succession plan to replace Iger, achieving Netflix-like profit margins of 15-20% by 2027 through enhanced customer engagement and experience, and improving Disney's theme park business to better compete with rivals like Universal Studios.

However, Disney's Board contended that Peltz and his team lacked the necessary experience in the entertainment industry. As a result, they fiercely opposed Peltz, spending billions to convince shareholders to vote in favor of Disney's current management.

Last week, Disney finally triumphed, defeating Peltz's campaign. Yet, this victory marks only the beginning of a more challenging journey. Disney must now demonstrate to its shareholders that its existing management and Board can effectively steer the company toward a successful future. Failure to do so could invite another round of proxy battles from activist investors like Peltz, a costly scenario Disney can ill afford.

By Aastha Jain

Update for the day #2099 | RBI's crackdown on currency trading?

The RBI just killed India's $5 billion-a-day currency derivatives market!!!

Wait…what?

Okay, killed might be a bit of an exaggeration but hear us out. And let's start with some context on what currency derivatives are. Let's say you're a US-based businessperson with interests in India. You deal with the Rupee and repatriate your earnings back to your home base. But you fear that the currency will drop in value. You worry that you'll have to convert more rupees to get 1 dollar in the future. And you want to hedge that risk.

So, you find a counterparty. You say, "The current rate is 83 rupees to the dollar. At the end of the month, if the spot or daily market reveals that it has fallen to 85 rupees, it won't matter. I'll pay you only ₹83. And you give me the $1."

You've just shaken hands on a "forward" contract that you have customized to meet your requirements. But this is just a handshake. It isn't a regulated contract.

For that you have the futures market.

Now this is pretty much the same as a 'forward' contract we just spoke about. The difference is that this is traded on the exchange in India. That means they aren't custom contracts. They're standardized deals. So, they operate on some predetermined parameters—such as which currency pairs (INR/USD, INR/EUR) can be traded; the minimum value of a trade; in what multiples of value a trade can be placed; even the payment of margin that's to be deposited upfront to reduce risk.

And these contracts are called currency derivatives.

Now the thing is, most of the volume in the futures market is driven by people who simply want to take bets and speculate—70% of it. These folks don't have a foreign currency liability they're trying to hedge. They're not importers or exporters that need the US dollar or the Euro to run their business. Rather, they're just trying to dabble in these currency derivatives as a way to make some extra money.

And right now, the RBI doesn't seem to be a big fan of these speculators. From 5th April, the banking regulator wants people to sign a declaration that they have real exposure to the currency. To confirm that trade is linked to a genuine transaction in foreign currency and that it's not a speculative trade.

And that's a body blow to over 70% of the activity in the currency derivative market.

But why on earth is the RBI introducing this harsh measure, you ask?

So, no one knows for sure why the RBI suddenly woke up this year. But some theories are floating around. And one of them has to do with managing the volatility or the ups and downs of the rupee.

See, the Indian rupee isn't completely free. The RBI keeps it on a loose leash. For instance, if it sees the currency losing value too quickly, it will jump in and try to arrest the fall. It will buy rupees and sell dollars using its forex reserves. So, there's some bit of currency management that happens.

Now the problem that the RBI often faces is that if people think that the rupee is heading down, they'll begin speculating. They'll use the currency derivatives market and bet that the rupee will fall from 83 to 85. Now if more people place similar bets, it becomes a self-fulfilling prophecy. Everyone starts to believe it's true. And that might feed into prices in reality. The rupee could fall further because of these speculators.

And that will put more pressure on the RBI to support the rupee.

Or it can happen in reverse too. If there is a lot of foreign interest in the country, then it could lead to demand for the rupee. Naturally, that would mean our currency gets stronger. And theoretically, a strong rupee could hurt our exports and trade.

Again, the RBI will need to step in and manage the rupee then.

So, there's a theory that the RBI might be trying to keep the rupee more in control from now. But we don't know if that's the case for sure.

But the big question is—How will this impact the market?

Well, we don't know quite yet. Some analysts believe it will kill the market. Because there are no speculators and only hedgers, the number of people in the market will drop. And fewer participants mean that price discovery for currency futures and options will be hurt too.

Maybe that will hurt small companies that genuinely need to hedge their rupee-dollar or rupee-euro exposure as well.

And others are worried that such arbitrary rules don't do the regulator and the country any favors. That people might consider us a "nanny" state with too much interference.

That's not a good look, is it?

By Chethan N

Update for the day #2100 | Taking Insurance to Bharat: Power of the PoSP model

India's insurance industry holds immense potential, with 14 million people forecasted to join the middle class by 2030. Yet, it grapples with low penetration rates, standing at a mere four percent compared to the global average of seven percent. To address this disparity, there is a pressing need for increased awareness, innovative distribution channels, and enhanced customer trust in the system. According to a leading industry report, "How India Buys Insurance?" over 80 percent of policyholders, particularly those from Tier-II and Tier-III cities, prefer to research online and buy offline. Familiarity with agents is an essential requirement for this demographic. IRDAI, in a progressive step, has introduced the Point of Sales Person (PoSP) model to make it easier to sell simple insurance products and drive penetration. This model is a compelling blend of technology and a human interface that makes the insurance journey smoother and more credible for consumers.

The PoSP model is a win-win for consumers, agents, and insurers. The model has seen rapid adoption with over 20 lakh PoSP agents in India. It gives agents better earning opportunities, insurers get the ideal means to tap underserved sections, and customers can have a local touchpoint to all their insurance needs.

Harnessing the power of physical through PoSP

At the core of the PoSP model lies the empowerment of agents through comprehensive training, access to advanced technology, and attractive compensation structures. This empowerment enables agents to provide personalized guidance and support to policyholders, facilitating informed decision-making in insurance purchases. By seamlessly integrating traditional agent networks with digital tools, the PoSP model enhances distribution efficiency while preserving the human touch in sales interactions. Moreover, by equipping agents with a diverse range of insurance products and investment options, insurers can cater to varied customer needs and preferences, thereby building their confidence in the industry's inner workings. The PB Partner network is spread across 19.1k pin codes across India. All in all, Tier-II and Tier-III cities account for almost 50 percent of the incoming business.

The trajectory of the insurance sector is unmistakably leaning towards a service-centric approach. There's a notable shift towards crafting personalized insurance solutions that are finely tuned to cater to individuals' unique needs and lifestyles. Moreover, integrating data analytics has changed how risks are assessed in insurance. This evolution enables insurers to adopt more accurate pricing strategies, thereby optimizing the balance between risk and coverage. The PoSP model is of utmost importance in this context. It gives the customers an ideal mix of all the factors one would want in their insurance experience.

Enhancing distribution through technology integration

Technological integration is pivotal in the PoSP model, enabling agents to deliver efficient and transparent insurance services. AI-driven tools, such as PB Inspect, streamline claim processes, reducing complexities and expediting settlements. Through strategic partnerships with InsurTech companies, PoSP agents leverage innovative solutions to extend insurance reach to previously underserved regions, fostering greater accessibility and inclusivity. Additionally, the PoSP model facilitates seamless online-offline integration, catering to the preferences of those who research

online but prefer to buy through in-person interactions with known agents, thereby bridging the gap between digital convenience and personalized service.

Expanding reach beyond metro cities

Historically, insurance access has been skewed towards metro cities, leaving Tier-II and Tier-III cities underserved. The PoSP model addresses this imbalance by empowering agents across geographies with standardized training and expertise. With a strong preference for in-person interactions, PoSP agents serve as trusted advisors, bridging the gap between insurance providers and individuals in remote areas, thereby promoting financial inclusion and literacy. By nurturing a network of PoSP agents in rural and semi-urban areas, insurers can penetrate untapped markets and build enduring relationships based on community trust and localized expertise, driving insurance penetration beyond urban centers.

Empowering agents, enriching customers

Central to the success of the PoSP model is the empowerment of agents, both financially and intellectually. By equipping agents with in-depth product knowledge and flexible payment options, insurers enable them to cater to each need effectively. This symbiotic relationship between agents and policyholders fosters a pull-based model, wherein informed decision-making drives insurance purchases, leading to greater customer satisfaction and loyalty. Furthermore, insurers can enhance agent competency and retention by providing agents with continuous training and professional development opportunities, thereby ensuring long-term sustainability and growth in the PoSP distribution channel.

India's insurance market is poised for rapid growth, projected to outpace all G20 nations from 2024 to 2028. For a long, the challenge facing the industry has had to do with enabling physical interaction with well-trained advisors in an economically sustainable manner. The PoSP model, supported by regulatory frameworks and technological advancements, presents a unique opportunity to unlock untapped segments of the population and drive greater insurance adoption.

By Sudarshan Raju C

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