EMERGING THOUGHTS

September 11, 2024

VOLUME 7 | ISSUE 5

SURESH & CO.

Chartered Accountants

Contents

Foreword

We at SURESH & CO. are delighted to introduce the latest edition of "EMERGING THOUGHTS." This publication brings together a diverse collection of global events and innovative ideas, thoughtfully curated by our dedicated articled assistants—future Chartered Accountants—and our esteemed team members.

In today's rapidly evolving world, staying informed about global history, news, and current events is essential. Understanding the latest developments, both locally and internationally, is crucial, as they can have significant impacts on our lives. The positive feedback we've received from our readers has been highly encouraging, affirming each milestone as an enriching learning journey filled with valuable insights.

At SURESH & CO., we foster an environment that encourages bold thinking and a relentless pursuit of knowledge. Our team members are empowered to push beyond their perceived limits, broadening their perspectives and exploring areas beyond their academic focus.

In this edition, we present the initial reflections of these promising minds. Please note that these contributions have not undergone review by senior or technical experts, so we invite readers to consider them as thought-starters that spark meaningful reflection. We encourage further research and analysis on topics of interest to gain a comprehensive understanding.

Thank you for being a part of this journey. We hope "EMERGING THOUGHTS" inspires and challenges your intellect as we continue to explore the limitless frontiers of knowledge and innovation together.

"Small beginning, incremental improvement, sustained progress will lead to humungous possibilities."

"Every champion was once a contender who refused to give up."

Update for the day #2101 | All you need to know about Exchange Traded Funds (ETFs)

We live in a fast world. Everything happens at a snap and tap of a finger. As our lifestyle evolved so did our consumption style. It's the era of the famous 2-in-1 products or services and it's not breaking news that why we love them so much. Costs less and serves multiple purposes, what more can we ask for? Right from our minty toothpaste, sunscreen- moisturizer, convertible bags, sofa cum beds to hoodies with Bluetooth. The list goes on and on.

Even our financial market was not left behind. It hopped on this trend with something called Exchange Traded Funds or ETFs. It brings together the best of both- Mutual funds & Stocks. In the last decade, ETFs have gained popularity for all the right reasons, so let's understand what's so captivating about them.

What is Exchange Traded Funds (ETFs)?
An ETF is a fund that invests in various financial assets, and it can be traded on a stock exchange like a stock. An ETF holds assets like stocks, bonds, currencies, or commodities. ETFs are listed on stock exchanges so you can buy and sell an ETF like any other listed stock. There are several categories under ETFs like Index ETFs, Equity ETFs, Gold ETFs, Debt ETFs, and even International ETFs. The NAV of an ETF changes as per market movements. The flexibility of ETFs allows you to trade in the short term or hold them for the long term. You are free to buy as many units as you wish during normal trading hours.

Things to be Considered

a) Risk

ETF brings a good amount of diversification to your portfolio. Hence, the risk associated is lower than owning a stock or investing in an actively managed mutual fund for the long term. If your investment horizon is for the short term (less than a year) then it will be subject to market volatility and have a higher risk. So, in that case, you must have a better understanding of stock markets.

b) Trading Costs

Since ETFs can be bought and sold like any stock on a stock exchange, they attract brokerage charges. ETFs have trading costs or charges associated every time you take a trade position. So, if you take frequent trade positions in an ETF as you do while trading in stocks it may not prove to be as cost-effective. Also, make sure that the ETF you are dealing with has good trading volume for liquidity concerns

c) Dividends/ Interests

ETF issuers are required to pay Dividends/interest earned on assets to their investors in proportion to their respective holding. The issuer can either distribute such earnings in cash or can reinvest the same amount to buy additional units of the same ETF. The choice is up to the issuer. Hence, it is crucial to find out what an ETF is offering before investing.

d) Tax

Tax on capital gains differs for various categories under ETFs. In the case of Equity ETFs, tax is charged as applicable to an equity mutual fund. In the case of Debt ETFs, Gold ETFs, and International ETFs, tax is charged as applicable to a debt mutual fund.

Who should invest?

Demand for ETFs has been slowly gaining momentum in the past few years. Adding a few passively managed ETFs could prove to be a good mix in your portfolio. It can bring diversification and minimize the risk factor of your portfolio. Hence, investors who are interested in creating wealth with a long-term investment horizon and low-risk appetite can consider investing in this instrument. It is also a good low-cost option for young investors.

Happy Investing!!

By Yashank R Bhansali

Update for the day #2102 | Why is India leasing out its petroleum reserves?

In 1973 a war broke out between Israel and a coalition of Arab states led by Egypt and Syria.

And any countries siding with the Israeli military including the US, had to bear the brunt of oil sanctions. This meant that Arab members of the OPEC (Organization of Petroleum Exporting Countries), a cooperation of leading oil-producing countries, stopped exporting petroleum to them.

This coupled with oil production cuts took a toll on global oil prices which skyrocketed by as much as 130% by the end of the year.

It took a while before these sanctions could be lifted. But the disastrous after-effects of the oil shock were enough for Western Europe and the US to come together and form the IEE (International Energy Exchange). Think of it as a Western alternative to counter the dominant actions of the OPEC. They'd do it by storing strategic stocks of oil or Strategic Petroleum Reserves (SPRs) which they could use during crises like these. An oil-sharing agreement would decide how they'd split this emergency reserve in times of need.

That way they wouldn't have to be at the mercy of oil giants in the Middle East. They'd be able to stabilize oil prices or at least fend off a sudden oil price rise temporarily.

Now, there's a reason we're talking about SPRs.

Last week India decided that it would build its first privately managed SPR by FY30. And this arrangement is a little different from what we already have.

Our existing reserves at Mangaluru and Padur (Karnataka) and Visakhapatnam (Andhra Pradesh) are managed by the government through an entity called ISPRL (Indian Strategic Petroleum Reserves Limited). And it was the government that did all the heavy lifting in terms of building and maintaining these reserves. And although construction costs only have to be borne once, refilling crude oil in these SPRs and maintaining them can be a huge expense.

In fact, some research suggests that this cost can be so large that it could also outweigh the benefit that countries derive from releasing oil from the SPR in times of need. And that's because SPRs only help stabilize oil prices if used at the onset of an oil supply disruption. If a government postpones releasing oil thinking that it may be too early or not the best time, oil prices could just keep rising. And SPRs may be able to do little to control the situation later.

And there's no better example of this than the US SPR, which is the largest government-owned stockpile of petroleum in the world. To put things in perspective, it can hold 714 million barrels of oil. That's nearly a week's worth of global oil production.

But most oil releases from the US' SPR haven't been significantly helpful in stabilizing oil prices in times of supply crisis.

Its first major release during the US-Iraq hostilities of 1991 was very modest and came five months after global markets lost access to Kuwaiti and Iraqi oil supplies. And that meant that the release was too late to reduce oil prices or tame any economic damage that rising prices caused.

Even in 2021, oil prices had touched a seven-year peak. And this nudged the US to release 50 million barrels of crude oil from its SPR. But again, oil prices rose by $1 per barrel.

So yeah, even if you'd consider all the instances where the US has put its SPR to use, it wouldn't really have accomplished its main objective — stabilizing the oil market.

If you consider an SPR to be an insurance policy against future oil supply or price shocks, the premium or cost of maintaining it may not be worth the actual benefits.

But that's not the only reason. Oil supply shocks aren't as frequent as they used to be. In any given year, there's only a 24% chance of an oil supply shock. And some experts contend that the effects may not be as bad. Even amidst a huge disruption like the Russia-Ukraine war, traders in Dubai and Singapore have rejigged their routes and sent huge quantities of discounted oil through Indian refiners. It simply means that the world has become better equipped to adapt to disruptions. We're also trying to move away from petroleum-based energy, in a bid to curb emissions and embrace renewable sources of energy.

So, having SPRs in developing countries like India could actually be a lose-lose proposition. Or at least that's one side of the argument.

But here's the thing. India is the world's third-largest crude oil consumer. We depend on imports for over 85% of our needs. So, we really need to expand our SPRs to keep oil supply disruptions at bay. Sure, we can rely on bigger economies like the US to access our share of oil releases when they decide to tap it. But since India's crude oil requirement is huge, industrialized nations want us to share the burden of holding SPR reserves, rather than riding on theirs.

So then how do we avoid the huge costs associated with SPRs, you ask?

Well, we lease them out.

See, in 2024's Union Budget the government had set aside ₹5,000 crores to fill out a portion of its vacant oil caverns. But in the Interim Budget for 2025, it dropped this plan. It probably realized that it could put that huge sum of money to better use if it let out this space by allowing private oil companies to use, refill and maintain a portion of its SPRs. That way companies don't just trade the oil that they refill here, but also give the government the first right to use the oil in case of an oil supply crisis. In the meantime, the government earns rent and doesn't have to spend on maintaining and refilling it.

As of now, India's SPRs are either managed entirely by the government or partly through a public-private partnership by leasing it out to companies like the Abu Dhabi National Oil Company. But if this new model kicks off, it'll be the first time that we'll let private companies completely manage vacant spaces lying in our SPRs.

Could it work out the way India imagines? We'll have to wait and see.

By Mukesh Gehlot

Update for the day #2103 | Why is Kerala in a financial crisis?

Kerala took the Central government to the Supreme Court with a first-of-its-kind case. And things are getting ugly.

Well, Kerala is in the throes of a financial crisis. It defaulted on salary payments to more than half of the 5.15 lakh employees. It delayed payments of pensions to retired personnel. At one point, even police vehicles were shooed away from fuel pumps because the dues hadn't been cleared.

Yup, things were that bad. And the state is blaming its current predicament on the Central government.

Now the first thing you need to know about Kerala is that it's what some experts call a chronic revenue-deficit state. See, Indian states get revenue from a few sources—they have excise duty on things like alcohol, they tax vehicles, there's tax on property, tax on electricity, and there's state GST (since 2017) as well as a share from the central pie. This is the revenue receipt.

And states use this revenue to first meet their committed expenses—things like salaries, pensions, welfare schemes, and interest payments. All of this is part of the revenue expenditure because it's like maintenance spending and does not create any assets.

Ideally, states would love it if they can keep this kind of spending to a minimum. That way, they don't need to borrow money to invest in building infrastructure like roads which have a long-term multiplier effect.

But the problem is that Kerala's committed expenses have typically always been on the higher side—it is 71% of its revenue receipts when compared to other states which average below 60%. So, it doesn't have too much leeway to invest in infra projects that can generate more jobs and revenues.

Sure, that looks bad. But as per some reports, it's simply because Kerala has invested heavily over the years in social sectors like education and healthcare. These sectors are personnel-heavy. And that has led to more cash pressure on the state. It's because of all this spending that a child born in Kerala has a better chance of surviving to age 5 than in the US. You can bet that other states in India can't boast of such stats. So maybe you can excuse the spendthrift behavior.

But not everyone agrees with that justification.

They say that if you want to spend money, you need to figure out a way to make more money as well.

And that's where Kerala has struggled. While the state has a per capita GDP that's 1.6 times higher than the Indian average, when it comes to the tax-to-GDP ratio, it's at par with the rest of the country. It simply hasn't been able to earn a higher share of revenue from taxes.

As one paper put it, "[Kerala] 'competes' with the Scandinavian countries as regards social protection with African level taxation."

And the end result of this is that the state has been in financial trouble for years now.

So, why did Kerala blame the Centre and take the government to the Supreme Court all of a sudden?

Ah, that's because Kerala alleges that the Central government's new rules have compounded its woes even further.

The bone of contention is something called the Net Borrowing Ceiling (NBC) rule imposed by the Central government. Think of this as a diktat on how much money a state government is allowed to borrow to meet its needs. Mathematically, it's 3% of a state's GDP. And Kerala's NBC was pegged at a little over ₹32,400 crores for FY24.

But here's the deal now. Kerala has a state-owned enterprise called the Kerala Infrastructure Investment Fund Board (KIIFB). And this entity finances the infrastructure in the state. Until now, its debt was not considered under the State's borrowing limit. So, Kerala could freely fund its infra needs outside the ambit of the NBC. It was called an off-budget borrowing

But then, the Finance Commission closed this loophole in 2021 and Kerala's problems multiplied. Suddenly, all of KIIFB's debt was included in the state's borrowing too. And Kerala found that its NBC was closer than it appeared. Its borrowing avenues were shut. And when it asked the Central government for help, it was turned away.

Now Kerala says this violates Article 293 of the Constitution which says that public debt of a state is its own matter and not something the Parliament should have control over. So, it took the matter to the Supreme Court. And what did the Supreme Court say?

Well, we don't have an answer yet. Since it's the first case of its kind, we're soon going to have a five-judge Constitution Bench set up by the Chief Justice of India to look into this matter. But that's going to take some time.

And in the meantime, Kerala's financial woes continue.

PS: Kerala has also complained that just because the state has a high per capita income, it is being penalized by getting a lower share of tax revenue from the Centre. This has reduced its revenues already. It's something Karnataka has protested about too

By Mohith G

Update for the day #2104 | Why an India-Mauritius tax amendment triggered a stock market slide

The Story
Sensex and Nifty, India's benchmark equity indices fell by over 1% on Friday.

Sure, that's not much and it's something that can happen on any given day. But experts are pointing out that Foreign Portfolio Investors (FPIs) had dumped nearly $1 billion worth of stocks that day. And that these folks are feeling pretty nervous.

Well, it's not because they're worried about the economic prospects of India. Instead, it might just be that they're worried about a big tax bill coming their way.

See, India and Mauritius have a deal. It's called the Double Taxation Avoidance Agreement (DTAA), and it says that investors from one country can operate in another without being taxed twice on the same income. So, if you're a Mauritian investor making money from Indian stocks, you can skip paying taxes in India and do it in Mauritius.

But here's the thing. Mauritius has almost no or low taxes. The country turned itself into a tax haven in the 1980s to diversify away from agriculture and attract foreign capital. And here's what happened as a result of the DTAA with India. People began to set up businesses in Mauritius to invest in Indian stocks. They would invest, make their profits and get away with a zero tax on the gains.

So, by "treaty shopping" which is a term for when people set up shell companies or businesses just to exploit a favorable double taxation agreement, you could avoid paying taxes without breaking the law. Meanwhile, India would've taxed the same kind of gains at 10%. And the end result was that money poured into India via Mauritius. It was the country's second largest source of FPI flows into India in 2017.

But the Indian government was watching. It realized that it was losing a lot of tax revenue due to this practice. Besides, even when Indian tax authorities-initiated tax disputes, courts mostly never ruled in their favour because the DTAA protected investors.

So, the government tweaked the rules. It said that if a Mauritian entity sold shares acquired in India, they wouldn't get the tax exemptions anymore. They'd have to pay taxes in India for transactions starting from 1st April 2017.

Sure, entities selling shares acquired before this period were still protected by the DTAA as long as they had proof to show that they were genuine Mauritian resident entities. But even then, there was a huge drop in inflows from Mauritius after that. The country has fallen to become the fourth largest source of foreign direct investments (FDI) inflows into India today, from being at the top of the list in FY17.

Now you'd think that this was enough for the government. But, no.
Last week, a new amendment to the DTAA sort of erased this exemption too. It said "Hey, if you're a Mauritian entity who's invested in India before the cutoff date and want to enjoy paying lower taxes, you'll have to pass a Principal Purpose Test (PPT)."

Wait… what's that?

Well, it's simply a test to understand an entity's intention behind choosing Mauritius as its operational base. It's also something the OECD (Organization for Economic Co-operation and Development) framework calls for. This is an international framework that aims to have minimum tax standards for all the member countries. And since Mauritius is a member too it wants to make sure that it adheres to these guidelines.

So, in effect, it must convince the Indian tax authorities that it isn't a mere shell company that has been operating from Mauritius and routing its Indian investments from there just for the tax benefits. If they can win them over, then they can keep paying zero taxes on their past investments. If not, they may lose that privilege. To make things worse, it could even mean a tax on past transactions too. And you can be sure that investors won't like that.

But things are still hazy and it's hard to tell if that's what the new amendment aims to do since it hasn't become an enforceable Income Tax law yet. But at the end of it all, you're probably wondering — Why would a country like Mauritius suddenly become so rigid with its tax treaties? Won't foreign companies flee Mauritius then?

Well, the thing is that companies have been fleeing Mauritius for a while now. And that's because it was getting a lot of global attention because of its 'tax haven' image.

The European Commission had added Mauritius to its list of countries that had to be closely watched for money laundering and terrorism financing. And the FATF (Financial Action Task Force), an inter-governmental body that sets anti-money laundering standards, placed the island under increased scrutiny because it felt that Mauritius had strategic deficiencies in its financial regulations. All of that forced most US and European banks to leave the island country, simply because they didn't want to attract scrutiny due to Mauritius' shady image.

Ever since then, Mauritius has only wanted to prove the world wrong. It wants to wipe out the bad name associated with being a tax haven by overhauling its old tax laws. And let's just say that the India-Mauritius tax treaty amendment could be part of the cleanup too.

But what will be the final outcome of this amendment, and will it spook the foreign investors even more?

Only time will tell.

By Aniket R Patil

Update for the day #2105 | Success Comes with a Price Tag

Like everything, even success comes with a price tag. The key is figuring out what that price is and being willing to pay it. The problem however is that the price of a lot of things is not obvious (or remain hidden) till the very end.

If you want to ace in your exams, you have three options: you can either study for the exam, not study and still give the exam, or cheat in the exam. Even if we ignore ethical reasons, most people would avoid the third option because the consequences of getting caught outweighs the upside.

But say you want to start a business, make a million dollars, sell the business and retire in peace after 10 years. Does this reward come free? Of course not! The world is never that nice.

There's a price tag, a bill that must be paid. In this case the price is a lot of uncertainty, seemingly endless struggle, a never-ending taunt from a world which gives great success and takes them away just as fast.

To give an investment example, the India Sensex Stock Market Index grew on average ~16.8% per year from 1979 to 2021, which is great! But the price of success during this period was dreadfully high. There were times when the market was at least 25% below its previous all-time high. This one time it fell by 128%.

As Morgan Housel writes, "Like everything else worthwhile, successful investing demands a price. But its currency is not dollars and cents. It's volatility, fear, doubt, uncertainty, and regret—all of which are easy to overlook until you're dealing with them in real time."

Netflix stock returned more than 35,000% from 2002 to 2018, but traded below its previous all-time high on 94% of days. Of the 242 investors Howard Schultz approached, 217 rejected his cafe idea that eventually turned into Starbucks. Meesho, an Indian social commerce unicorn, valued at $4.9Bn wasn't able to raise seed funding during their time at Y Combinator. The bigger the returns, the higher the price.

People often say things like, "Had you invested $10,000 in Tesla 10 years back, or had you invested $1,000 in Bitcoin 10 years back…" but it doesn't work that way. If you had put $100 into bitcoin back in the day, you'd have sold it when it reached $1,000. Maybe $10,000. Nobody (in the right mind) would have held on to $100,000 in the hopes it'd turn into a million. The price is unaffordable!

The inability to recognize that everything has a price can tempt us to try to get something for nothing which, like stealing, rarely ends well.

The world does not look kindly upon those who seek a reward without paying the price. "The bill comes due. Always!"

It sounds trivial, but thinking of volatility, stress, fear, doubt, uncertainty, and regret as a fee rather than a fine is an important part of developing the kind of mindset that lets you play the game well.

Success is never free and never will be. It demands you pay a price, like any other product. You're not forced to pay this fee. You can get out of the game and go live in the woods. You might still have a good time.

But if you are planning to get higher returns on your life's investment (in terms of money, fame, success, whatever), uncertainty is the cost of admission into the game.

There's no guarantee you'll make it. But if you view the admission fee as a fine, you'll not be able to enjoy the ride.

By G N Abhigna

Update for the day #2106 | Bengaluru recorded the lowest voter turnout in Karnataka.

While Karnataka recorded a 69.2 percent voter turnout (tentative) across 14 constituencies in the Lok Sabha (LS) polls on yesterday i.e., April 26, the low voter turnout in Bengaluru dragged down the state average.

The three Lok Sabha seats in the **Karnataka capital** – Bengaluru Central (52.8 percent), South (53.1 percent), and North (54.4 percent) – **once again found themselves in the bottom three in terms of voter turnout.**

According to EC records, the voter turnout in Bengaluru stood at approximately 53 percent, nearly on par with the 2019 Lok Sabha elections (54.1 percent), yet lower than the 56 percent noted in the 2014 election.

However, the final figures are likely to be a little higher as this excludes postal ballots, elderly citizens above 85 years old, and differently abled citizens who cast their votes from home.

The voting for 28 Lok Sabha seats in Karnataka is being held in two phases, with North Karnataka scheduled to vote on May 7.

Many restaurants and pubs offered dosa, beer, and even free taxi rides to motivate the 1 crore plus voters in the tech capital. Despite Bengalureans reputation for being active and vocal online, particularly in raising civic issues, their engagement in voting seems to present a different picture.

While it is often seen as voter apathy, let's look at multiple reasons behind this pattern.

Bloated voter rolls and migration

Experts point out discrepancies in the electoral rolls, particularly in cosmopolitan cities like Bengaluru, which sees high levels of internal migration. There are also many cases of Bengaluru citizens migrating to other countries for jobs, studies, and other reasons.

Many residents move within the city or from other parts of the country without updating their voter registration. For instance, one person's name may appear in multiple places in the city. Migration within the city is primarily driven by the desire to live close to one's office or school, the availability of cheaper rent near the Metro's terminal stations in the city's outskirts, or by relocating to outer areas after purchasing an apartment. The presence of a sizable floating population, many of whom prefer to vote in their hometowns despite being included in the electoral rolls in Bengaluru.

Separately, failure to remove the names of deceased voters from the electoral rolls is another issue. There are also complaints about missing names in the list. Some voters were unable to cast their votes due to their names being deleted from the list. Though Election Commission officials maintain that they have been cleansing electoral rolls, it has a long way to go.

Polling day on Friday and heat wave

Post-COVID, a large number of office-goers, particularly those in the tech sector, work from the office from Tuesdays to Thursdays and often leave Bengaluru on Fridays for their hometowns or weekend retreats.

In fact, many migrants, having the option for remote work, have temporarily shifted to their native places due to water shortages in the city and school summer vacations. While the state government had declared a paid holiday for all employees on polling day, some opted for weekend getaways.

Further soaring heat in the city has discouraged many from going out to cast their votes. On April 26, on voting day, Bengaluru city recorded a maximum temperature of 37.4 degrees Celsius, which is an increase of 3.3 degrees Celsius from the normal temperature, and the minimum temperature was 24.4 degrees Celsius.

Voter fatigue

Many voters are disillusioned with the selection of candidates, with the same candidates or underperformers being fielded repeatedly. The attitude of "one vote won't make a difference" among a section of the younger population, including first-time voters, is also contributing to urban apathy. Further, voter fatigue stemming from issues such as corruption, the distribution of freebies, and a perceived lack of change in the political system has also led to declining enthusiasm among voters.

The absence of a personal connection with local MPs, especially in urban areas, contributes to a lack of motivation to participate in the electoral process. Bengaluru's poor infrastructure, increasing traffic congestion, drinking water crisis during summer, and flooding during the monsoon have not been addressed by either the Congress or BJP, which has upset taxpayers in the tech and startup hub.

By Rachana N

Update for the day #2107 | FIIs to Invest in India's SGrBs

FIIs to Invest in India's SGrBs

Why in News?

The recent decision by the Reserve Bank of India (RBI) to allow Foreign Institutional Investors (FIIs) operating within the International Financial Services Centre (IFSC) to invest in India's Sovereign Green Bonds (SGrBs) marks a significant step towards financing the nation's transition to a low-carbon economy.

What are Sovereign Green Bonds (SGrBs)?

Sovereign green bond - SGrB is one form of dated security. It will have a tenor and interest rate. Money raised through SGrB is part of overall government borrowing. SGrB may carry lower interest rate than that for regular government borrowings.

Greenium:

As SGrBs typically yield lower interest rates compared to conventional G-Secs, the difference in interest rates between SGrBs and G-Secs is called a greenium. Central banks and governments globally encourage embracing greeniums to support the transition to a greener future.

Features of the SGrB:

- issued through Uniform Price Auction (a public sale where a fixed number of similar items are sold for the same price).
- eligible for Repurchase Transactions (Repo).
- reckoned as eligible investments for SLR purposes.
- eligible for trading in the secondary market.

Management:

- Sovereign green bond proceeds will be deposited into the Consolidated Fund of India and managed by the Ministry of Finance’s Public Debt Management Cell.
- Allocation and utilization of Green Bonds will be audited by the Comptroller and Auditor General (CAG) of India.

Advantages:

- Indian green bonds not only support sustainability goals but also strengthen the Indian currency by attracting investors and increasing funds within the central bank.
- The growing demand for socially responsible investments and the limited supply of green bonds can raise their price and yield.

How do FIIs' Investments in Green Bonds Boost India's Green Transition?

- FIIs investing in India's green projects expands the capital pool for funding the country's ambitious 2070 net zero goals, which aim to derive 50% of India's energy from non-fossil fuel sources and reduce the nation's carbon intensity by 45%, as promised at United Nations Climate Change Conference (COP 26) in Glasgow 2021.

- FIIs provide an alternative source of funding, lessening the pressure on domestic lenders and freeing up capital for other uses.
- The recent inclusion of foreign investors has expanded the pool of potential investors for India's SGrBs, potentially leading to more funds for green projects that aim to reduce the carbon footprint of the Indian economy, and contributing to India's Sustainable Development Goals. The government aims to raise Rs 20,000 crore through SGrBs in FY24 and plans to borrow Rs 12,000 crore in the first six months of FY25.
- Foreign investors bring valuable knowledge and experience in green technologies and project management, which can benefit Indian green infrastructure projects.

What are the Challenges Regarding India's SGrBs?
Lack of Green Taxonomy:

- The absence of a green taxonomy or standardized method to assess an investment's environmental credentials poses a challenge.
- Without clear criteria, there is a risk of greenwashing, where projects falsely claim to be environmentally friendly to secure funding.

Framework Implementation:

- While the Finance Ministry released India's first SGrB Framework, its implementation and enforcement remain critical.
- Ensuring that funded projects align with the defined criteria and contribute to environmental sustainability requires robust monitoring and evaluation mechanisms.

Project Selection and Impact:

- Identifying new green projects with credible audit trails and high impact is crucial for optimal deployment of SGrB proceeds.
- Projects with limited private capital, such as Distributed Renewable Energy and clean energy transition finance for MSMEs, may face challenges in attracting sufficient funding.

Availability of Suitable Projects:

- Securing a pipeline of eligible green projects may be challenging, particularly in sectors like offshore wind, grid-scale solar power production, and Electric Vehicles (EVs).
- The government needs to actively encourage and incentivize the development of such projects to ensure a steady flow of investment opportunities.

By Shreelakshmi Nair

Update for the day #2108 | Flipkart's UPI off to a flying start in March

Flipkart has around 500 million users and the company does around five million orders in a day. If a third of these orders start using Flipkart's UPI, it is likely to do 50 million transactions.
E-commerce major Flipkart, which launched its unified payments interface (UPI) handle in March, is off to a flying start with the company registering more than five million transactions worth Rs 200 crore in the month through the platform.

To be sure @fkaxis handle was available to limited users a couple of months before launch to test stability as per the National Payments Corporation of India (NPCI) regulations.
March was the first full month of Flipkart's UPI offering being available to all Android users. The iOS version is set to be launched in a couple of months.

Flipkart did not say how many users signed up for its UPI handles. The Bengaluru-based e-commerce major is offering minor rewards for using its UPI and it is not clear whether the good start is because of the cashbacks. However, once a customer signs up for the Flipkart handle, the payment option is likely to be displayed prominently on the checkout page for further transactions. Most merchant platforms love UPI because there is no merchant discount rate (MDR) or payment commission for UPI, unlike card transactions.

To put the numbers in context, mobile payments firm Mobi Kwik did around eight million transactions in March, while other fintech apps such as Groww and Jupiter did less than seven and six million transactions. These companies' UPI products have been around for a lot longer. Amazon Pay, which has been around for five years, notches up somewhere between 50 million to 65 million transactions a month. To reach around 10 percent of that in the first month of full-scale launch seems like a decent outcome.

Flipkart's UPI usage is likely to be much higher than that of Amazon Pay UPI in the long run, said an industry executive, who did not wish to be identified.
"Amazon targets the premium customers where the credit card penetration is high. Flipkart is more popular among tier 2 cities, towns and villages and will likely see a lot more UPI usage," the executive added.

Flipkart has around 500 million users and the company does around five million orders a day. Even if a third of these orders start using Flipkart's UPI, it is likely to do 50 million transactions in a month.

The role and rise of UPI
UPI is the most popular digital payments system in the country, with around 75 percent of all online transactions executed through the platform. It makes sense for an e-commerce company with billions in sales every year to have its own UPI platform. For instance, Amazon Pay UPI is used for around 50 percent of all transactions made on the e-commerce platform.

Going to a third-party payment app increases the chances of failure. Having its own UPI handle will reduce payment failures for the vast majority of such transactions.

"We are seeing an encouraging response from our customers. UPI as an instrument has improved accessibility and convenience for both commerce and non-commerce transactions, and Flipkart's goal is to ensure we provide the same convenience on our platform as well," Flipkart said in a statement to *Moneycontrol.*

For in-house payments

Flipkart's main purpose in launching UPI is to cater to in-house UPI payment requirements rather than being used as a third-party payment app.

"We are not trying to be the largest payments company in India. Again, no such ambition or don't even have the bandwidth or appetite to do anything close to that," Kalyan Krishnamurthy told Moneycontrol in an exclusive interaction a few months ago.

An e-commerce app being used as a pure-play payment app is likely to be clunky and heavy for payment purposes. This has been one of the biggest reasons why Amazon Pay UPI did not scale despite hefty cashbacks and offers.

Flipkart's rise comes at a time when there are concerns that UPI is an entrenched duopoly, with Walmart-owned PhonePe and Google Pay cornering more than 85 percent of the market. Meanwhile, another large player, Paytm, has seen its market share drop from around 13 percent last year to around 9 percent in March because of regulatory action against its associate company, Paytm Payments Bank.

Incidentally, PhonePe, which is the market leader in UPI with around 50 percent market share, was incubated in Flipkart and hived off in 2020. Flipkart always wanted a payment platform of its own but did not launch any separate product because of PhonePe. But with the latter being hived off, it has re-entered the space.

Interestingly, Flipkart cofounder Sachin Bansal's fintech app Navi is also offering rewards and cashbacks for using UPI.

By Kavya Hebbar

Update for the day #2109 | PAN misused for HRA fraud? Need to worry

The income tax department has uncovered a scheme involving fraudulent use of Permanent Account Numbers (PAN) by individuals to falsely claim house rent allowance (HRA), despite not being tenants, stated a Times of India (ToI) news report. As per initial findings, around 8,000-10,000 significant cases have been identified, with amounts exceeding Rs 10 lakh in many instances. The investigation began when authorities stumbled upon purported rent receipts totalling approximately Rs 1 crore under an individual's PAN. However, upon questioning, the individual disavowed any knowledge of these transactions. Subsequent inquiry revealed that the individual had not actually received the rent attributed to them.

The revelation prompted the income tax department to conduct a deeper inquiry, uncovering widespread misuse of PANs by deceitful individuals aiming to secure tax deductions from their employers. The extent of abuse has become alarming, with instances emerging where employees from specific companies have exploited identical PANs to claim tax benefits.

Tax officials have stated that the department is actively pursuing employees who have filed fraudulent claims, aiming to recoup the owed taxes. However, it remains uncertain whether legal action will also be taken against them, stated the TOI report. This case underscores yet another example of PAN misuse, often without the knowledge of the cardholder. Adding complexity to the situation is the current threshold for TDS (tax deducted at source), which applies only to monthly rents exceeding Rs 50,000 or annual payments surpassing Rs 6 lakh. Consequently, many employees have exploited this loophole to evade taxes on rental income.

"Most of the financial transactions are linked to PAN. With use of latest technology and automated processes and data analytics, it is not very difficult for tax authorities to track fake claims. This may not only entail tax payments later but also will result in levy of penal interest, penalty and even lead to prosecution in extreme cases.

Where rent is paid to the parent, the rent should be paid through cheque or by way of electronic transfer (and not through cash) to demonstrate the genuineness of the transaction and that parent too needs to report that rental income in his or her return," said Kuldip Kumar, partner at Mainstay Tax Advisors, told Times of India.

Tax officials said the fault entirely lies with the employee and the employer cannot be held liable even if multiple individuals quote the same PAN for rent payment. "Employers are not expected to make a deep investigation, but the onus is also on them to have reasonable checks and balances, while obtaining the proof of rent paid to allow HRA exemption.

In fact, in some of the cases, employers have their policy that where any employee is caught having submitted a fake claim for HRA or LTA etc, etc, such employee may be terminated from employment," said Kumar.

The person whose PAN has been misused may need to provide some additional documents. "In case of persons whose PAN have been misused by persons receiving HRA, even if an assessment is reopened based on misquoting of PAN by the recipient of HRA, the PAN holder can establish that he/she is not in receipt of rent and seek for dropping of assessment against them. Following documents can be used to establish that PAN has been misquoted: (a) bank statement to show that no rent was received, and (b) self-sworn affidavit to state that the subject property is not owned the PAN holder," said S Sriram, partner at Lakshmi Kumaran and Sridharan.

By N Sujith Sai

Update for the day #2110 |The economics of modifying the weather.

It rained cats and dogs in the UAE (United Arab Emirates) last week. Parts of the country received more rainfall in a day than it receives on average in an entire year. It flooded the glitzy city of Dubai and shuttered its busy airport too. And this suddenly sparked rumours that cloud seeding was the culprit!

But experts don't agree with this theory. They blame it on climate change and the erratic weather patterns it creates. Now we're not going to debate the cause and we hope that the UAE recovers soon, but we thought we could talk about this trending term — cloud seeding.

In 1946, Irving Langmuir, a Nobel Prize winner and research scientist at New York's General Electric Labs was studying the buildup of ice on airplane wings. One thing led to another, and he soon wanted to figure out why the mist at the nearby Mount Washington never converted into snow, despite the temperature being well below 0°C (water's freezing point). To help with that, he hired Vincent Schaefer, a research assistant, who ran his experiments on a freezer.
Schaefer kept playing with the freezer conditions and exhaling into it to see if the moisture in his breath would convert into ice or not. It never did. And one summer day and many failures later, he observed that the freezer was struggling to keep cold. So, he decided to throw in a block of dry ice or solid carbon dioxide to help it. And that was enough to convert the supercooled water inside, back into ice. The trick was that the dry ice was much, much colder.

This discovery got Langmuir thinking "Clouds are basically bags of supercooled water. And rain is actually ice crystals falling from the sky, which melt on their way down. So, what if I shoot dry ice pellets into these rain heavy clouds to induce snow?" Langmuir and Schaefer flew a plane into the sky and did exactly that. They made the clouds shed snow which melted into rain on their way to the ground.

And that folk, is how humans learnt to modify the weather or what you call cloud seeding. And this business has become a huge industry, working a lot of economic wonders for many countries across the globe.

To begin with, cloud seeding has long been used to address water scarcity.
And to understand this, you could look at China, which has the world's largest cloud seeding system. Its 'weather modification office' employs over 50,000 people whose job profile is to actually shoot silver iodide into clouds to make them rain. But apart from creating jobs, China has also been trying to fight the economic losses from the water scarcity its northern region has been experiencing for nearly half a century.

You see, the Yangtze River, China's longest river and the Yellow River, its second largest, have been its biggest sources of freshwater. This water actually comes from melting ice glaciers off the Tibetan plateau. But climate change-driven rising global temperatures meant that there wasn't much snow-cap left to create more fresh usable water. And that simply set off China's northern provinces to a water crisis.

To solve that, China had a brainwave. Decades ago, it invested about $80 billion in something called the South-to-North Water Diversion Project. The aim was to transfer water from the Yangtze, which wasn't as gravely affected by the water crisis to its northern regions.

Lengthy tunnels would send water to the riverbed of the Yellow River in the north. And just so this water stayed in the northern regions, it also engaged cloud seeding systems to make it artificially rain in the area.

At the beginning of the water crisis, this water shortage actually cost China about $35 billion annually or 2.5 times the average annual losses caused by floods. And since cloud seeding can increase rainfall or snow by 5-15%, it may have helped China a little bit. China's southern water sources may be drying up too. And if there isn't enough water to form rain clouds, you can't really induce artificial rain.

But China's cloud seeding efforts aren't just limited to making it rain so that people have water to drink and water their fields. In 2008, it also used the technique to keep rain away from the Beijing Olympics.

Yes! You read that right. It simply emptied the clouds beforehand by triggering downpours ahead of the opening ceremony. That's how it ensured that the ceremony not just witnessed the bluest of skies but also gave China a bang for its buck. At least that's what they say happened. And all of this has actually encouraged the country to expand its weather modification systems to make it artificially rain or snow over 5.5 million square kilometres by 2025. But there's another problem.

Hannele Korhonen, a Finnish scientist who worked on a cloud-seeding project in the UAE had a genuine doubt "There is X amount of water in the world. If you make the clouds rain in one place, is the water missed somewhere else?"

Okay, so cloud seeding can actually make clouds rain before they move on to another region. So, it could actually be used as a war weapon. And this isn't a bizarre theory we came up with. In fact, during the Vietnam War in the 1970s, the US was accused of modifying the weather so that it could prolong the monsoons, soften the roads and cause landslides along roadways in enemy held territory.

So yeah, making it rain isn't just an economic boon but can actually raise questions about which country owns what part of the sky. And we can't really answer that unless international policies address it.

By Bhavna B V

Update for the day #2111 | Microsoft readies new AI model to compete with Google, OpenAI

Microsoft is training a new, in-house AI language model large enough to compete with those from Alphabet's Google and OpenAI, the Information reported on Monday.

The new model, internally referred to as MAI-1, is being overseen by recently hired Mustafa Suleyman, the Google DeepMind co-founder and former CEO of AI startup Inflection, the report said, citing two Microsoft employees with knowledge of the effort.

The exact purpose of the model has not been determined yet and will depend on how well it performs. Microsoft could preview the new model as soon as its Build developer conference later this month, the report said.

Microsoft declined to comment when contacted by Reuters.
MAI-1 will be "far larger" than the previous smaller, open-source models Microsoft had previously trained which means it will be more expensive, according to the report. Microsoft last month launched a smaller artificial intelligence model called Phi-3-mini as it looks to attract a wider client base with cost-effective options.

The company has invested billions of dollars in OpenAI and deployed the ChatGPT maker's technology across its suite of productivity software, allowing it to take an early lead in the generative AI race.

Microsoft has been setting aside large cluster of servers equipped with Nvidia's graphic processing units along with large amounts of data to improve the model, according to the report. MAI-1 will have roughly 500 billion parameters, the report said, while OpenAI's GPT-4 is reported to have one trillion parameters and Phi-3 mini measures 3.8 billion parameters.

Microsoft tapped Suleyman in March as the head of its newly created consumer AI unit and hired several employees of Inflection.

The new model is not carried over from Inflection, although it may build on training data from the startup, the report added

By Harshita Jain B

Update for the day #2112 | Could Vi Finally Join Jio & Airtel as a 5G Service Provider?

In the rapidly swaying waters of the Indian telecom sea, both primary and small players are trying to stay afloat. Big fish like Reliance Jio & Bharti Airtel are more experienced in handling the changing winds; whereas the joint force of Vodafone Idea is still finding its footing. Despite being **rebranded as "Vi" in 2018**, Vodafone Idea is still looking for that ace that will help it look eye-to-eye with its competitors.

And today, it seems like Vi has finally found it! Sources close to the company told Moneycontrol that Vi intends to launch a Follow**-on Public Offer (FPO)** at a price band of **₹10-11 per share between 18-22 April** in 2024. They aim to raise **₹18,000-20,000 crore**. This would be the largest FPO ever conducted in India.

That's not all! Vodafone Idea has allotted shares worth **₹2,075 crore** at the issue price of ₹14.87 per share to **Aditya Birla Group's** subsidiary Oriana Investments Pte. Ltd. Finally, after almost 7 years, Vodafone Idea might have found a light. Through this, Vi is planning to finally provide 5G services to its customers and join the race of the best. The journey to reaching this level was not easy.

In this article, we will learn what new tactic Vi has up its sleeve and whether it would be enough to pay off lakhs of crores of debt. First, let's start with the pilot episode of "From Where It All Began?"

Vodafone Idea's Fight for Survival: How it Started?
Vodafone Idea has navigated a complex financial landscape since its formation in 2018. Let's first examine the reasons for both telecom companies' joining hands. Reasons for Merging Vodafone & Idea Vi, initially named Vodafone Idea Limited, was formed in 2018 by merging two major Indian telecom companies: **Vodafone India** and **Idea Cellular.** The primary reason for this merger was a combination of factors:

a. Economies of Scale:
Vodafone India and Idea Cellular could achieve economies of scale with this merger. Combining their resources, such as **infrastructure**, **network coverage,** and **subscriber base**, would lead to cost efficiencies and a stronger market position.

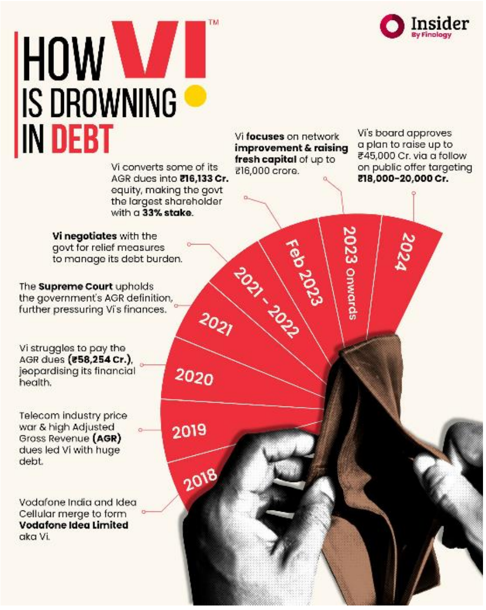
b. Improved Network and Service Offerings:
The merger aimed to create a more robust telecom network with broader coverage and better customer service. Combining their resources would allow them to invest in network upgrades and offer more c**ompetitive data plans** and **call packages**.

c. Growth Potential:
The merger aimed to leverage the strengths of both companies. Vodafone India brought its global expertise and brand recognition, while Idea Cellular had a strong presence in rural markets. This collaboration could help them capture a larger market share and drive future growth.

d. Regulatory Landscape:
The Indian telecom industry was undergoing consolidation at that time. The government's

policies indirectly influenced the merger decision as a way to maintain a healthy number of major players in the market.

From Merger to Misfortune: A Timeline
Here's a look at the key milestones in its journey:



Fundamentals & Investor Insights

What was supposed to be a profit-making decision came back to bite both telecom companies. The government made a landmark decision in the AGR case just 1 year after the formation of the new entity. One of the biggest challenges arose from the existing debt of both companies. Merging them combined their liabilities, creating a significant financial burden for Vi. Vi was formed to provide fierce competition to the sector's new player, Reliance Jio. However, its debt caused difficulty in raising fresh funding, and the government's critical eye led to its near collapse.

By Namratha DV

Update for the day #2113 | NASA has a budget problem

In October 1957, the Soviet Union took the world by surprise. It launched Sputnik, the world's first artificial satellite. And that nudged the US to step up its space engineering efforts. It didn't want to fall behind a rival superpower. So, the US government poured resources into its space programme and formed NASA.

It was an all-out race. But that competitive spirit seems to be waning away. And it's not us saying this. It's NASA's budget cuts that are speaking for itself.

You see, NASA had requested about $27 billion for all of its missions, space explorations and operations in FY24 (October 2023 - September 2024). But it only received funds that were close to 9% lower than its expectations and 2% lower than the previous year. And now, the budget request that it has just placed for FY25 is $2 billion lower than what it asked for last year.

That's a lot of money to give up. Especially when you put things into perspective. The Chandra X-Ray Observatory built in 1999 that has been key to understanding black holes and galaxies was built with that sum of money (not adjusted for inflation).But why isn't NASA getting the money it wants, you ask? Well, for starters, it's to do with the US government's debt burden itself. Last year, the country was on the brink of a default and it has been paring back on what it considers unnecessary or discretionary spending.

Yes, NASA's programmes are considered a part of that bucket because times have changed since the 1960s.Back then, the US was itching to win the race to the moon and beat the Soviet Union. It didn't hesitate to splash the cash on NASA. At its peak in 1965, NASA funding was at some 5% of the total US government spending. And using all those resources, NASA was able to create Apollo — the space mission to land the first humans on the moon.

This programme was so important that 3 out of every 5 dollars for space programs went to the Apollo mission. And NASA spent upwards of $25 billion on it. Adjusted for inflation that's a whopping $283 billion in today's value.

But once the US put boots on the moon in 1969, the funding tap closed too. The US felt that it had defeated the Soviet Union. Even the agenda of the politicians were met.

And it wasn't just that. The Apollo mission divided Americans because a section of the citizens also felt that the government could have spent the money better in helping the millions of Americans who couldn't afford basic necessities and were poor. People protested outside the NASA launchpad too. And with all this, the government put further missions on the backburner. It cancelled the final 3 out of the originally planned 20 Apollo missions. And NASA's funding slowly started spiralling downward.

Sure, the US still has the highest space expenditure in the world, but NASA gets less than 0.4% from the budget allocation. And NASA doesn't like that. It feels it deserves more money because of its actual economic output — at $71 billion, its 3 times the investment being made into it.

How, you ask?

For instance, it provides the agricultural sector with data that can more accurately forecast crop productivity. It can help farm produce exporters drum up sales, set prices and generate international customers. It also tracks devastating storms that can destroy lives

and the economy. In 2017, a polar-orbiting satellite helped track a hurricane across the Caribbean and the southeastern US so residents could make vital preparations ahead of time.
But beyond that, if the US wants to continue to be a world leader in space exploration, NASA might need the money to fund its big plans.

It wants to permanently build a presence on the moon instead of sending astronauts back and forth, with a mini space station orbiting it through the Artemis program. It could not just help study lunar water that's useful for drinking, oxygen, or even as a chemical component of rocket fuel, but could also potentially reduce the costs and risks associated with future space missions like heading to Mars. And to make that a more cost-effective reality, the US has also signed the Artemis Accords, an agreement with over 30 countries including India so that they can team up to peacefully explore space, utilize space resources sustainably and preserve moon artefacts.

It's also keen on collaborating with private companies to rake in innovative and cost-effective architectural designs for spacecraft that can help bring back samples from Mars that NASA's Perseverance Rover has been collecting since 2021. It's one of the most ambitious missions that NASA has ever undertaken and involves safely transporting Mars samples over 33 million miles back to Earth.

But can these tweaks help NASA to do justice to all its missions?

Only time will tell.

By Sakshi G Mudigoudar

Update for the day #2114 |OpenAI Unveils GPT-4o: A New Era of Multimodal AI

In a surprising turn of events, OpenAI has announced the launch of its latest flagship AI model, the GPT-4o, in a livestream event after vehemently denying rumours surrounding its development. The GPT-4o marks a significant leap forward in artificial intelligence technology, boasting the capability to accept and generate output from audio and visual inputs alongside traditional text-based interactions.

This groundbreaking model introduces a new era of multimodal AI, characterized by its ability to seamlessly process and understand inputs from various modalities, including text, audio, and images. Unlike its predecessors, which primarily relied on textual input for generating responses, the GPT-4o, with the 'o' symbolizing "omni," signifies its versatility in handling diverse forms of data.

The unveiling of the GPT-4o comes shortly after OpenAI denied speculations regarding the development of a new AI search engine and the release of a successor to the widely acclaimed GPT-3 model. This unexpected announcement has left many industry experts and enthusiasts astounded by the rapid advancements in AI technology achieved by OpenAI.

Key features of the GPT-4o include its remarkable ability to generate output almost flawlessly across multiple modalities. Leveraging sophisticated algorithms and vast datasets, the model demonstrates exceptional accuracy and coherence in its responses, further blurring the lines between human and machine-generated content.

One of the most significant advancements introduced by the GPT-4o is its capacity to interpret and respond to audio and visual inputs, effectively bridging the gap between different forms of communication. This capability holds immense potential across various domains, including virtual assistants, content creation, and interactive storytelling.

Furthermore, the GPT-4o represents a culmination of years of research and development in the field of artificial intelligence, showcasing OpenAI's commitment to pushing the boundaries of what's possible in AI technology. By incorporating multimodal capabilities into its flagship model, OpenAI aims to empower users with more intuitive and immersive AI experiences.

However, with the introduction of such powerful AI models, concerns regarding privacy, bias, and ethical implications inevitably arise. OpenAI acknowledges these challenges and emphasizes its dedication to responsible AI development, including transparency, fairness, and robust safeguards against potential misuse.

As the GPT-4o begins to make its way into various applications and industries, it promises to revolutionize the landscape of AI-driven interactions and services. Whether it's assisting users with complex tasks, generating creative content, or enhancing accessibility for individuals with diverse needs, the GPT-4o heralds a new chapter in the evolution of artificial intelligence.

In conclusion, the launch of the GPT-4o marks a significant milestone in the advancement of multimodal AI technology, underscoring OpenAI's leadership in the field. With its unparalleled capabilities and potential applications, the GPT-4o sets a new standard for intelligent systems and paves the way for a future where AI seamlessly integrates with diverse forms of human communication and expression.

By Deepali S Jain

Update for the day #2115 | SC blasts IMA Chief in Patanjali for misleading advertisement case

In New Delhi, the Supreme Court recently engaged in proceedings concerning disparaging remarks made by Dr. RV Asokan, the president of the Indian Medical Association (IMA), regarding the court's actions. Dr. Asokan had expressed criticism of the court's handling of the Patanjali misleading advertisements case during an interview with the news agency PTI. In response, Justices Hima Kohli and Ahsanuddin Amanullah, comprising the bench, reprimanded Dr. Asokan for his comments. Despite Dr. Asokan offering an unconditional apology, Justice Kohli emphasized the impropriety of publicly denigrating the court while emphasizing its authority.

Furthermore, the Supreme Court declined to accept Dr. Asokan's affidavit of apology at this stage, indicating its dissatisfaction with his conduct. This decision follows the court's prior characterization of Dr. Asokan's statements as "very, very unacceptable" during proceedings on May 7.

In parallel, the legal representative for Patanjali, led by Ramdev and his associate Balkrishna, requested additional time to furnish an affidavit outlining the measures being undertaken to retract the advertisements for Patanjali products, whose licenses have been suspended. The court granted a three-week extension for the submission of this affidavit.

Previously, the Uttarakhand State Licensing Authority (SLA) had informed the Supreme Court of the immediate suspension of manufacturing licenses for 14 products belonging to Patanjali Ayurved Ltd and Divya Pharmacy.

The ongoing legal proceedings stem from a petition filed by the IMA in 2022, alleging that Patanjali engaged in a smear campaign against the Covid vaccination drive and conventional medical practices.

By Vishnu Bhushan B D

Update for the day #2116 | Can India recharge Tesla

Last week, Elon Musk opened up about Tesla pulling into India during an X space. He said it's a "natural progression" for Tesla to enter India, with the country now becoming the most populous nation in the world.

Seems like Musk wants to capitalise on India's growing population. It makes sense too. Tesla's business has been slowing down in recent quarters. The company's annual car sales have dipped, and profits were down 40% in the December quarter compared to the previous year. The stock price has crashed 30% since the beginning of the year, leaving investors in a state of frenzy. Clearly, entering new markets could help Tesla recharge its business.

But why did Tesla not enter the Indian markets before?

Well, one reason could be that the Indian government imposes a very high tax on foreign EV makers when they try to sell cars in India. Every time Tesla or any other EV maker brings a car to India for sale, they have to pay 70-100% of its cost to the Indian government.

This tax is called import duty.

The government has been justifying the high import duty, claiming that it is in place to protect the upcoming domestic EV players from disruption. However, foreign EV manufacturers have been lobbying the government to reconsider the taxes, saying their entry would give consumers more choices and make India's EV ecosystem more robust and vibrant. And it seems like the government has given in to their whims! It has recently announced a new EV policy that would lower import duties, which could make way for EV makers like Tesla in India.

Here is a breakdown of the new policy in broad terms–

EV makers would be allowed to sell up to 8,000 cars every year in India at 15% import duty if–

1. They invest a minimum of $500 million in India, which translates to a little over ₹4,150 crores
2. Set up a manufacturing facility in the country within three years from the time they start selling the cars, and
3. These factories locally source 25% of the components they use

Also, the price of the EV has to be higher than $35,000.

And this is actually a sweet spot for Tesla! Its most economical car, the Tesla Model 3, starts from $38,990.

Now, this cut in import duties might not be a coincidence. As we already said, Tesla has been lobbying for a lower import duty for the past four years. In return, it had promised to invest a huge amount in India. And now that the policy is in place, the company seems to have started manufacturing for the Indian markets in its Berlin factory. These cars are just like the US models; the only difference is that they are right-hand-driven vehicles instead of left.

Tesla is also scouting locations to invest up to $3 billion in India to start its manufacturing factory. If its existing factories out of the US are any indication, it is expected that the company would make one big concentrated investment and open a Gigafactory, just like it did in Germany and China.

However, the question remains—Can cruising into India bring a screeching halt to Tesla's business slowdown?

Maybe not.

Despite the vast population getting Elon Musk jumping for joy, India has lower-than-expected car sales. In 2023, around 4.1 million cars were sold in India, out of which less than 2% were EVs. Compare this to China, a country with a similar population size, and you'll see that around 30.1 million cars were sold in the country in 2023, out of which around 34% were EVs.

The lower EV penetration in India can be attributed to the dismal state of the charging infrastructure. The charging infrastructure in India is scattered and lacks standardisation. Each EV maker has built its own network, but there is no interoperability. For example, you might be unable to charge a Nissan car at a Tata charging station as their charger plug and voltage requirements differ. The lack of standardisation and interoperability means Tesla must invest heavily in building a charging network for its cars from the ground up.

Secondly, Musk's cars are expensive, and Indians don't buy a lot of high-end cars. His cars start from $38,990 and go up to $ 1,19,990. That is between ₹32 lakh and up to ₹1 crore! Luxury vehicles make up less than 2% of all the cars sold in India, which comes slightly north of 45,000 units sold in a year.

And it is not like Tesla has a low-cost model in the pipeline that it could introduce in India. The company had been working on a prototype, but it ultimately scrapped the plan due to a lack of progress. So, it needs to look out for their Chinese counterparts.

You see, this new policy allows imports from any country, including China. And unlike Tesla, Chinese automakers like BYD and Xiaomi offer a wide range of products, from high-end to affordable. They could start setting up manufacturing facilities in India and flood Indian roads with affordable EVs, giving Tesla stiff competition.

BYD already has skin in the game. It has been operating in India since 2007 and has a joint venture with privately held Indian company Megha Engineering. This means it could be relatively easier for BYD to ramp up the distribution and sourcing of materials.

Now, you could argue — but hey, just like Tesla, BYD would also have to deal with India's dismal charging infrastructure, right?

Yes, but it has a solution for that.

BYD not only sells pure EVs but also sells hybrid cars. And this gives the company an edge over Tesla. Tesla has also been facing these Chinese OEMs in the mainland and has tried to lure customers with heavy discounts. But the strategy does not seem to be working, and their sales have dipped around 20% this year.

Clearly, Tesla's entry into India might not be smooth sailing.

But all is not lost. India can certainly be an integral part of Tesla's supply chain. A gigafactory in India can help it ramp up exports to the Middle East, South East Asia, and Australia. It can also be a critical part of the "China+1" manufacturing policy to reduce reliance on China.

We'll just have to wait and watch how it all plans out.

By Anusha M

Update for the day #2117 | The UK's climate plan is unlawful!

The UK High Court judge recently called the government's Carbon Budget Delivery Plan (CBDP) as "vague and unquantified". Think of it as a smaller part of the wider Net Zero strategy. Or limiting greenhouse gas emissions (GHG) only to the extent of the emissions that can be removed from the atmosphere, ultimately nullifying their effect by 2050.

Since carbon dioxide (CO2) is a GHG too, the UK has been setting five yearly targets in the form of the CBDP to cap its emissions. But the country's High Court doesn't think the plan is capable of achieving its goals. If anything, it has declared the UK's CBDP unlawful. And this isn't even the first time. In 2022, the High Court handed down a similar ruling and rejected an earlier version of the plan.

Extreme heat waves or rainfall and melting glaciers have already rung the climate chaos alarm, thanks to global GHG emissions. And if this persists, then close to three fourths of the global population could be exposed to life threatening periods of extreme heat and humidity by 2100. And those who've contributed least to the climate crisis or those in the low and lower-middle income countries, which are also mostly located in the tropics will bear the brunt of these extremities.

In 1992, most of the countries came together to agree on a plan to control GHG emissions leading to the establishment of the United Nations Framework Convention on Climate Change (UNFCCC). The idea was to stabilize the concentrations of these gases in the atmosphere so that they don't dangerously interfere with the climate's natural cycle.

Countries have committed to keeping the global temperature increase well below 2℃ above pre-industrial levels, ideally not exceeding 1.5℃. While pre-industrial levels generally refer to the years 1720–1800, many nations, including the UK, use 1990 as a reference point.
In 2008, the UK introduced the Climate Change Act to meet these goals. The Act established carbon budgets, which are limits on greenhouse gas emissions set in five-year intervals, running until 2052. These budgets are managed through the net UK carbon account, where emissions are debited, and reductions (like planting forests or using carbon capture technology) are credited.

By sticking to these budgets, the UK aims to reduce its emissions by 100% compared to 1990 levels by 2050.

But the problem here is that the plans the government has carved out don't seem to be promising enough. They are unlikely to help the country meet its sixth carbon budget targets for the years 2033 to 2037. That's about a decade away. But that's how these budgets work. They're planned well ahead of time so that the country can actually put its plans into practice and cut down its emissions.

But the Climate Change Committee (CCC) which oversees things under the Act has found out that the government's latest climate plans had reliable policies for just about 39% of the emissions cuts needed to meet this particular carbon budget.

Here are a few of their many perspectives that helped build their arguments. One thing they looked at is airports. The UK has over 60 airports and many of them are looking to expand. But here's the thing. The UK's aviation sector itself has emitted 95% more emissions between 2021 and 2022. And the CCC believes that the only way one airport can expand is if another one shrinks. But there aren't actually any that'll do this.

Then there's the bit about building natural carbon sinks by planting more trees and expanding forest cover. The government wants to create 30,000 hectares of new woodland every year by 2025. But constituent countries of the UK are way off track in meeting their targets.
For context, Scotland actually needs to create over 15,000 hectares of new woodland every year to tackle climate change. But it has been consistently missing its annual targets in the past and was only able to create about 8,000 hectares of forest last year.

And we haven't even spoken about the fuel supply and transportation sector yet, whose emissions have been climbing up too. The deal with these sectors is that despite people thinking of switching to electric transportation, non-passenger vehicles like vans used for transporting goods, are finding it hard to do the same.

There were over 4 million vans in the UK as of 2019 and they account for about 11% of all the vehicles on roads — an increase of about 90% over the last 25 years. And if that number keeps growing then the country needs more chargers. While that's increasing, vans might still not be able to adapt because of practical problems. For instance, van drivers take their diesel vans home after work and drive them to the depots the next day. But with electric vans they'll need permissions from landlords to install charging infrastructure at shared spaces. Even if they leave their vans at the depot, the grid capacity for charging has to go up. And that doesn't seem to be happening fast enough as of now.

All of these things put together means that the plans that the UK government presented to meet its net zero targets may not have been able to address these contingencies. And without workable backup ideas to make up for the excess emissions caused because of them, the climate plan might actually not deliver what it promises. Ideas like carbon capture and storage technologies. But these aren't proven to be scalable options yet.

That's exactly why the UK High Court slammed the door on the government's ideas two times in a row, asking it to whip up some fresh ideas.

By Dhriti R

Update for the day #2118 | NSE Cracks Down on Shady SME IPOs

The National Stock Exchange (NSE) is implementing new regulations to address issues in the SME IPO market, where questionable practices and high investor demand have raised concerns. Small and medium enterprises (SMEs) in India have been aggressively pursuing IPOs, often attracting enormous amounts of investment despite having limited financial stability. For example, Resourceful Automobiles Ltd., a small bike dealership, sought ₹12 crores through its IPO but received offers totalling ₹4,769 crores. Similarly, Broach Lifecare Hospital, a small facility, aimed to raise ₹4 crores but attracted ₹640 crores in offers.

This surge in SME IPOs has caught the attention of regulators, particularly SEBI Chairperson Madhabi Puri Buch, who has pointed out signs of market manipulation and volatility. In response, the NSE is introducing stricter listing rules on its NSE Emerge platform to ensure that only financially stable companies can raise funds through IPOs.

Effective September 1, 2024, new rules require SMEs to show positive Free Cash Flow to Equity (FCFE) for at least two of the last three years before they can list. This measure aims to ensure that companies have financial stability and can generate cash for shareholders after meeting their debt obligations. However, this rule could disadvantage companies in growth phases that are currently investing heavily and may have negative cash flows in the short term.

Additionally, a new regulation caps the opening share price at no more than 90% above the issue price to prevent extreme price fluctuations. While this rule seeks to create a fairer pricing environment and protect investors from volatility, it may also lead to new forms of manipulation, such as inflating demand in the pre-open market session.

These regulatory changes represent a significant effort to clean up the SME IPO market, making it more transparent and less susceptible to manipulation. However, investors should remain cautious and conduct thorough research before investing in SME IPOs to navigate the evolving landscape and avoid potential pitfalls

By Shashank N K

Update for the day #2119 | Should DMart sell gold?

"DMart's business model is like America's Costco." That's what Raamdeo Agrawal, the Chairman of the financial services firm Motilal Oswal, said a few months ago. For the uninitiated, Costco is an American supermarket chain that sells all kinds of products—grocery, food, apparel—at really low prices to its members. And that's exactly what DMart does in India too.

For context, because it sells at low prices, it has a relatively low gross profit as a percentage of sales too. As per a report by CLSA, DMart converts only 14.5% of its sales into gross profits. Because Costco has a similar strategy, it's even lower at 10.5%. For context, Walmart is much higher at 23.5%. But we've got a suggestion to make DMart even more like Costco—DMart should sell gold!

We know it sounds crazy, but hear us out.

See, DMart's shares have been in a bit of a funk of late. And by 'of late', we mean since 1st January 2022. For 2 years, the stock went nowhere. Costco was in a similar boat too. But about 6 months ago, the fortunes began to turn. Costco's shares started to zoom upward.
It happened just when Costco began to sell gold. Now we know that correlation is not causation, but analysts are pretty upbeat about Costco's new business venture.

So, maybe it's something DMart should consider too, no?

Not sure?

Okay, let's give you some context about DMart's business and recent struggles first. Maybe that'll change your mind.

DMart's low-price strategy starts with real estate ownership, buying land when prices are low, like during Covid. Though it impacts short-term profitability, owning property gives DMart flexibility and freedom from rent. It can start small and expand as demand grows.

DMart also focuses on bulk purchasing a limited range of products, giving it negotiating power with suppliers. It sells groceries and daily-use items at discounted prices, attracting high footfall. This leads to fast inventory turnover and prompt payments to suppliers, encouraging them to offer even better prices. DMart passes these savings to customers, creating a cycle of low costs driving low prices, higher sales, and stronger buying power.

This approach helped DMart's stock soar 600% in six years post-IPO, thriving even during Covid.

But then, 2022 rolled around and things took a turn. Analysts started pointing out that quick commerce players—such as Blinkit, Swiggy Instamart, and Zepto—were offering products at almost the same price as DMart. Even DMart's low-priced apparel business began to see more competition from explosive expansion by Tata's Zudio.

So DMart had to do something.

And as per CLSA, DMart has been expanding its private label goods slowly and steadily over the past year. Think of this as DMart getting in touch with a random manufacturer, asking them to make a detergent powder, and then slapping its own label across it. It's a DMart product. It's not a route that DMart has opted for in the past. Possibly because it didn't want to rub any of the big brands the wrong way. But that's history now. DMart products are being displayed prominently in its stores as well as website. And since DMart brands are being offered at an even greater discount than big names, it could hammer home its 'value' tag and draw more customers. But DMart doesn't really advertise its brands. It picks up only low-cost ads at train stations, bus stops, or regional papers. That means it has to rely on word-of-mouth.

So, how can it create a viral moment that will draw even more eyeballs to its stores? Well, maybe it could take a leaf out of Costco's book and start selling gold. Apparently, Costco has seen tremendous success selling gold bars. It's raking in $100-$200 million a month these days. And as per Wells Fargo, "the addition of gold/silver is a smart move for Costco, as it only reinforces its value position."

Yup, people are worried about inflation and are flocking to gold. And by offering gold at little to no markup, Costco is giving them exactly what they want. The bars are selling out within hours. And jewellery has now become a top-performing category for Costco.

Sure, the current sales figures are just a drop in the Costco revenue bucket, but as analysts point out, it's still a new source of revenue that didn't exist before. Something is better than nothing. Also, think of the free publicity for Costco. Every media house in America is talking about it. And that alone might be enough to sell more memberships and get more people to walk into their stores. The higher footfall could translate into higher sales in other categories too.

Now imagine DMart starts selling gold and silver coins too. Indians already have a penchant for these metals. They buy it as an investment and for all sorts of festivals. And with the trust and brand name that DMart has built, they won't need to be convinced of the quality of metal either.

People might flock to buy the bars and coins. And maybe DMart will see its private brands get more eyeballs too. Maybe its fortunes will change.

Possible? What do you think?

Until then…

By Vismitha V

Update for the day #2120 | Goodbye potholes, hello self-healing roads?

Potholes! They're one of the most annoying things about Indian roads. They don't just delay your daily commute but can also be life threatening. For context, in 2022 potholes caused nearly 4,500 accidents, killing over 1,800 people. And that's not a good look for a country that has the second largest road network in the world.

So, the NHAI (National Highways Authority of India) wants to fix this problem for good. And to do that, it has quite an innovative idea up its sleeve — self-healing roads!

Okay, we know it sounds impossible. But over a decade ago, Erik Schlangen, a scientist from the Netherlands created a material called self-healing asphalt which can repair itself. But how does it work, you ask?

Look, asphalt is commonly used to build roads worldwide. Most Indian roads, especially highways are asphalt based too. And that's because it's very easy to work with. But the problem with asphalt is that it isn't very durable. Its tiny pores absorb noise and allow water to pass through, which eventually leads to cracks and potholes.

So Schlangen threw in small steel fibres into the asphalt mix. It created a kind of material which could expand on contact with heat, making it capable of closing small cracks on its own. So, potholes wouldn't stand a chance.

And on paper this sounds like a genius idea since sunshine can be a source of heat for roads. But that isn't enough to help the material expand and repair itself. So, you'll have to run a huge heat generating induction machine on the self-healing asphalt to warm it up and let it do its job.
Yeah, that might not make it entirely self-healing. But it can still be more convenient because you don't have to close damaged roads for days together to repair them.

This novel idea is being tested on 12 different roads in the Netherlands, one of which has been open to the public since 2010. And they seem to be in perfect working condition, outliving regular asphalt roads which remain in good condition for only about 7–10 years. This simply implies less frequent road repairs and reduced costs.

But here's the thing. Self-healing asphalt can be 25% more expensive than the regular stuff. But if you remove repeated maintenance from the equation, you'll see that the technology can actually save the government a lot of money in the long run. The Netherlands for example, estimates that it could potentially save €90 million (or ₹800 crores) in road repairs and related activities if all roads are made with it. So it could be a boon for big and congested cities like Mumbai where fixing potholes became 25% more expensive in 2023.

And that's not the only savings it brings in.
If we think about it, it can indirectly improve GDP (Gross Domestic Product) or the market value of all the goods and services produced in the country too. And that's because the World Bank estimates that road crashes cost the Indian economy 3–5% of its GDP each year in the form of families losing their sole breadwinners to death or disability. In the case of a disability, you have to consider the additional cost of taking care of the incapacitated family member, the burden of which can sometimes even drive them into poverty.

Then there's the added economic benefit from reduced traffic too. You see, during peak traffic times, commuters in Delhi, Mumbai, Bengaluru and Kolkata spend 1.5 hours more daily than other huge Asian cities. This means that freight, over 60% of which moves via the road network in India ends up getting delayed. Vehicles also burn more fuel. And that can translate into $22 billion lost to traffic congestion every year.

But fixing potholes on city roads can increase the average speed of a vehicle by 15 km per hour. It can save you money as well, because more potholes on roads means increased vehicle damage. In most cases, repairing these damages especially for SUVs (Sports Utility Vehicles) and other big cars can cost anywhere ₹5,000–15,000. And insurers may not cover them either.

By Namratha N

Update for the day #2121 | The life and death of an Indian shopping mall

It's happening.

Malls are dying.

And the ones that are on life support will also likely soon go under. That's according to a real estate consultant firm Knight Frank.

But before we discuss such depressing matters like "dying malls", let's instead look at what a successful mall looks like. A good example is the Select Citywalk Mall in Delhi. It's owned and operated by Select Infrastructure Private Limited and is located in Saket, South Delhi, one of India's wealthiest residential areas. The mall opened to the public in 2007 and boasts a near 100% occupancy rate with a healthy mix of international (17%) and domestic brands properly zoned and housed across 500,000 sq. ft. of prime leasable area.

It also hosts three anchor stores (stores that pull in people by the masses)—H&M, Zara and Decathlon, alongside a 6-screen multiplex, a food court, dedicated zones for fashion and lifestyle, groceries, home and electric brands and adequate parking space. And considering that the mall is just a shoe's throw away from the metro, it's no wonder that this urban consumption centre has generated the highest sales per square foot and the highest footfall in the country among any Indian mall of comparable size.

This is what success looks like.
But there is also another kind of mall. One that's barely occupied. There are no anchor stores, no movie screens, no food courts, no people. Maybe a few spas, a liquor store and the occasional pigeons flocking to the chandelier. It feels eerie, with parts of the mall so decrepit you could mistake it for a haunted house.

So, the real question is—How does a mall go from being a bustling centre of human activity and commerce to a ghostly shell?

Well, you would think that ghost malls emerge when there's a general decline of human activity in the area surrounding the mall. Maybe you believe the mall loses its sheen when people lose interest. However, that's only partly true. A good chunk of malls go bust because of bad management.

Take for instance the case of Grand Venice Mall. As an article in the Print notes—It once featured "Roman statues, domes, Venetian-styled architecture, and louvred windows… two canals running under its arches, with gondola rides on offer so that visitors can get a Venice-like experience in Uttar Pradesh. However, the mall and its reputation began to deteriorate after the Economic Offences Wing (EOW) of the Delhi police arrested the mall's owner Satinder Singh Bhasin in 2020 for his alleged role in the ₹4,000 crore Bike Bot scam."

Sidebar: The Bike Bot scam was a scheme that promised customers large returns on their investment in motorcycles that were supposed to be used as two-wheeler taxis. Anyway, once the mall owner is implicated, management and upkeep take a back seat. Soon enough, the anchor stores walk away. This takes away a good chunk of the crowd

and the reduced footfall in turn affects everyone that's left. If you don't have enough retail stores, that affects footfall again. And it's a vicious, never-ending cycle. Infact, in its report on Ghost malls, Knight Frank writes that vacancy rates in Grade C stock (small, bad malls) have gone up even when Grade A shopping centres' operational metrics continue to improve.
That's the point. Not all malls are dying. But the ones that are doing poorly are most likely doomed.

And it doesn't always happen because the mall owner goes bankrupt or is implicated in a "Bike Bot scam". Sometimes it could happen because of short-term incentives. As a mall developer, you want to make sure that you break even on your investment as quickly as possible. And in a rush to lease out spaces, many smaller developers will refuse to strategically allocate retail units. You'll see a random mix of tenants. A food outlet next to a designer apparel store. There are no zones. No clear demarcations.

And sometimes they will also divide retail spaces into smaller units just to push a sale. In the short term this makes money, easing the pressure on an already stressed balance sheet. Yes, real estate developers are constantly short of funds. But in the long term this is a terrible strategy, especially if you are looking to attract premium/quality tenants.
And you know what's worse?

Some mall owners don't even care about this. Once they break even on a project, they move on to the next best thing. The only funds dedicated to maintenance and upkeep will come from the common area maintenance charge. A fee that every tenant is expected to pay. And if this money doesn't cover the costs, or even worse there's little provision to ramp up this charge, then the mall is doomed once again. The developer walks away. Larger stores (that can cut their losses soon) will also head for the exit leaving behind a half empty mall with small business owners that may not have the leverage or the money to switch.
This is how most malls die in India. And it's a terrible sight.

So, what happens then?
Well sometimes, a mall owner may really want to breathe new life into the mall. In which case, they'll have to undo some of the damage and also invest some money. Re-zone, reprioritise and plan to attract bigger, better brands—especially in the wake of e-commerce players vying for the same customers. In other cases, the best option is to let it go. Repurpose the mall into an office space or tear it down and build something else in its place.

And finally, maybe, just maybe, this is the natural order of things. Eventually the ride has to end. A mall has to die. Slow decay until your favourite spot becomes a ghost mall. The only thing that will remain are the memories—of a place that once used to be truly special.
Okay, that was probably a bit cheesy. But you get it, don't you?

By Kishore R

Update for the day #2122 | How Varanium Cloud rigged its own SME IPO

Companies raise capital through IPOs (Initial Public Offerings). They offer their shares to the public in exchange for money and list the company on the stock exchange. But not all companies can do this on regular stock exchanges like the NSE (National Stock Exchange) and BSE (Bombay Stock Exchange).

You have to make sure your company meets stringent conditions set out by the market regulator SEBI (Securities and Exchange Board of India). You may have to have a company whose net worth breaches a certain limit. You may have to have a profitable track record*. You may have to do some other thing among a list of things India's top stock exchanges expect you to do. That's exactly why going public is no easy feat and it's especially challenging for small companies or SMEs (Small and Medium Enterprises) who may want to expand, grow and thrive.

But things changed nearly a decade ago when both the NSE and BSE rolled out separate listing platforms for SMEs. They simplified the rules and made it easier for these humble businesses to tap the market.

These companies didn't have to meet stringent thresholds. And their IPO documents didn't even need SEBI's approval. A go-ahead from the stock exchange would do the trick. And it worked. Nearly 950 companies have raised about ₹14,700 crores ever since.

In FY24 for instance, the number of companies tapping the SME IPO platform reached 205. That's 64% higher than last year's numbers. They even raised nearly 3 times the money than SMEs which went public in FY23. And the listing gains were crazy too — over 300% in some cases.

That's why you'll see that the S&P BSE SME IPO index rose by more than 170% over the last year. This index tracks the performance of over 60 SME stocks listed on the BSE (Bombay Stock Exchange) by the way. And it's no wonder that investors are buying into the hype.
But, there's a catch. These handsome profits come with a lot of risks too. The biggest one is something that SEBI flagged recently and one that is common knowledge to most SME IPO investors. IPOs here are usually manipulated.

It could be folks within the company i.e. the promoters who run the business and eventually rig the IPO or bogus investors buying these stocks to artificially inflate the price, only to dump them on unsuspecting retail investors later. Or even a new modus operandi — having a business on paper with no real business model at all.

We're talking about Varanium Cloud, an SME that went public in 2022 and got busted by the SEBI last weekend.

Varanium Cloud is a small tech company that seemed to have its fingers in many pies. Whether it was offering content streaming services, facilitating online payments, digital education through edtech platforms or providing tech-related services to other startups and SMEs, Varanium Cloud did it all. At least that's what its website said.

And over a year ago it successfully raised ₹33 crores by listing itself on the SME platform. But things began to unravel when investors began suspecting something was amiss. Soon enough, several media reports raised questions about the credibility of the company's financial statements. And finally, even SEBI got in on the action by kicking off a proper investigation.
At first, SEBI set out to answer a simple question — how did Varanium Cloud use the proceeds from the IPO?

You'd expect that the company would use the proceeds to expand its business. And that's what Varanium Cloud said in its prospectus too. It set up a few data centres, built more digital learning centres and bought more assets to expand its operations.

Where was the proof?
Varanium Cloud dodged this question by stating that the invoices were submitted to the GST department as part of a GST (Goods and Service Tax) audit but promised to furnish them later. Now, SEBI didn't want to sit idle in the meantime. So, it looked at how much cash the company had generated after its IPO in FY23. And what did it find out?

Varanium Cloud didn't have any significant operations that brought in cash. So, things like dividend payouts (profits shared with shareholders) and investments were supported using… well… the IPO funds.

But SEBI went digging even further. And here's what came out of it.
Varanium Cloud invested in shares of companies where its MD (Managing Director), Harshawardhan Sabale also served as director for a brief period before or during the year. Not just that. It fetched cost estimates from a company called Avance Technologies to set up more data centres. And that cost, which would add to Avance Technologies' revenue, was in fact more than 100% of the revenue that Avance Technologies made in the entire financial year! That obviously didn't seem right.

SEBI also found that a company that Varanium Cloud dealt with had its head office situated in Seychelles, a tax haven. And the data and education centres it boasted of? Well, they didn't exist at all. And even when they did, there weren't any real operations. They'd just have a bunch of employees sitting at the centre doing documentation work!
Varanium Cloud made sure that it made frequent announcements that sugar-coated revenue expectations. And since investors don't see what's happening behind the scenes, it's easy to fall for the bait.

In fact, these announcements were so effective that the number of shareholders went up from around 1,000 to more than 10,000 between September 2022 and December 2023, taking the stock price up with it. And Harshawardhan Sabale used the opportunity to sell his shares and make a whopping ₹122 crores! That doesn't even include the money he raked in through network entities that owned a promoter's stake in the company.

So yeah, that's exactly why SEBI barred both the company and Sabale from the stock market.
But it's keeping a watchful eye on these SME IPOs. It knows that companies are overtly using this listing method as a gateway to mine huge profits, while leaving gullible investors holding the bag. And it may soon come up with stricter regulations to tackle their shenanigans. Could that backfire for genuine SMEs who want to expand their business? We hope not. But only time will tell.

*Companies that aren't profitable can also go public through an alternative route that have strict conditions too.

By Shriya G B

Update for the day #2123 | Saudi Arabia is hell bent on building futuristic cities. Will it succeed?

Imagine living in a 3D (3-dimensional) linear city with 9,000,000 people. It has no roads, cars or fossil fuel-powered electricity. And yet, everything you need is just a 5-minute walk away — groceries, healthcare, offices, schools, shopping malls, you name it.

Thanks to its design, you won't see scattered houses and buildings on an oddly shaped piece of land. Rather, all of this is consolidated into a straight line that stretches across 170 km. Corridors let you walk up, down, diagonally or horizontally inside the city, making it easy to get around. Despite having floors stacked on top of each other, you have the open sky above you. You can move from one end to another in just 20 minutes via a high-speed subway. So technically, everyone living with you is your neighbour. They could be robots too by the way. And the city is wrapped up in a 500-metre-tall mirror glass.

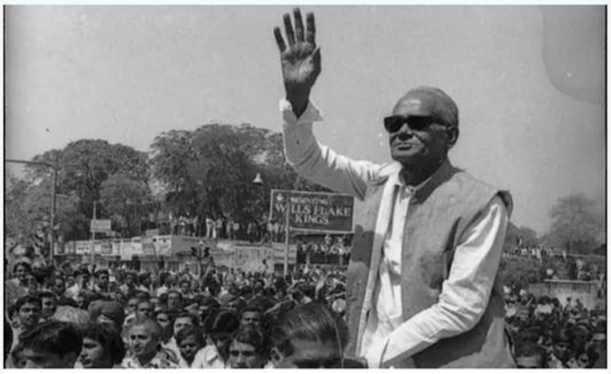
Now before you brush this off as an imaginary city or a scene straight out of a sci-fi movie, let's state unequivocally that it's not. It's a real city called the Line and Saudi Arabia is building this as part of a revolutionary hub called Neom.

Neom is a combination of two words — 'Neo', the Greek word for new and 'Mustaqbal' which means future in Arabic. It'll be a hub for technology and futuristic living. A region that houses advanced cities, spread across 26,500 km in the North-West of Saudi Arabia. Where people live sustainably with zero carbon emissions and desalinated water from the sea. It will have the world's largest floating city, an all-year-round mountain destination for tourists, glow-in-the-dark beaches, the most advanced manufacturing industries, flying taxis, Jurassic Park-like islands with robotic dinosaurs and even a fake moon! By the time everything's ready it will be massive – nearly 33 times the size of New York! And it will connect to nearly 40% of the world in 6 hours or less.

Yeah, we know it all sounds too good to be true. But Saudi Arabia's Crown Prince and Prime Minister Mohammed bin Salman Al Saud is hell-bent on making this a reality. Why, you ask? Well, it's simple. Saudi's economy still runs on oil. In fact, 40% of all economic output can be attributed to it. It's one of the largest oil producers in the world and the largest oil exporter. But the problem with relying on oil is that it doesn't help the economy grow consistently. A war between oil-producing nations can drive up oil prices, which is good. But in the same vein, oil prices could go down as well if the oil-producing nations can't agree on limiting output. These geopolitical scenarios can lead to oil price fluctuations. And this can have a massive impact on the country's national income. The fluctuations in income also affect other parts of the economy and can put the brakes on overall economic growth. That's exactly why Saudi's economic growth shrank by 0.9% in 2023.

By Aman Jain

Update for the day #2124 | "JP Narayan Movement: The Call for Democratic Renewal"



Jayaprakash Naryan at a rally in Delhi in March 1975. Photo: Hindustan Times

The Jayaprakash Narayan Movement, also known as the JP Movement, was a political movement in India during the 1970s. It was led by Jayaprakash Narayan, popularly known as JP, who was a freedom fighter, social reformer, and political leader. The movement aimed to bring about a peaceful and non-violent revolution to combat corruption and authoritarianism in the government. It played a significant role in the political landscape of India and ultimately led to the end of the Emergency imposed by Prime Minister Indira Gandhi in 1975. Here's a summary of the JP Movement in around 700 lines:

Jayaprakash Narayan, or JP, was born on October 11, 1902, in Bihar, India. He was deeply influenced by Mahatma Gandhi and his principles of non-violence and civil disobedience. JP actively participated in the Indian independence movement and was jailed several times by the British authorities.

After India gained independence in 1947, JP continued his social and political work. He was deeply troubled by the rampant corruption and inefficiency in the Indian government, which he believed was hindering the country's progress.

In the early 1970s, India was facing several problems, including inflation, unemployment, and a growing sense of discontent among the people. Prime Minister Indira Gandhi's government was also becoming increasingly authoritarian, leading to concerns about the erosion of democratic principles.

In 1974, JP launched the Total Revolution movement, which called for a comprehensive transformation of Indian society and politics. The movement gained widespread support from students, intellectuals, and various political parties.

In June 1975, the Allahabad High Court found Indira Gandhi guilty of electoral malpractice and declared her election to the Lok Sabha (the lower house of India's parliament) void. The court also banned her from holding any public office for six years.

In response, Indira Gandhi declared a state of emergency on June 25, 1975, citing internal disorder and threat to national security. During the emergency, civil liberties were suspended, and thousands of political opponents and activists, including JP, were arrested.

Despite being in poor health, JP continued to oppose the emergency and called for non-violent resistance. He urged the people of India to practice civil disobedience and to peacefully protest against the government's actions.

The JP Movement gained momentum across the country, with millions of people participating in protests, marches, and strikes. The movement was largely non-violent, but there were instances of clashes between protesters and security forces.

JP's call for "Sampoorna Kranti" or Total Revolution resonated with people from all walks of life. His leadership and moral authority played a crucial role in uniting the opposition against the emergency.

In March 1977, Indira Gandhi announced elections to the Lok Sabha, seeking a mandate for her government's policies. The opposition parties, under the banner of the Janata Party, formed a coalition and launched a campaign against the Congress party.

The 1977 elections, held after the emergency was lifted, marked a significant turning point in Indian politics. The Janata Party alliance, with JP's guidance, won a landslide victory, defeating the Congress party and ending Indira Gandhi's rule.

The JP Movement is remembered as a historic moment in India's struggle for democracy. It demonstrated the power of non-violent resistance and the resilience of the Indian people in the face of authoritarianism.

After the election, JP retired from active politics but continued to be a respected figure in Indian public life. He passed away on October 8, 1979, leaving behind a legacy of courage, integrity, and commitment to democratic values.

In conclusion, the JP Movement was a defining chapter in India's history, highlighting the importance of civic engagement, democratic values, and the power of ordinary citizens to bring about change. Jayaprakash Narayan's ideals and principles continue to inspire generations of Indians to strive for a more just and inclusive society.

By Rajbalam

Update for the day #2125 | Do ATMs need a pay rise?

1.31 lakhs That's the number of off-site ATMs (Automated Teller Machines) India had at the end of FY23. We're talking about those standalone ATMs that aren't inside a bank's branch. And this figure is about 1.5% more than last year's.

But this tiny growth isn't driven by banks. Their off-site ATMs in fact, have actually dropped by 2% during the same period. So, the credit for the increasing trend goes to the White Label ATM Operators (WLAOs). These folks are private ATM service providers like Tata Communication Payment Solutions' Indicash and India1 Payments. And customers from any bank can use them to transact.

A decade ago, though, things were different. Only public, private or foreign banks set up and operated ATMs. But that whole infrastructure ate into their profitability. They had to pay rent for ATM spaces, employ security systems and personnel and refill ATMs with cash. The capital or one-time costs of owning ATMs added up too. It was an expensive affair.

Sidebar: ATMs operated by Scheduled Commercial Banks (Public, Private, Foreign, Small Finance Banks and Payment Banks) are called brown-label ATMs.

That's probably why banks reduced deploying more ATMs, especially in remote areas where people didn't use debit cards much. And that meant that financial inclusion was under threat.

So, the RBI (Reserve Bank of India) had an idea. It said "Hey, let's allow the private folks to hop into the ATM business. They can do all the heavy lifting and incur most of the capital and operational costs. They can expand into rural areas too, while banks can concentrate on their core business. And that way, more and more people can have access to banking at their fingertips."

That's how WLAOs entered the space in 2012.

But while the number of ATMs is growing even if at a snail's pace, the number of players in the segment has halved ever since. And the ones that are left are demanding a pay raise.

What do we mean?

You see, WLAOs make money mainly through interchange fees. Think of it as the fee that your bank pays another bank or a WLAO when you swipe your card at another bank's ATM or a white-label ATM.

Now here's the problem. The first 3–5 swipes are free for customers swiping their cards at any bank's ATM. So WLAOs start making their money only after these cardholders cross this threshold. And even the fees they get then are quite low.

For context, in 2012 a WLAO made ₹15 on every financial transaction that a customer did at its ATM. And in 2021, that went up to ₹17. On the flip side, a 2019 RBI report suggested that these folks had to shell out about ₹60,000 a month to keep an ATM running. So, if they wanted to run profitable businesses, they had to earn at least ₹20 per transaction (including non-financial transactions).

Sure, that's not their only source of revenue since they can earn some extra money by displaying advertisements. But the math doesn't really add up.

It also means that their expansion into semi-urban and rural spaces isn't working out as expected because they aren't making enough money to cover the costs, which have been rising over the last few years.

See, since the last interchange fee hike, the RBI has increased interest rates by 2.5% to keep inflation under control. It simply acts as a disincentive for people and businesses to borrow money. But the cash that WLAOs reload into their ATMs is actually part of their working capital or the money that they need to operate every day. So, if they rely on working capital loans, it simply means that the cost of loading cash has climbed uphill. Add to that the fact that rentals and fuel costs have been on the rise, and you'll see how things have simply gone for a toss.

Also, the push to change how ATMs are reloaded can increase the near-term costs even further.

See, at the moment, money is loaded into an ATM through a process involving personnel coming in with sacks of cash. And all this cash is out in the open. That's why there's so much security around this exercise.

And the RBI has been trying to make this more secure. It wants to implement a contactless cassette-swapping system. That way, the folks who reload cash into these machines simply have to swap old currency cassettes for new ones that are locked. They don't even have to touch the money and these cassettes have embedded chips that can count how many notes they contain.

But the thing is that the cost of each cassette could be nearly ₹15,000 and procuring these in large quantities brings with it a financial cost.

So, if ATM operators have to bear it, you can see why they have been nudging the RBI to hike interchange fees. And there has been some chatter about it in the last few days.

But guess what?

There are other ways to bring down the costs for ATM operators too.

You see, nearly 70% of the 2,60,000 (on-site and off-site) ATMs including those operated by banks have machines that only dispense cash. And that makes cash replenishing an expensive proposition. But if ATM operators set up machines that can accept deposits too, it can recycle money for cash withdrawals. And this will reduce the number of trips ATM operators need to make to reload their ATMs.

If you think beyond it, you'll see that footfalls at banks will reduce too, helping them focus on operations other than time-consuming cash withdrawals and deposits.

So, while the initial costs might be higher, it could be quite a worthwhile proposition in the long term.

Also, there might be a way to get borrowing costs down for some of these ATM operators.

Look, an RBI report from 2020 pointed out that WLAOs typically access working capital loans from banks at MCLR (Marginal Cost of Funds Based Lending Rate) linked rates. This is simply the rate below which banks can't lend. And although they are linked to the repo rate or the rate at which the RBI lends money to commercial banks, these rates are much higher.

To put things into perspective, as of March 2024, the average MCLR is upwards of 8.5%. But the repo rate is lower at 6.5%.

So, the RBI committee had suggested that letting WLAOs borrow at repo rates rather than the MCLR, can actually help them reduce operating costs.

But it doesn't look like the suggestion has been put into practice yet.

So yeah, there seems to be some interesting stuff happening in the boring old world of ATMs and we'll have to wait and see what happens now.

By Raki Saha

Update for the day #2126 | Horlicks and Bourn Vita no longer health drinks?

You've probably heard of the jingle, "I'm a Complan boy! I'm a Complan girl!" or perhaps - "Boost is the Secret of My Energy" or the evergreen "Horlicks—Get Taller, Stronger, Sharper."

They all have two things in common. They're extremely catchy and they've convinced an entire generation that powdered milk drinks can do wonders for kids' nutrition and health.

However, while the jingles continue to remain in vogue, the health claims may be quickly falling apart.

The Food Safety and Standards Authority of India (FSSAI) recently issued a directive that could effectively change the landscape of the "health drink" market in India and several major players are considering dropping the "health" label from their "health" drinks.

So, what's happening here?

Well, you need to look at children. Yes—Children.

Between the ages of 5 and 16, children grow rapidly. And during this time, they need regular meals, healthy snacks, and plenty of fluids—especially if they're active. However, India continues to have a peculiar problem. Nearly half of our country's children do not have access to good nutrition and some even struggle with stunted development. In fact, this problem was once so pervasive that it effectively created a massive market for multinational companies.

The Health Drink Market.

The claim was simple. If you used a milk-based drink to supplement your kids' usual daily dietary intake, then that would pave the way for the child's "proper" development. This claim hit a fever pitch in the early 2000s' when the makers of "Horlicks" released a clinical study showing how the beverage aided height and weight growth in school-going children. The claims from the study soon made it into ads and with it came the popular jingle—Taller, Stronger, Sharper.

This trend quickly caught on and several other players also released their own ads backed by "clinical studies". For instance, Complan went to town with the claim that their drink could help your children grow twice as fast (twice as tall too?).

The market exploded and consumers (Mostly mothers) started believing in the transformative power of malted drinks.

But then, questions started pouring in. There was increasing scrutiny of some of these extraordinary claims. And when Revant Himatsingka, a young man who goes by the moniker Food Pharmer, turned to Instagram to create a short video on one of Cadbury's brands—Bournvita, it became a national talking point. In the video, he outlines the biggest problem with "health drinks". Their sugar content. 100 gms of Bournvita contains 37 gms of sugar and Himatsingka rightly points out that the brand might as well change their jingle from 'Tayyari jeet ki' (Preparation to win) to 'Tayyari diabetes ki' (Preparing for diabetes).

Anyway, at some point, even the government began taking notice and the Food Safety and Standards Authority of India (FSSAI) recently issued a directive asking all Food Business Operators (FBOs) to ensure appropriate categorization of health and energy drinks sold on their websites.

The claim is simple. Unlike many countries, India doesn't have a specific regulatory framework for "health drinks" or "energy drinks" and several brands have exploited this loophole to freely market products under misleading categories. But with the recent directive, brands and FBO's will now have to recategorize these products.

But will this solve things for good?

Well, we can't say for sure.

Appropriate labelling could increase consumer awareness. But these drinks can still lay claim to the "nutritional benefits" their beverages offer. For instance, while HUL has dropped the health label from 'Horlicks' and 'Boost' it is now repositioning the beverage as a "Functional and Nutritional drink". We don't know about you. But that still sounds pretty healthy to us.

Also, the bigger question here is—"How does the government dissuade companies from incorporating so much sugar in their drinks?"

Children love these beverages because they are sugary. And there's nothing on the packaging that tells prospective mothers the damage of consuming "excess" sugar. Perhaps, if we had clear labelling guidelines with packages highlighting the risk of eating excess sugar, you'd see more companies changing their ingredients mix.

But until then, we suppose the onus lies on consumers. If consumers don't push back with their wallets, then "nutritional drink" manufacturers will continue to market the same products. Perhaps only you can decide what's good for your children and maybe then brands will also follow suit.

By Amogh V N

Update for the day #2127 | Another RBI rule is freaking banks out!

India's central bank, the RBI, has been tightening the noose around bank lending. It doesn't want them to go on a lending spree and pile up hoards of risky loans that they may not be able to recover in the future.

That's exactly why it has pulled another rabbit out of the hat. A couple of days ago, it sent shivers down the spines of banks and NBFCs (Non-Banking Financial Companies) by telling them that they may have to set aside a higher percentage of project finance loans as provisions.

And if all of this just sounded alien to you, let's explain.

Look, banks lend to different types of customers. You have the smaller retail loans that go out to customers like you and me. If these loans are secured, you offer an asset like a home or other property as security, take a loan on the basis of how much your assets are worth and start repaying in EMIs (Equated Monthly Instalments) almost as soon as the first loan disbursement clinks in your bank account.

Then there are these other kinds of loans. The bigger one's worth hundreds of crores of rupees. They could include loans to big corporations for building roads, bridges, ports, dams, airports, railway, telecommunication systems and other such large infrastructure projects.

And while they also get their loans on the basis of the value of the project, there are some added elements too.

See, completing these infrastructure projects can take a lot of time before they generate any real income. So, the lender has to figure out when that could possibly happen and the amount of income the project can generate when it's ready to begin business.

Only then can it decide the amount of the loan and the interest rate it can offer. Because if the project stalls or gets called off, banks will be left holding the bag. So yeah, loans like these are called project finance loans and their repayments only begin when the real operations begin.

Now, because lending is a risky business, banks often set aside a certain percentage of these loans out of their profits as a provision to help absorb the shocks of doubtful or bad debts in the future. You know, those that may have minimal or no chances of getting repaid. And with project loans, banks normally like to keep it at 0.4% of the loans they give out, because that's what the RBI rule book says.

But the RBI wants to change that now. It feels that banks must think of setting aside up to 5% of these big project loans. It doesn't matter if these infrastructure projects are promising and seem to get repaid just right. The RBI simply wants lenders to be on the safer side of things. And that has gotten banks going berserk.

Why, you ask?

Okay, the obvious bit is that these provisions are made out of profits that banks and NBFCs earn. So higher provisions will mean lower profits. And that could pressurise banks to earn these profits from other assets or increase the loans they lend. If they don't, then they could infuriate shareholders who've already dragged many public and private bank stocks down by as much as 9%, after the RBI decided to crack the whip.

Banks could also try a different way to make up for the higher provisions. They could say "Hey, higher provisions mean higher costs. So, let's just pass on some of that burden to borrowers to keep our profit expectations intact." This means that they'll push interest rates up and project loans could be at least 1-1.5% more expensive. But that isn't a foolproof way to protect a bank's profitability because higher interest rates could pour cold water on borrowers' enthusiasm too. And project loans could slide, dragging down profits with it.

That has probably got you thinking that a move like this could hurt the growth of infrastructure in the country. After all, the government has increased its allocation to infrastructure by 11% to ₹11 lakh crores in its interim budget for FY25. And it has an ambitious target of making India a developed economy by 2047, which means infrastructural growth is key. If corporations are tight on funds, it could derail this dream.

And it's not as if bad loans are soaring at banks. If anything, they're coming down. To put things into perspective, the gross NPAs (Non-Performing Assets or just a technical term for bad loans) at banks were at a decadal low of 3.2% as of September 2023.

So then why is the RBI clamping down on project loan lending?

Okay, we can't speak for the central bank. But if you put yourself in its shoes, you'll probably realise that it's being mindful or taking cues from the past.

As much as a decade ago, Indian banks were reeling under the pressure of their own actions.

They aggressively lent to sectors like infrastructure despite knowing that these projects don't always go as expected. They can encounter cost overruns or even run into regulatory troubles when they need licences and permissions. That can push project completion deadlines and affect loan repayments.

But despite that, banks slashed interest rates and stretched repayment periods of these borrowers so that they didn't have to make provisions which would bring down their profitability.

The end result?

Loans to the infrastructure sector made up for nearly 52% of the total stressed loans of all scheduled banks. And the gross NPAs of public sector banks quadrupled between 2010 and 2014.

And it took years for the central bank to try to clean up things and bring banks back on track. And that's probably what the RBI wants to avoid, even if things look pretty good right now.

But yeah, these are still draft rules. And banks already seem to be ready with their bargains to lower the provisions the RBI has recommended. Will they win over the hawk-eyed central bank? We'll only have to wait and see.

By Arun Nagarajan

Update for the day #2128 | The Red Sea is still a no-go zone

The Red Sea is an important international maritime trade route connecting two continents—Asia and Europe. And for the longest time, it's been the preferred route for shipping companies moving goods and merchandise between these two points.

However, late last year tensions began emerging in the region courtesy of a rebel group based in Yemen called the Houthis. The Houthis began disrupting shipping lanes and attacking vessels with the explicitly stated goal of crippling trade linked to Israel and its backers. They wanted Israel to back off from Gaza. And when that didn't happen, the Houthis began threatening pretty much every vessel moving through the region forcing shipping companies to ditch the route altogether.

This in turn has forced companies to reroute their cargo through the Cape of Good Hope—adding 15–20 days to shipping times. Costs have increased by as much as 60%. And insurance premiums (considering the added risk) have been inching upward as well.

It's also affecting businesses and consumers in unexpected ways.

Consider the Indian Pharma company Glenmark Life Sciences. Last month, the company posted a drop in profits (for the last quarter of FY24) compared to the same quarter the year before and most of the drop was attributed to the external API business.

API means Active Pharmaceutical Ingredient and India is kind of a leader in this segment. We manufacture APIs in-house and ship them to countries in Europe and the US. The APIs are then used to create drugs or medication. It's good business. Or at least it used to be until recently.

Since the rebel attacks in the Red Sea, we can't use the same shipping routes anymore. What was once an 11,000-odd km trip is now a nearly 20,000 km trip. So, if pharma companies in India already have long-term contracts with entities in the US and Europe, then they'll have to bear the brunt of the added costs and delays. But there's an even bigger problem. Some APIs are temperature sensitive. You simply can't ship them with delays. So, this demand can evaporate almost overnight affecting both pharma companies in India and the US.

Also, this isn't unique to the pharma industry by the way. Textiles, automakers and fertilizer companies have all been affected in similar ways.

And it's affecting consumers directly as well.

There was this tiny problem in February. Several people in parts of Asia, Europe and Africa experienced slow internet speeds briefly when a ship's anchor dragging along the seafloor cut the undersea cables that provide internet and telecommunications service around the world. The crew dropped anchor after the Houthis targeted the vessel in the Red Sea. And the ensuing damage affected network infrastructure that supports a good chunk of the world's communication.

And oh, the problem isn't just the damage. Fixing it can be even more challenging considering it's not exactly a friendly place to visit at the moment. So, countries have to plan for redundancies and these redundancies can cost money and time.

Also, it's not just about the financial cost. You also have to consider the ecological impact.

Imagine you're running a shipping company that sends cargo from Asia to Europe every week. Normally, you use four ships to do this, and it works perfectly. But suddenly, there's this uncertainty in the Red Sea and you have to use the Cape of Good Hope. This increases travel time, and you can no longer keep up with your weekly schedule using just four ships because they take longer to return. To make sure you still deliver cargo every week, you now need to add two more ships to your fleet, making it a total of six ships. However, each ship emits pollution when it burns fuel.

So, the added emissions can also do damage.

And that leaves us with one big question—Where do we go from here? Well, for starters, the US and its allies have been on a mission to disrupt Houthi operations in the Red Sea. And by all accounts, it seems the coalition has managed to wear down the rebels a tad bit considering the intensity and scale of Houthi attacks these past few weeks i.e. they haven't been as destructive.

However, the problem with this equation is that it's still not exactly safe to traverse the Red Sea. Take for instance the case of the ship that dropped anchor and broke the communication cables. This UK-owned vessel was one of the few ships that dared to take the perilous route despite the threat from the Houthis. They were trying to *"chart a path for shippers at the delicate bottom of the economic pyramid—those carrying goods too cheap or perishable to merit a costly diversion around Africa"*.

But that risk didn't pay off and the ship eventually sank releasing its cargo (thousands of metric tons of ammonium phosphate sulfate fertilizer) into the sea.

So yeah, as long as Houthis don't explicitly promise a complete cease-fire and stand true to the promise, it's unlikely any shipping company is going to risk it.

Will the Houthis reason with the world?

Well, it's hard to say. They are not exactly a political faction. They're really just a rebel group seemingly backed by Iran and negotiating with any rag tag group can be challenging. In the meantime, however, major shipping companies have all but ruled out the possibility of taking to the Red Sea in the next few weeks.

So yeah, this problem isn't going away anytime soon and if anything, the full impact of these disruptions will be likely felt only in the next few months.

By Nisarga S Kundapur

Update for the day #2129 | The fastest, cheapest, best path to Central Asia and beyond.

The Story
On Monday, India signed a historic agreement with Iran to develop the Chabahar port. But here's the thing... they had signed a formal agreement to do the same thing way back in 2016. So why is this news? And what on earth is Chabahar port?

Well, before we answer that question... a minor detour.

Imagine you're an Indian trader seeking access to the untold riches of Central Asia. Uranium from Kazakhstan. Gold and rare earth metals from Uzbekistan and natural gas from Turkmenistan. If you were so bold to make the arduous journey, you could engage with these countries and forge a partnership—for trade. You could also send them some of your wares in the process—tea, coffee, spices, textiles and even pharmaceuticals. If it works well, you could look beyond Central Asia and even reach Russia.

Unfortunately, there's a problem. Most of these countries are landlocked with no access to ports. So, if you're planning on establishing a trading route, you have limited options. One option you could consider is China. India shares a border with China. China in turn shares a border with Russia, Mongolia, Kazakhstan and other countries in Central Asia. If you have a trading route established here, you could make this work.

Unfortunately, while this idea sounds great on paper, there are a few practical difficulties. India and China don't have many trading posts set up along the border. In fact, there are only three. One of the most popular trading posts is the Nathu La Pass—connecting India and Tibet through the Himalayas. If you plan on taking this route, may God be with you. The rugged Himalayan roads don't work well for most cargo and any border dispute with China could effectively force you to suspend all trade for the foreseeable future. In fact, this route was closed between 1961 and 2006 precisely for this reason.

Also relying on China to facilitate any kind of trade is a terrible proposition to begin with. It gives our neighbour economic and diplomatic leverage and that's not a smart thing to do. This is why we will also have to rule out any shipping routes that involve China.

China will not work.

This leaves us with one other option—a slightly more practical route that involves Iran. And here's how it works. First, you ship your goods to Iranian ports through the sea. And then use the road or rail network to reach Afghanistan. From here on in, you make the onward journey to Central Asia and until about a decade ago, you did all this through an Iranian port called Bandar Abbas.

The port is still operational by the way. But it does have a few problems. For starters it's located along the southern coast of Iran. This may not mean much to you. However, the geographical positioning means that any goods shipped to Central Asia from Bandar Abbas must travel a greater distance through challenging terrain to make it to the destination. This increases transit time, and costs and could lead to potential delays if there's a breakdown somewhere along the way.

Also, Bandar Abbas is located in the Strait of Hormuz—a strategically critical and geopolitically sensitive waterway, facilitating approximately 20% of the world's petroleum trade. It is a hotspot for military confrontations. The US even went to war in the Strait of Hormuz back in 1988. So yeah, it's not a particularly enticing route.

But that doesn't mean we are out of options yet. If you have an iron will, you can forge a path yourself. And that's what we have been trying to do with the Chabahar port. It solves most of our problems. It's not located in the Strait of Hormuz i.e. the Persian Gulf. So, we can avoid the geopolitical flashpoints entirely. Instead, it's located in the southeastern region of Iran with direct access to the Indian Ocean. This is a faster shipping route and with proper rail and road links, you can also cut down on transit time on land.

Granted, you still have to navigate through Afghanistan and that's not exactly a friendly route. But on the flipside, you can bypass Pakistan entirely. So, from a strategic point of view, Chabahar port could be a true game-changer.

This is why India signed a formal agreement with Iran to develop Chabahar port with an initial commitment of $85 million and a $150 million credit line. They've also planned to invest in the road and rail network that will eventually go on to connect Chabahar to Central Asia and through it, all of Russia.

But there's been one final roadblock. Despite signing the agreement in 2016, things haven't taken off in a massive way. You could attribute part of it to the US sanctions on Iran. While there is no specific sanction on the port itself, the uncertainty surrounding the matter didn't help. The bigger problem however was the fact that India and Iran could not fully agree on a few things when it came to the Chabahar port. There were niggling issues with things like arbitration clauses and other legal frameworks and as a consequence, they'd often renew the partnership each year on a short-term basis.

This created even more uncertainty.

For instance, shipping companies plan their routes and logistics months in advance. They sign contracts and fix rates based on the certainty of these routes. They also have to make significant investments in port infrastructure tailored to their specific needs. And they have to navigate local laws, customs regulations, and administrative practices. Imagine they do all this and then one day find out India and Iran have abandoned their plans to fully develop the route.

That could be catastrophic, and this explains why investors and shipping companies haven't been too keen to invest in Chabahar.

Thankfully though, the Indian government has been privy to this little detail and after months of negotiation, India and Iran have finally signed a 10-year contract to operate the port, putting an end to some of the uncertainties at least. This should get more stakeholders interested and it should pave the way for broader cooperation between the two countries. That's why the news made headlines once again.

The only challenge?

Considering we also noted that the US continues to threaten sanctions on any country engaging with Iran, we will have to see if port operations at Chabahar will take off massively anytime soon.

By Manoj Kumar YN

Update for the day #2130 | Strategies to nurture students' social and emotional wellbeing

'Through all these initiatives and personal touches, I strive to create a nurturing and inclusive learning environment where every student feels seen, heard, and valued.' In our latest reader contribution, Anuradha Chaudhary – a grade 8 teacher at DLF Public School in Ghaziabad City, India – shares examples of strategies that are having a positive impact on her students.

As an educator deeply committed to the holistic development of my students, I have witnessed the transformative power of nurturing their emotional wellbeing.

Creating a supportive learning environment is not just a goal – it's a guiding principle that shapes every interaction, lesson, and initiative with my grade 8 students (aged 12 and 13). Here are some examples of what's having a positive impact in my context.

Mindful Moments with Ms Anuradha

Every morning, we start our day with Mindful Moments – a time dedicated to grounding ourselves through deep breathing exercises and reflective journaling. As students settle into their seats, I guide them through a brief meditation that lasts 8 to10 minutes, encouraging them to let go of any worries or distractions and focus on the present moment. I've found that these moments of stillness set a positive tone for the day and help students cultivate a sense of calm and focus.

Empathy workshops and peer support circles

Recognizing the importance of empathy in building a supportive community, students come together to share their struggles, triumphs, and feelings in a safe and non-judgmental space. Through open and honest conversations, students learn to listen with compassion, offer support to their peers, and build meaningful connections. Open-ended questions are asked in the classroom, fostering deeper understanding and communication.

The skills they develop through initiatives such as the listening corner and SEL (Social and Emotional Learning) adventures are put into practice during support circles. Our peer educator program and buddy system further help students develop these essential skills at a young age.

SEL adventures: Learning through emotions

In my classroom, and at DLF Public School, social-emotional learning (SEL) is not just a curriculum – it's a way of life. I integrate SEL activities and discussions into our lessons to help students develop essential skills such as self-awareness, emotional regulation, and relationship building. Whether we're exploring characters' emotions in prose or a poem, or practising conflict resolution through role-playing, I see every lesson as an opportunity for students to grow emotionally and socially.

The Listening Corner

Inspired by the need for a listening ear in a fast-paced world, I created this cosy nook in the classroom where students can retreat when they need a moment of solace or support. Equipped with comforting chair, and a stack of inspirational books in our class library, The Listening Corner serves as a sanctuary for students to reflect, recharge, and seek guidance during challenging times.

Kindness campaign

In 2016, aligning with DLF Public School's culture, I launched a Kindness Campaign aimed at instilling a culture of kindness and compassion in our school community. Central to this initiative is the Goodwill Piggybank, a box kept in the classroom where students can place notes to appreciate the efforts of their peers who have extended a helping hand or shown compassion. This allows students to recognize and acknowledge each other's kindness and support.

The box is opened once a week, and while participation is not mandatory, students are encouraged through recognition every time it is opened. From writing uplifting notes to classmates to volunteering at local shelters, students are encouraged to perform random acts of kindness both inside and outside the classroom. Through these activities, they embrace the joy of giving and discover the profound impact of simple acts of kindness on their own and others' wellbeing.

Whole-school initiatives

At the core of DLF Public School's approach is the innovative implementation of SEL initiatives, fostering compassion, gratitude, and environmental stewardship among students.

One of the standout features is the **Happy Fridge**. Students actively participate in donating food items to the fridge, which are then distributed to those in need within the community. This not only teaches the value of empathy and generosity, but also instils a sense of responsibility towards addressing food insecurity.

At our school, we have a remarkable **Peer Educators Program** where students are empowered to address prevalent and relevant topics facing teenagers today. These peer educators, who are students themselves, create awareness about issues like mental health, family dynamics, bullying, cyberbullying, and emotional wellbeing. They serve as approachable figures whom their peers can turn to for support and guidance during times of need, guided by school counsellors.

These peer educators are chosen by school counsellors from each class after an interview session, ensuring that they possess the necessary empathy, maturity, and communication skills to effectively fulfil their roles.

They visit every class each month to engage their fellow students in discussions and provide valuable insights. They also conduct presentations and sessions on various topics, shedding light on the importance of mental health, respectful behaviour, and online safety.

Through this program, students not only learn from their peers but also feel more comfortable discussing sensitive topics and seeking help when necessary. We have found that it creates a supportive environment where everyone feels heard and understood, contributing to a healthier and safer school community.

Beyond the confines of the school walls, DLF Public School also champions various **community service projects** focused on environmental sustainability. Students actively engage in initiatives such as water conservation and plastic recycling. Through hands-on activities and awareness campaigns, they learn the importance of preserving natural resources and reducing pollution, thereby becoming responsible global citizens.

Final thoughts

Through all these initiatives and personal touches, I strive to create a nurturing and inclusive learning environment where every student feels seen, heard, and valued. By fostering emotional resilience, empathy, and self-awareness, I aim to empower my students to navigate life's challenges with grace and courage, knowing they have a supportive community to lean on.

This community includes helpful and supportive peers and teachers who celebrate every learner by providing emotional support through open discussions and extending a helping hand in times of need. Additionally, a kind, compassionate, and good listener teacher can bring a great difference to a classroom, making it a safe and supportive space for all students.

By Chandana K A

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