EMERGING THOUGHTS

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Contents

Foreword

With great pleasure, SURESH & CO. presents the most recent issue of "EMERGING THOUGHTS." This journal compiles a wide range of international happenings and creative concepts that have been carefully chosen by our devoted articled assistants—aspiring chartered accountants—and our esteemed team members.

It's essential to keep up with current affairs, news, and global history in today's world of rapid change. Comprehending the most recent advancements, both locally and internationally, is essential since they can greatly influence our existence. The excellent feedback we've gotten from our readers has been incredibly encouraging, reinforcing each milestone as an interesting learning trip filled with significant insights.

Our culture at SURESH & CO. promotes creative thinking and an unrelenting quest for knowledge. Our team members are encouraged to go beyond what they think is possible, to extend their horizons and investigate subjects outside of their fields of study.

We share the first thoughts of these bright minds in this edition. We welcome readers to consider these comments as thought-starters that inspire significant research, but please note that they have not been reviewed by senior or technical specialists. For a more thorough understanding, we strongly encourage doing additional research and analysis on relevant subjects.

Thank you for being a part of this journey. We sincerely hope that "EMERGING THOUGHTS" stimulates and tests your thinking as we jointly continue to push the boundaries of knowledge and creativity.

“Knowing is not enough, unless we apply. Willing is not enough unless we do.”

“Perfection is not attainable, but if we chase perfection, we can catch excellence”

Update for the day #2131 | Kerala health department on alert as 3 districts report West Nile Virus cases

What is West Nile Virus

West Nile virus (WNV) is the leading cause of mosquito-borne disease. It is most commonly spread to people by the bite of an infected mosquito. Cases of WNV occur during mosquito season, which starts in the summer and continues through fall. There are no vaccines to prevent or medications to treat WNV in people. You can reduce your risk of WNV by using insect repellent and wearing long-sleeved shirts and long pants to prevent mosquito bites.

Treatment

- No vaccine or specific medicines are available for West Nile virus infection. Antibiotics do not treat viruses.
- Rest, fluids, and over-the-counter pain medications may relieve some symptoms.
- In severe cases, patients often need to be hospitalized to receive supportive treatment, such as intravenous fluids, pain medication, and nursing care.

Is it next COVID?

No, Fortunately, most people infected with WNV do not feel sick. About 1 in 5 people who are infected develop a fever and other symptoms. About 1 out of 150 infected people develop a serious, sometimes fatal, illness.

Kerala report West Nile Virus cases

Kerala's health department directed all districts to step up pre-monsoon cleaning drives and surveillance activities after cases of West Nile Virus was recently reported in three districts.

Kerala health minister Veena George has directed the cleaning of the water sources

While five cases of the vector-borne disease were reported in Kozhikode, Malappuram and Thrissur districts have also reported infections in recent days, officials said, declining to be named. Since many cases are asymptomatic, the health department has not provided an official tally yet.

Of the five cases reported so far in the district, four have recovered and one is currently under treatment in the government medical college hospital, Kozhikode district collector Snehil Kumar Singh told reporters. Cases of West Nile Fever have been reported in the district before. It's similar to dengue. There is no cause for alarm or panic right now. There are no hot spots.

Since it's a vector-borne disease, stagnant water sources will have to be cleaned and mosquito breeding stopped. In 80% of the cases, there are usually no symptoms.

Directions have been issued to districts to have coordinated activities with officials of the local self-government department to prevent mosquito breeding and cleaning of water sources, state health minister Veena George said. Since 2011, cases of West Nile have been reported in several districts in the state. There is no need for any kind of concern. If someone has fever or other

symptoms, they must contact health officials immediately.
The West Nile Virus is transmitted to humans through mosquito bites. Mosquitoes become infected after they feed on birds considered the natural hosts of the virus. Human to human transmission is rare.
While eight out of the 10 infected people with West Nile do not exhibit symptoms as per the US-based Centres for Disease Control and Prevention, the common symptoms in others are fever, vomiting, diarrhoea and headache. In some cases, there could be encephalitis or meningitis that can have severe consequences, and even death.
While these cases have been reported in Kerala since 2011, the state has confirmed one death each in 2019 and 2022.

By Rakshith R Ammati

Update for the day #2132 | EPFO Introduces Automated Claim Settlement System for Education, Marriage, and Housing

In a significant move aimed at enhancing member convenience and efficiency, the Employees' Provident Fund Organization (EPFO) has unveiled an automated claim settlement system for various purposes, including education, marriage, and housing. The announcement, made on Monday, is poised to benefit over 60 million subscribers across the nation.

Initially launched in April 2020 to address illness-related advances, the auto mode of claim settlement has now been extended to encompass all claims falling under para 68K (education and marriage) and 68B (housing) of the EPF Scheme, 1952. Moreover, to provide further relief to its members, EPFO has raised the limit for illness-related claims from Rs 50,000 to Rs 1,00,000.

Highlighting the significance of this development, EPFO emphasized that the expansion of the auto claims system to cover housing, marriage, and education purposes, coupled with the increased claim limit, will enable members to access their funds expeditiously. This timely access is expected to facilitate the prompt fulfilment of their respective financial needs.

Anticipating substantial uptake, EPFO estimates that approximately 22.5 million members will benefit from this facility within the current fiscal year. During the preceding fiscal year 2023-24, EPFO processed approximately 44.5 million claims, with over 60% constituting advance claims. Notably, around 8.95 million claims were processed seamlessly using the auto mode.

Under this streamlined settlement policy, claims that meet KYC, eligibility, and bank validation criteria are processed automatically by sophisticated IT tools. This automation significantly reduces the processing time from the conventional 10 days to within three to four days for such advances. Importantly, claims not validated by the system undergo a second level of scrutiny and approval, ensuring thoroughness and accuracy in the process.
EPFO rolled out the extended auto-claim facility across India on May 6, 2024, marking a milestone in its commitment to modernize and streamline member services. Since its nationwide implementation, the retirement fund body has already approved 13,011 cases, totalling Rs 45.95 crore, underscoring the effectiveness and efficiency of the new system in meeting the evolving needs of its members.

By Akhilesh Mandavalli

Update for the day #2133 | Sun shoots our biggest solar flare in almost 2 decades

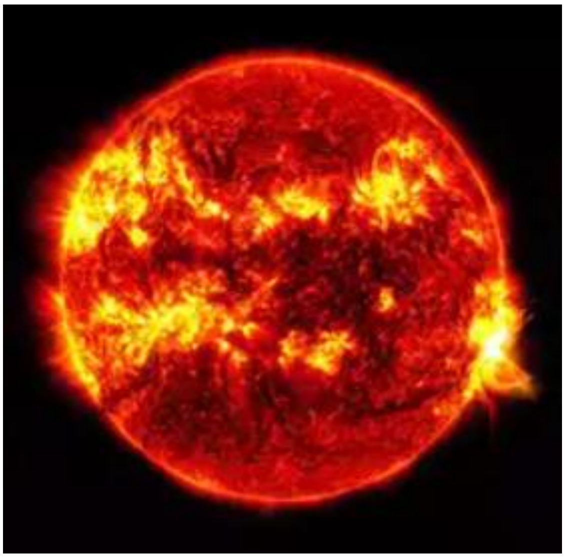
The sun produced its biggest flare in nearly two decades on Tuesday, just days after severe solar storms pummelled Earth and created dazzling northern lights in unaccustomed places.

"Not done yet!" the National Oceanic and Atmospheric Administration announced in an update.

It's the biggest flare of this 11-year solar cycle, which is approaching its peak, according to NOAA. The good news is that Earth should be out of the line of fire this time because the flare erupted on a part of the sun rotating away from Earth.

NASA's Solar Dynamics Observatory captured the bright flash of the X-ray flare. It was the strongest since 2005, rated on the scale for these flares as X8.7.

Bryan Brasher at NOAA's Space Weather Prediction Centre in Boulder, Colorado said it may turn out to have been even stronger when scientists gather data from other sources.



It follows nearly a week of flares and mass ejections of coronal plasma that threatened to disrupt power and communications on Earth and in orbit. An ejection associated with Tuesday's flare appeared to have been directed away from our planet, although analysis is ongoing, Brasher noted.

NASA said the weekend geomagnetic storm caused one of its environmental satellites to rotate unexpectedly because of reduced altitude from the space weather, and go into a protective hibernation known as safe mode. And at the International Space Station, the seven astronauts were advised to stay in areas with strong radiation shielding. The crew was never in any danger, according to NASA.

By Bhuvana S Bharadwaj

Update for the day #2134 | PM Modi Declares Assets Worth ₹ 3.02 Crore, Owns No House/Car

Prime Minister Narendra Modi's total cash in hand is ₹ 52,920

Prime Minister Narendra Modi has total assets worth over ₹ 3 crore, but owns no land, houses or cars, he has said in his election affidavit. The Prime Minister filed his nomination from the Varanasi constituency on Tuesday.

In the affidavit, PM Modi had declared total assets worth ₹ 3.02 crore, the bulk of which is made up of a fixed deposit worth ₹ 2.86 crore with the State Bank of India. His total cash in hand is ₹ 52,920 and he has ₹ 80,304 in two bank accounts in Gandhinagar and Varanasi.

The PM has ₹ 9.12 lakh as an investment in National Savings Certificates and also owns four gold rings worth ₹ 2.68 lakh. His income went up to ₹ 23.56 lakh in 2022-23 from ₹ 11.14 lakh in 2018-19.

In the education section, the PM has declared that he completed his Bachelor of Arts from Delhi University in 1978 and Master of Arts from Gujarat University in 1983. He has said there are no pending criminal cases against him

Filing his nomination from the Varanasi constituency earlier in the day, from where he is seeking a third term as MP, the Prime Minister said, "I am overwhelmed and emotional.

I did not even realise how 10 years passed under the shade of your affection. 'Aaj Maa Ganga ne mujhe god le liya hai' (today, Maa Ganga has adopted me)."

By Dhanush M

Update for the day #2135 | Bitcoin Halving weekend - crypto market sees small gains

Here's some news for the Crypto Enthusiasts!

Bitcoin's halving event took place over the weekend, but did not trigger huge price rallies as many investors and miners hoped.

Bitcoin's long anticipated halving event, in which the block reward is cut by 50% to slow the distribution of new coins, took place over the weekend. But it did not trigger huge price rallies as many investors and crypto miners expected.

The Bitcoin Halving event takes place around every four years and slows the entry of new coins into the crypto economy, helping the asset grow scarcer over time.

There is a strict upper limit of 21 million Bitcoin, out of which more than 19 million have been "mined" by people who crack complex puzzles with high-end computing hardware in order to facilitate other people's blockchain transactions. They now receive 3.125 Bitcoin as a reward for doing so first, compared to 6.25 BTC a month ago.

Bitcoin rose by 5.89% in the past seven days and remained below its former $70,000 threshold, while Ether (ETH) rose by 4.76% in the past week and remained below $3,500. While Bitcoin is the largest cryptocurrency by market capitalisation, Ether is the second largest.

On March 14 this year, Bitcoin touched a new all-time high of $73,750.07, crossing the $70,000 threshold for the very first time in its existence. Investors, analysts, and miners hoped that the Bitcoin Halving would further boost prices and feed investors' optimism, which encourages buying.

The price soon corrected after reaching the new high but is currently above the $60,000 threshold.

The popularity of cryptocurrencies and their spreading usage brings up questions as to how governments should regulate the asset so as to protect investors while also acting against malicious actors.

By Sailesh R Gandhi

Update for the day #2136 | Why Small Businesses Deserve More Credit

It's Wall Street doctrine that small firms struggle to raise capital at reasonable rates and are often rejected for credit lines and loans because banks think their risk profile is too high.

"If you really want to drive investment, targeting those firms that look like they have financial slack could lead to substantial growth."

But new research suggests that small businesses are far more fiscally conservative than banks realize. In fact, firms with up to 10 employees hold back spending on their revolving credit lines to create a buffer, even when banks raise the limit and grant longer-term loans. What's more, holding on to that buffer means that those firms may not be growing as quickly as they could, says Olivia Kim, a Harvard Business School assistant professor.

"If you really want to drive investment, targeting those firms that look like they have financial slack could lead to substantial growth, because it looks as though they have been foregoing opportunities," explains Kim.

Whether a tech startup or a pet shop, small businesses are a major economic force, contributing 44 percent of gross domestic product in the United States alone. When banks expand their credit, small companies have room to grow—and yet will still maintain slack in their total borrowing capacity.

"I knew that [small] firms have to be cautious in the way they finance," Kim says. "I was just surprised by how much. The level of utilization was substantially lower than what I expected." Kim conducted the study with Deniz Aydin, an assistant professor at Washington University in St. Louis's Olin Business School.

Test case in Turkey - To test how small firms manage and use their debt, Aydin and Kim turned to extensive lending data from a large European bank based in Turkey in 2014. They selected a time when the economy was growing and stable years following the global financial crisis at the turn of the decade, with conditions that mirrored the US small business landscape today, Kim notes.

Researchers analysed data for 3,169 small firms that were pre-approved for debt capacity increases. A group of 2,414 of those were randomly offered surprise expansions, while another 755 firms were not, serving as a control group. Companies that were offered increases were notified via phone or text. The increases did not affect borrowing costs, due to an interest rate cap in Turkey that was binding for all firms in this study.

Small firms tap debt cautiously, strategically

Over time, researchers found that the small businesses not only kept a buffer, but used more of their debt capacity to pay for longer-term expenses beyond day-to-day operating expenses, like capital improvements. Firms, used to the financial security of being able to roll over debt in a credit line, shifted slowly to term debt.

The researchers found:

- Fewer than 10 percent of the firms were "truly financially constrained" with ratios above 98 percent for total credit use. Instead, average credit use was 39 percent before a credit expansion was offered.
- The firms raised borrowing by 61 percent once credit was expanded over 12 months compared to the previous year. That's the equivalent of 35 cents for every dollar of increased debt capacity.
- On average, firms shifted borrowing use over two years to start longer-term investing, mostly through term debt.
- Debt capacity expansion led to firm growth, with profits increasing by 35 percent annually. Growth is even larger for firms further away from debt limits.
- Delinquency or debt restructuring rates didn't climb with borrowing capacity increases.

"This is striking because firms don't even draw down the entirety of their credit lines," says Kim, "They only draw down 55 cents for each dollar. So just having the option of borrowing more can spur growth."

Lessons for small businesses everywhere

In searching for potential reasons, one might conclude that the companies that didn't request the increases were in "an environment where credit access is very difficult, and firms may also not be super sophisticated," Kim says, adding they may be learning how to use credit lines for the first time. "But if you actually look at the data, there's no variation in how they respond by prior experience."

"One can achieve economic growth by targeting these firms."

Given the economic stability of Turkey at the time of the experiment, banks and small businesses in the US and elsewhere should take note of the findings. In fact, the type of privately-held, bank-dependent firms studied reflect the makeup of 80 percent of US and 90 percent of worldwide companies.

The most important "implication is that the precautionary motive to preserve the buffer was inhibiting sales before," says Kim. "Policymakers can take this into account. One can achieve economic growth by targeting these firms."

By Lohith I M

Update for the day #2137 | Understanding Electoral Bonds: Key Features and Controversies

Here are the key features and challenges of Electoral Bonds:

Anonymity: Electoral bonds offered anonymity to donors, safeguarding their identities during political contributions. This confidentiality aimed to ensure impartiality in political funding, shielding the process from potential biases or influences. However, concerns arose regarding transparency and accountability, as the anonymity feature raised questions about the traceability of funds.

Legal Framework: Introduced in 2017 through the Finance Act, electoral bonds were hailed by the government as a means to enhance transparency in political funding. The mechanism routed donations through banking channels, ostensibly reducing cash transactions. Despite this intention, critics highlighted a lack of transparency regarding the origins of these funds, casting doubt on the effectiveness of the legal framework.

Eligible Parties: Only political parties meeting specific criteria were permitted to receive funding via electoral bonds, as per the Representation of the People Act. Parties needed to secure at least one percent of the votes in the last General Election to qualify this restriction aimed to regulate the flow of funds and prevent misuse within the political system.

Fund Disbursement: Eligible political parties were required to encash electoral bonds within a specified timeframe through authorized banks. Failure to do so within 15 days resulted in the donation being diverted to the Prime Minister's Relief Fund. This mechanism aimed to ensure timely utilization of funds for party activities while offering a fallback option for unclaimed donations.

Transparency Concerns: Despite claims of promoting transparency, electoral bonds faced criticism for their lack of disclosure regarding donor identities. Critics argued that this opacity posed a threat to democratic principles, potentially enabling corruption and undue influence. The debate highlighted the delicate balance between donor privacy and the transparency necessary for a fair electoral process.

Impact on Political Funding: The introduction of electoral bonds significantly altered the landscape of political funding in India. Providing a legal avenue for contributions, these bonds became a preferred mode of donation for many individuals and entities. However, concerns persisted regarding the potential for misuse and the need for greater transparency in the electoral financing ecosystem.

Future of Political Funding: While the electoral bond scheme faced challenges, political parties retain avenues for fundraising through direct donations and electoral trusts. However, loopholes in regulations allow for potential exploitation, such as splitting large donations to evade disclosure requirements. As debates continue on the best practices for political financing, addressing these loopholes remains essential for upholding the integrity of the electoral process.

By Suhan Bammigatti

Update for the day #2138 | Do ATMs need a pay rise?

The Story

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. 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 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.

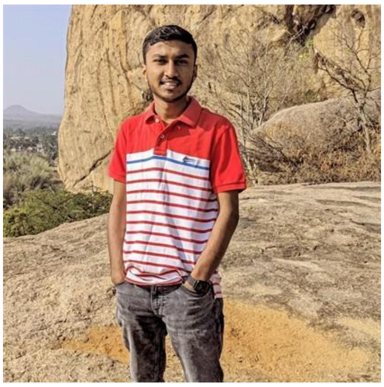
Also, there might be a way to get borrowing costs down for some of these ATM operators.
Look, an RBI report from 2020 pointed out that WLAOs typically access working capital loans from banks at MCLR (Marginal Cost of Funds Based Lending Rate) linked rates. This is simply the rate below which banks can't 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 Somashekar L M



Update for the day #2139 | The fastest, cheapest, best path to Central Asia and beyond

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 there is 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 Rakshith Bharadwaj Y

Update for the day #2140 |Will the UPI cash deposit facilities make debit cards obsolete?

Will the Reserve Bank of India's recent decision to enable UPI (Unified Payments Interface) for cash deposits at ATMs (Automated Teller Machines) lead to debit cards becoming irrelevant? Debit cards, which were once ubiquitous, are already gradually being replaced by UPI.

RBI's decision to allow UPI for cash deposits at ATMs may render debit cards irrelevant as mobile payments surge. Debit card usage has stagnated, while mobile payments have more than doubled in the last three years.

RBI’s latest decision to enable cash deposit facility through UPI at ATMs will only hasten the process of a complete switch from card-based transactions to fully mobile/ digital payments, according to top officials in digital payments infrastructure business.

With this announcement, customers no longer need to carry their debit cards to deposit cash at CDMs (cash deposit machines). They can now withdraw money from ATMs using UPI in a straightforward process. Experts say that cash deposits via UPI will be similar to cash withdrawals.

Payments using mobile phones have jumped from around ₹150 lakh crore in 2021-22 to about ₹307 lakh crore in 2023-24. But payments made with debit cards remained stagnant hovering between ₹31 lakh crore and ₹32.9 lakh crore during the last three years. Debit cards started making their mark in India at the turn of the millennium. With ATM becoming more common, their usage has increased exponentially in the last 25 years. There are over 1 billion debit cards in usage in the country now.

“With this move by the RBI, the era of debit cards is coming to an end, and they may only be used for international transactions in the coming years,” said Atish Shelar, Chief Operating Officer of TechFini, a Mumbai-based fintech firm providing payment infrastructure solutions in partnership with NPCI (National Payments Corporation of India). Shelar said that the use of debit cards has already declined significantly due to UPI's popularity and this new development (cash deposits via UPI) seems like a good move as it will further reduce debit card usage, thereby lowering the associated costs.

Experts say that the need to carry a plastic card has decreased for low-value transactions. They further stated that with the adoption of tap-and-pay, we will see a surge in mobile-based transactions. Since UPI is very convenient for consumers, the number of transactions will continue to grow.

Experts find it interesting to see if NPCI can fully replace debit cards. International players like MasterCard and Visa will likely push the RBI and the government to either change the regulations or allow them to integrate with UPI. If integration is allowed, UPI could definitely replace their debit cards.

The increasing acceptance of UPI is also expected to impact ATMs, according to payment industry officials. It is observed that in the near future, we might see ATMs becoming obsolete, with merchants taking over cash withdrawals and deposits, further reducing overall transaction costs.

By Varsha G Bhatt

Update for the day #2141 | AI-Driven Scams and the Need for Global Regulation

Picture this scenario: A father drops his son off at an exam centre, wishing him luck. Later, he receives a call from someone claiming to be a police officer named Vinod Kumar, who informs him that his son has been arrested along with a gang of rapists.

The caller demands ₹30,000 via Paytm to clear his son's name and hands the phone to his son, who pleads desperately for help. Recognizing his son's voice and mannerisms, the father panics but contacts the local police station, only to learn that there is no officer named Vinod Kumar. The real police then send a picture of his son, safely inside the exam centre. The voice on the earlier call was an AI-generated clone.

This incident, reported by the Indian Express, is not isolated. AI scammers have also mimicked company executives' voices to trick employees into divulging sensitive information or completing financial transactions, contributing to a significant rise in online scams. A McAfee report states that 80% of Indian victims of AI fraud lost money, with half losing more than ₹50,000.

The Urgent Need for Regulation:

The urgency to regulate AI is clear, and some countries are stepping up. The European Union, for example, has introduced the EU Artificial Intelligence Act, approved by the European Parliament in March 2024. Set to take effect in 2026, this act aims to ensure AI systems do not infringe on fundamental rights, safety, and ethical principles by categorizing risks into three levels.

1. **Unacceptable Risk:** AI systems that threaten safety, fundamental rights, or public order, such as autonomous weapons, are prohibited.

2. **High Risk**: AI systems used in critical areas, like medical diagnostics, must undergo rigorous testing, certification, and human oversight to prevent significant consequences from failures.

3. **Limited Risk**: AI systems like chatbots must ensure transparency and fairness in user interactions.

Other countries are also addressing AI regulation. In the US, President Joe Biden's Executive Order on AI development and deployment emphasizes responsible practices. The National Institute of Standards and Technology (NIST) is developing standards for "red-teaming" AI systems to identify and fix vulnerabilities. For example, testing facial recognition software to see if it can be tricked into misidentifying individuals.

The UK is adopting a pro-innovation approach to AI regulation, aiming to prevent misuse without stifling innovation. Meanwhile, India's Ministry of Electronics and Information Technology (MeitY) has issued an AI advisory focusing on preventing unlawful content and discrimination, though it lacks concrete details.

By Pooja Sandeep Naik

Update for the day #2142 | India's ambitious journey to becoming a global semiconductor powerhouse

Recently, Zoho, a software-as-a-service company based in Chennai, announced plans to launch a commercial semiconductor manufacturing unit in Tamil Nadu. Almost immediately, every news media company picked up on this with many noting that this initiative lines very neatly with India's ambition of becoming one of the top five semiconductor chip producers globally by 2029, reflecting a broader trend towards enhancing the country's capabilities in this critical sector.

But it got us thinking.

What has been holding India back so far? And why is it so difficult to set up massive chip manufacturing facilities like Taiwan?

Well, before we get there, let's look at how semiconductor chips are made.

First, you have to settle on a design. Not all chips are made equal. You need skilled engineers, extensive R&D and access to intellectual property to come up with designs that meet your specifications. For instance, Intel spent several years designing the Pentium Processor. During this time, they had to conceptualise and design the architecture of the chip, figure out the layout for all the logic gates, and memory cells and extensively test it to see if it performs as intended. All of this is just design. You can't mass produce these chips unless you have access to a Fabrication unit.

The Fabrication unit (or Fab as it's commonly called) is where the magic happens. Plain silicon, not very different from common sand, is transformed through precise techniques of photolithography, etching, deposition, and doping, to create a modern-day miracle—a chip. This is what drives the digital revolution. And while this may look fairly straightforward, it is anything but. There are only a few companies that have the know-how and the resources to design complicated chips. And even fewer that can manufacture them at scale.
So why can't India be among the select few?

Well, they could. But we will have to overcome a few practical difficulties. For starters, chip manufacturing is expensive. Very very expensive. Setting up a fabrication unit can cost you anywhere between $10 billion—$20 billion. That isn't exactly spare change. And even when you do have the resources, you'll need a lot of time before you can manufacture state-of-the-art microchips.

For instance, consider TSMC (Taiwan Semiconductor Manufacturing Company Limited)—a company that produces an estimated 90% of the world's super-advanced semiconductor chips. They produce chips with features as small as 3 nm (nanometres). For scale, a single strand of DNA is 2.5 nm in diameter. We are talking about the size of a few atoms and to consistently manufacture chips with features this small is no easy feat. Look at TSMC's evolution. It took them over 3 decades to go from 3 micrometres to 3 nanometres. And this is a journey every fabrication unit will have to make

Granted you no longer have to start at 3 micrometres. But you will have to start somewhere, and that mark is anywhere between 28 and 180 nanometers. Don't get us wrong. These chips with larger design features are still popular by the way and used in display drivers, audio chips and automotives, but we can't become a world beater on day 1. So, start big and work your way downwards.

Also, we need help. Semiconductor manufacturing processes are highly intricate. You need machines manufactured by a select few companies. You need advanced quality control processes. You need clean rooms—highly controlled environments with extremely low levels of environmental pollutants. You need ultra-pure water, chemicals and gases. And you need highly skilled engineers. Government support can go a long way here as well. If the state can bear some of these costs or incentivise private players to set up a fab, we could realise this dream sooner than later.

So, when will India get here, you ask? Well, hopefully soon enough.

In March 2024, India took a significant stride towards its semiconductor manufacturing goal. It laid the foundation for three semiconductor plants: a chip fabrication plant in Dholera, Gujarat, and two ATMP (assembly, testing, marking, and packaging) facilities in Sanand, Gujarat, and Morigaon, Assam. The first chip from the Dholera facility will roll off the factory line by December 2026, marking a milestone in India's manufacturing history.

India will likely spend upwards of $10 billion dollars on the fab alone. And it will be a joint venture between Tata Electronics and PSMC. PSMC or the Powerchip Semiconductor Manufacturing Corporation is a Taiwanese semiconductor company, primarily known for its expertise in manufacturing memory chips and they will likely provide the know-how when it comes to setting up and operating a fab that is expected to churn out 28 nm chips.

Sure, these aren't the super advanced chips powering AI applications. But it's a start. And who knows—Maybe with a few more investments from billionaire entrepreneurs in India we could soon start producing 22 nm chips or even 20 nm chips.

By Shravan Prabhu N

Update for the day #2143 | Single screen cinemas are dying... Can we revive them?

10!

That's the number of people watching a show on a single screen cinema in Telangana on some days. The owners would rather have the theatre closed because they earn about ₹4,000 a day. So, shutting shop makes more economic sense. Because when they're open they have to spend on electricity, maintenance and other operational costs; and they end up losing something like ₹7,000, according to an article in the Indian Express.

This also explains why many of these single screen cinemas have decided to completely shutter for the next 10 days.

And mind you, these are the same theatres that had crowds clapping, whistling, dancing and even flinging coins at the screen in joy and appreciation back in the day while watching their most awaited new releases. The first day first show atmosphere inside these single screen cinemas could convey if the movie would be a blockbuster or not. Sometimes even 1,000 seats would fall short of accommodating the peppy crowds waiting in queue to buy a ticket. The ticket counter would then hang a 'Housefull' board and shutter its mini glass window, only leaving you with the option of buying a ticket from shady folks who'd hoard extra tickets and sell them in black.

But what remains of these single screen cinemas now are dark and dusty aisles, lonely old chairs, torn posters and light beams seeping in from dilapidated ceilings. It's pretty much the same all over the country.

So how did Indian single screen cinemas come to this?

Well, you'll probably say that technology had a role to play.

Single screen cinemas have been in a race against time ever since the television became popular in Indian households. Satellite TV let people access movies and shows from all over the world.

And they didn't feel the need to head to their neighbourhood cinema house to be entertained. But you could watch exciting new releases only in the theatres. So, the cinema house was still king.

But then came the VCR (video cassette recorder). It was a light, black device, roughly the size of a 15-inch laptop. Video tapes that had the capacity to play at least half a film went into these VCRs. So, you could watch an entire film with two of these.

It was a cheaper way to watch a new film because videotape businesses, even illegal ones, began mushrooming around cities like Bombay (now Mumbai). And they made sure that they rented out films for a fraction of the price of a movie ticket. They even delivered to people's homes, who began watching new releases from their living rooms. And you could say that that's precisely when they started abandoning cinema houses. It was like today's OTT (Over-the-top) platform revolution.

That brings us to today where OTT platforms and multiplexes have truly killed single screen cinemas. In fact, around 150-odd single-screen cinemas shut down for every 200-odd new multiplex that crop up every year. Sure, the pandemic may have equally kicked multiplexes in the gut, making way for the rise of OTT.

But that's a bygone now. A recent Book My Show survey found out that 90% Indians still prefer watching movies on the big screen. So, theatres are making a comeback. But it's mostly the multiplexes. Because why would anyone prefer watching a film in a poorly maintained single screen theatre with hardly any food and beverage choices and nowhere to go bowling or shopping before or after the movie, right?

Okay, now you obviously know all of this. And you'll probably think that there was no need for Fin shots to say it again.

But the reason we had to, is to ask — Have you ever wondered why these single screen theatres aren't so well kept?

They could simply upgrade their cinemas and their food menus, maybe cut down the size of their cinema halls and make space for stores or other entertainment options, no?

That's simply because they can't. Why, you ask?

For starters, let's talk about policies in a city like Mumbai, the heart and soul of India's film industry. Redeveloping a single screen cinema here is no easy feat. Thanks to a 1992 rule that doesn't let cinemas in Maharashtra get a complete makeover. They can't convert it into a commercial shopping complex or warehouse because a part of the redevelopment has to be reserved for a cinema hall with at least one third of the seating capacity of the existing cinema.

And while there's no harm in doing that, owners aren't really willing to take the risk. That's because having a renovated single screen cinema with bundled entertainment options won't address a basic business problem — bagging films that will flood the cinema hall. Look, multiplexes can afford running popular films alongside not so popular ones on multiple screens. But with single screen cinemas, owners have to pick the ones that really bring in the business or in other words box office hits worth crores of Rupees. But you can't have such movies all year round.

That's also why producers and film distributors are more comfortable running their films in multiplexes. They get prime time shows even if the film doesn't have a huge fan base, as opposed to single screens which reserve prime time's only for big films that rake in the dough.
Another issue single screen owners can't get rid of, at least in Mumbai, is screening regional language films. The state government wants to popularise these films so that their essence doesn't fade away. And that means that theatres including single screen cinemas must show 44 Marathi movies annually. That number is even higher for other cities in Maharashtra. And that's a losing proposition for single screen theatres, which have to incur crores of Rupees in air-conditioning costs, staff salaries, taxes and other overheads, while earning less than ₹5,00,000 a year.

That leaves them with one option. That of striking an acquisition deal with other multiplexes. But that again comes with a roadblock. See, multiplexes look for huge, planned areas where they can provide ample parking space, a supermarket or other shopping spaces. And single screen cinemas are mostly jointly shared old properties that may not have the provision to accommodate all of this. Even if they can, the construction plan for redevelopment may not be something that municipal authorities would approve of.

So yeah, that's another side of why single screen cinemas aren't able to survive. So even with significant investments in a makeover, they may still fail to make ends meet. And that's exactly why just about 60% or less out of the 10,000 odd single screen cinemas in India operate today. While the ones that have closed down might even be struggling to sell off their properties.

But is there a way to turn their plight around?

Well, there could be, if states review these strict age-old regulations or at least make them flexible.

You could look at Uttar Pradesh as an example. In 2016, the state had planned to offer single screen cinemas incentives like tax rebates, subsidised power and even grants for redevelopment, so that they continue to run the show.

But that probably didn't really work out as expected since the state too has a restriction on redevelopment similar to Maharashtra. Basically, a cinema can only be redeveloped into a property that includes a cinema hall.

And maybe the government realised that this law needed a revamp. So, a few months ago, the government let single screen cinema owners demolish their existing buildings and convert them into a commercial or residential complex. They don't even have to mandatorily rebuild a cinema house there.

So yeah, now you know what's key to help dying single screen cinemas, right? It's not necessarily financial support or incentives. Even flexible government policies will do.
That may not exactly revive these screens. But at least, you could let them die in peace, while the owners move on.

By Bhumika Pareek

Update for the day #2144 |Will China become the cat among India's EV pigeons?

Cheap but efficient Chinese electric vehicles (EVs) have sent a scare in the US and Europe. Many have predicted doomsday scenarios. The Alliance for American Manufacturing has said that government subsidized Chinese EVs "could end up being an extinction-level event for the U.S. auto sector". Earlier this year, Tesla CEO Elon Musk told industry analysts Chinese EVs are so good that without trade barriers, "they will pretty much demolish most other car companies in the world."

The US has decided to shield itself from the Chinese EV onslaught. President Joe Biden has announced a series of new and increased tariffs on several Chinese-made goods. He quadrupled the tariff on electric vehicles made in China from 25% to 100%. Chinese lithium-ion batteries for electric cars will now face a 25% tariff, up from 7.5%. Since many European car makers manufacture in China and sell in Europe, they are appealing against similar tariffs on Chinese EVs.

With the US raising tariffs on Chinese EVs, India may become a dumping ground for those. "The raising of tariff on EVs, batteries and many other new technology items by the US may push China to dump these products in other markets including India. It's a moment for India's Directorate General of Trade Remedies to remain vigilant," economic think tank Global Trade Research Initiative (GTRI) said. China has already replaced the US as India's largest trading partner in FY24 with $118.4 billion two-way trade.

How China got its EV edge

The US is the pioneer in EVs. As recently as 2016, the US had more EVs on the road than China did. But China has slowly and resolutely grown its EV industry to now beat the US. Behind China's EV edge is not just low wages, but a host of other factors too.
It isn't just that China accounts for six-in-10 of every EV sold worldwide, it also dominates the supply chain for the critical technology inside them: Lithium-ion batteries. China holds between 85% and 95% of production capacity for each of the major components of batteries, as well about 70% of global lithium refining capacity, according to Bloomberg NEF.

In 2001, Beijing launched an R&D program to develop batteries, motors and other EV-related technologies. This industrial policy, aided by supportive domestic banks, was matched about a decade later with the rollout of generous subsidies encouraging Chinese drivers to buy EVs. Importantly, imported EVs didn't qualify for subsidies (and were subject to tariffs) and manufacturing subsidies were also conditioned on local content requirements.
China has strategic reasons to pursue vehicle electrification, beyond fostering export industries, Bloomberg has reported. EV take-up can help clear the air in China's cities as well as mitigate climate change (albeit, more effectively if the country reduces its high dependence on coal-fired electricity). EVs also offer a hedge against China's dependence on imported oil which, at roughly three-quarters of its consumption, is a higher share than it ever was for the US, even at its peak in the early 2000s.

Now with its huge EV overcapacity and a fully grown local ecosystem that can even defy tariffs to beat local EV markets in many Western countries, the Chinese EV industry is seen as a threat in developed auto markets. India, which has just started off its EV industry and is taking baby steps, can be a target for the Chinese EV industry besides those in Europe, Latin America and Southeast Asia.

India already has two Chinese EV makers: BYD, which imports from China, and MG Motor, which manufacture locally. Stringent checks imposed by the government have hindered BYD's expansion in India, as it has faced difficulties obtaining approvals for its investment proposals, even with a local partner. However, MG Motor, a subsidiary of China's SAIC group, was compelled to incorporate an Indian partner, Sajjan Jindal's JSW, which acquired a substantial stake in the company, with plans to increase ownership to 51% in the coming years.

India's EV market is small but growing very fast. In 2023, passenger vehicle sales grew 10 per cent year on year, but EV sales nearly doubled. Yet, EVs account for just 2 per cent of the overall passenger vehicle sales. In China, EVs have a large share of nearly 38 per cent.

India's EV ecosystem is barely emerging. Government policy incentives have attracted many players like Reliance New Energy, Ola, ACC Energy Storage to start EV battery manufacturing in India. Last month, Exide has tied up with auto majors Kia and Hyundai to supply EV batteries for their vehicles. It will take India several years to develop a local ecosystem which will bring down EV prices drastically. But Chinese JVs manufacturing in India, such as Leap motor International, can tap into their Chinese ecosystem for know-how as well as components to gain an edge over their Indian rivals. To begin with, Leap motor’s cheap hatchback is likely to raise competitive intensity.

Given the geopolitical situation between India and China, the government will remain wary of the Indian market being dumped with cheap Chinese EVs. Under new regulations, it can scrutinise any foreign investment with links to neighbouring countries.
Yet, as the Indian EV market is set to grow at a fast pace (Counterpoint Research expects EV sales to constitute one-third of total PV sales by 2030), it will be a hot contest which can throw up new leaders.

By K K Krupa

Update for the day #2145 | Mindset: Your body achieves what your mind believes

In an era where health and wellness dominate conversations, the concept of a health mindset is increasingly coming to the fore. While diet, exercise, and medical interventions remain critical components of health, the way individuals think about their health is gaining recognition as a powerful determinant of overall well-being. This shift towards understanding and cultivating a positive health mindset is transforming lives, offering a more holistic approach to achieving and maintaining good health.

The Science Behind a Health Mindset

Research in psychology and neuroscience has underscored the profound impact of mindset on health outcomes. A health mindset refers to the attitudes and beliefs that individuals hold about their health and their capacity to influence it. According to Dr. Carol Dweck, a psychologist at Stanford University known for her work on fixed and growth mindsets, individuals with a growth mindset--those who believe their abilities and health can be improved through effort and learning--tend to have better health outcomes.

Studies have shown that a positive health mindset can influence physical health, stress levels, and even recovery from illness. For instance, people who perceive themselves as physically active, even if they do not meet formal exercise guidelines, tend to have better health metrics than those who see themselves as inactive. This phenomenon, known as the placebo effect in some contexts, highlights the power of perception and belief in shaping health.

The Benefits of a Positive Health Mindset

A positive health mindset can lead to numerous benefits:

1. **Enhanced Motivation**: Believing that one can improve their health encourages proactive behaviours such as regular exercise, healthy eating, and adherence to medical advice. This proactive approach fosters long-term healthy habits.

2. **Reduced Stress**: A positive health mindset can mitigate stress. When individuals believe they have control over their health, they are less likely to feel overwhelmed by health challenges, leading to lower stress levels and better overall mental health.

3. **Improved Recovery**: Patients with a positive outlook on their health tend to recover faster from illnesses and surgeries. This mindset can enhance the body's ability to heal, likely due to a combination of reduced stress and increased adherence to recovery protocols.

4. **Better Health Behaviours**: Individuals who believe in their ability to influence their health are more likely to engage in preventive behaviours such as regular check-ups, screenings, and vaccinations.

Cultivating a Health Mindset

Developing a positive health mindset is an ongoing process that involves several strategies:

Education and Awareness: Understanding the impact of mindset on health is the first step. Health education that includes information on the mind-body connection can empower individuals to take control of their health narratives.

Setting Realistic Goals: Setting achievable health goals and celebrating small victories can reinforce the belief in one's ability to influence their health positively. This approach fosters a sense of accomplishment and motivates further efforts.

Mindfulness and Stress Management: Practices such as meditation, yoga, and deep-breathing exercises can help manage stress and promote a positive outlook. These practices cultivate awareness and present-moment focus, reducing anxiety about health issues.

Positive Self-Talk: Encouraging positive self-talk and challenging negative thoughts about one's health can shift perspectives. Phrases like "I am capable of improving my health" or "I am in control of my wellness journey" can foster a positive mindset.

Support Systems: Building a supportive network of friends, family, and healthcare professionals can reinforce positive health behaviours and attitudes. Social support is crucial in maintaining motivation and resilience.

Real-Life Impact

Consider the case of Jane, a 45-year-old woman diagnosed with type 2 diabetes. Initially overwhelmed by her diagnosis, Jane attended a wellness workshop that emphasized the importance of a positive health mindset. She learned to view her condition not as a limitation but as a challenge she could manage and improve.

Jane set realistic goals, such as walking for 30 minutes each day and gradually reducing her sugar intake. She practiced mindfulness to handle stress and used positive affirmations to stay motivated. Over time, Jane's blood sugar levels improved significantly, and she reported feeling more in control of her health. Her story illustrates the transformative power of a positive health mindset.

The Future of Health Mindset

As the healthcare landscape continues to evolve, the integration of mindset into health and wellness strategies is likely to become more prevalent. Medical professionals are increasingly recognizing the importance of addressing psychological factors alongside physical health. Future healthcare models may include mindset coaching as a standard part of treatment plans, acknowledging that the mind and body are inextricably linked.

In conclusion, a positive health mindset is more than just an optimistic outlook; it is a vital component of comprehensive health and wellness. By fostering a mindset that emphasizes growth, control, and resilience, individuals can significantly enhance their physical and mental well-being, leading to healthier, more fulfilling lives. The journey towards better health begins not just with the body, but with the mind.

By Gaurav Y

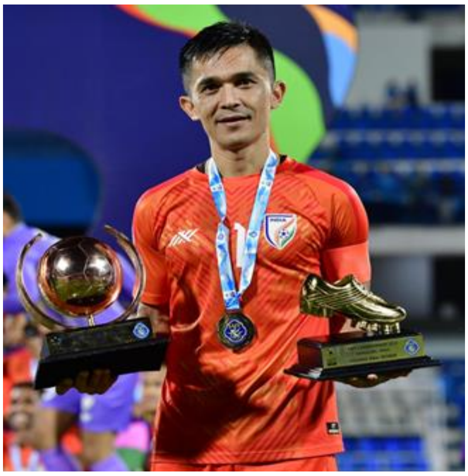
Update for the day #2146 | Sunil Chhetri 'Irreplaceable' Indian football star finally calls it a day

Star footballer Sunil Chhetri announced his decision to retire from international football after the FIFA World Cup qualifying match against Kuwait on June 6, bringing the curtains down on a career that is unparalleled in Indian football for its longevity and consistency.

The long-serving national team captain announced his decision on May 16 via a video he posted on his social media accounts. "It was not that I was feeling tired," Chhetri said in the video. "When the instinct came this should be my last game, I thought about it a lot and eventually I came to this decision."

This marked the end of a 19-year career that saw him rise to the top of India's goal-scoring chart. As the player with the most caps for India, he will exit the game.

Sunil Chhetri is the first footballer to win the Khel Ratna, the country's highest award for sporting achievement. He has also won several football awards, including the Arjuna Award - the country's second-highest sporting award - and the Padma Shri, India's fourth-highest civilian award. Chhetri has won the prestigious All India Football Federation (AIFF) Player of the Year title a total of seven times in 2007, 2011, 2013, 2014, 2017, 2018-19 and 2021-22 seasons.



On the global stage, he has led the team to victory in the Asian Football Confederation (AFC) Challenge Cup, the South Asian Football Federation Championship, the Intercontinental Cup and more.

Ahead of his final match, Chhetri has scored 94 goals in 150 international matches for India, putting him fourth in the all-time list of goal scorers among FIFA members. Among the active players, he is only behind Lionel Messi (106 goals in 180 matches) and Cristiano Ronaldo (128 goals in 205 matches).

There is no mention of Chhetri retiring from club football yet, so he is expected to continue playing for Bengaluru FC in the ISL. He has represented the club in the I-League and Indian Super League since 2013.

By Mohith G

Update for the day #2147 | Ashok Leyland to unveil 5-6 new products under LCV segment

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.

Hinduja Group flagship company Ashok Leyland has lined up 5-6 product launches this year in the light commercial vehicle segment, a top official said here on Friday. The city-based medium and heavy commercial vehicle maker has earmarked Rs 500 to Rs 700 crore as Capital Expenditure for this financial year, Managing Director and CEO Shenu Agarwal said. Ashok Leyland earlier in the day reported a 16.73 per cent increase in consolidated net profit at Rs 933.69 crore in the January-March 2024 quarter as compared to Rs 799.87 crore registered in the same period of last financial year.

"FY'24 has been a record year for Ashok Leyland. We have achieved an all-time high, whether it is in revenues, growth, EBITDA margins or profits, we have achieved an all-time high. "What makes this achievement significant is that it (highest ever performance) is coming in a year when we are celebrating our 75th year anniversary. We continue to be optimistic about our industry prospects in the short to medium terms backed by anticipated robust growth in the Indian Economy," Hinduja said.

On the outlook, he said, "We are confident that we will continue to maintain sustainable and profitable growth year after year through our unwavering pursuit of delivering different .. Agarwal, responding to a query, said the company has planned to launch 5-6 new products under the light commercial vehicle segment this month.

"Starting from May, every alternate month we are going to launch a new product (under LCV segment)," he said, but declined to elaborate on the product specifications.

Hinduja said, "We are looking at expanding our LCV product portfolio to cover at least 70-80 per cent of the market share in the next few years. The LCV presents a huge potential for us to grow our CV volumes in the future."

Ashok Leyland would also launch the electric vehicle IeV 3 under the company's subsidiary Switch Mobility, he said.

"In March, we launched the IeV 4 light commercial vehicle. We will be launching IeV3 in the next few months," he said.

To a query, Agarwal said Ashok Leyland spent Rs 500 crore last financial year and this financial year too, Rs 500- Rs 700 crore has been set up as Capital Expenditure.
On the company's proposed plant in Uttar Pradesh, he said it has been "progressing well" and construction activities at the manufacturing site were expected to begin in the next "few weeks".

Hinduja said, "Going forward, we are confident of increasing our market share in both the trucks and the bus segment. Our medium-term goal of achieving 35 per cent market share in the MHCV segment remains intact."

On the expansion plan, he said, "Our focus remains on penetrating further in North and East to bridge the 30 per cent mark in market share. We have already achieved 25 per cent market share in North and are very close to 25 per cent market share in East as well."

Hinduja, on the occasion, also announced that the current Deputy Chief Financial Officer Balaji K M would be taking over as the Chief Financial Officer with effect from June 1. He succeeds Gopal Mahadevan who would continue to serve on the Board of Directors of Ashok Leyland and its subsidiaries.

In his new role, Gopal shall focus on the growth agenda of Ashok Leyland's subsidiary companies as well as M&A (mergers and acquisitions) strategies of Ashok Leyland. The team will be further strengthened with both of these gentlemen," Hinduja said.

By Ektha M

Update for the day #2148 | 2.1 Lakh Crore Bonanza for the government - Breaking down RBI's record transfer

₹2.1 lakh crore.

This is the money RBI (Reserve Bank of India) is expected to transfer to the government. And we are sure at this point you're asking yourself.

Where did this money come from?

And why is the RBI transferring this money to the government?

So, let's begin with the first question. The source of the funds.

Technically, speaking, this shouldn't be too hard to answer. RBI is a bank. And like all banks, RBI does a fair bit of lending. And when they lend money, they generate income by charging an interest on the principal. Some of this money is categorised as surplus.

RBI also routinely buys and sells government bonds. And when you buy and sell stuff, you can sometimes walk away with a profit. So, there's that.

RBI also invests some of its money in foreign assets. These generate income too and finally; RBI has the exclusive right to issue currency in India. While printing money doesn't directly generate a profit, there is this idea called seigniorage. It's the difference between the face value of money and the cost to produce it. For example, it costs less to print a 100-rupee note than its face value of 100 rupees. And therein lies more profit.

Put together RBI has many ways to make money.

So, it shouldn't be a surprise that the RBI can simply give away ₹2.1 lakh crore to the government.

The more challenging question is—Why is RBI transferring this money to the government?
Is the RBI is trying to appease the government during an election year? Or even worse, raiding the RBI's coffers and undermining the central banks' authority.

Well, here's the thing.

Back in 2019, there was indeed widespread speculation that the government was trying to force the RBI to part with its reserves unilaterally by invoking an obscure clause in the RBI Act.

However, better sense prevailed. Instead, the government decided to do away with any plans of raiding the RBI's reserves and instituted a panel to determine whether the RBI was, in fact, sitting on needless cash. They said that they would act only based on the recommendations of the panel.

The idea was to put together an independent committee, headed by accomplished non-partisan individuals and get them to look into this matter of "surplus reserves". It proceeded with the help of an external committee headed by **Bimal Jalan**, a former RBI governor. The committee looked at the RBI's reserves, evaluated the rainy-day fund i.e. part of the reserves RBI would need, just in case things go wrong. And finally, after accounting for all contingencies recommended transferring whatever remained on top.

And ever since then, the RBI has been using these recommendations to work the transfer. In fact, this time, the board was even more conservative while deciding on their rainy-day fund (contingency fund). So, there's no reason to believe that the government has any role to play in deciding the kind of money RBI transfers from its kitty.

Second, you have to realise that the RBI isn't in the business of making money. Any profit they generate is simply incidental. Their primary objective is to foster "price stability"—to tame inflation. And through it, they support long-term economic growth. Any profit they make in the process is just a byproduct of their operations, not the primary goal.

However, once there's excess reserve in their account you can make a compelling argument that the RBI should transfer the surplus to the government so that the government can then spend this money elsewhere.

So how will the government use this money?

Well, it's hard to say. For starters, even the government is surprised by the quantum of transfer.

We know this because when they were preparing the budget last year, they assumed the RBI would transfer about ₹1 lakh crores. This is more than double that sum. So, this will definitely lift up their spirits.

That being said the government will likely use this money to pare down debt. So far, they've been borrowing a lot of money to support India's growth objectives. However, going overboard with debt will send the wrong message and last year they promised to work on this. Also, some people are hoping that this money could force the government to rethink taxes. If there's not enough pressure on the government to generate revenue through taxes (because of the surplus), maybe common people will end up parting with less.

By Aniketh Jain R

Update for the day #2149 | SEBI's crackdown on fantasy stock gaming explained

The Story

Investing in the stock market is risky business.

You could buy a stock with the hope that its price will go up in a few days. But that bet could go haywire if the stock sways downward. You could panic and exit your investment, only to find out that despite suffering a loss you still had to shell out a significant amount in broker fees, stock exchange fees, taxes and other charges.

But what if you could trade in the stock market without the risk of losing so much money?
It'll give you the same experience as a stock trading platform, feature the same stocks that are listed on popular exchanges like NSE (National Stock Exchange) and BSE (formerly Bombay Stock Exchange) and even have similar price movements and volatility. Just that if your trade becomes a dud, you don't lose the whole amount that the stock was worth. You just lose a small entry fee. Oh, and if your stock constantly does well, you could stand a chance to win stuff like gold coins, a Mercedes, Apple products or even huge cash prizes.

That's what fantasy stock gaming apps and platforms do. They just charge a tiny entry fee, smaller than what your broker would charge you to trade in the real stock market. And all you have to do is predict if the price of a stock will go up or down in the next 60 seconds. Or even trade virtually with fake money to earn points which you could redeem for these fancy rewards later on. So, the only loss you make if things don't go your way is that small entry fee.

And just like fantasy sports, this trend is picking up too.
But there's a problem.
These virtual trading apps use real time data from regulated stock exchanges like the NSE and BSE. Simply put, they buy data like stock prices, buy and sell quotes, etc. from authorised vendors to make sure that their platform feels like the real thing.

And SEBI doesn't seem to like the sound of that. It believes that using data from a stock exchange's feed to gamify the markets is as good as misusing it and can even hurt investor interest.

That's exactly why it threw a spanner in the works. A few days ago, it rolled out a circular barring third parties like stock gaming platforms from getting their hands on such data.

But here's the thing. This isn't a sudden decision that SEBI came up with out of the blue. It has had an eye on these platforms for a long time now.

In fact, in 2016 it even wanted to ban such platforms for good. Thanks to celebrity endorsed fantasy stock games like Samco Securities' India Trading League, that former Indian cricketer Kapil Dev promoted or even Raj Kundra backed Stock Race. If that name doesn't ring a bell, you'd know him better as the former co-owner of IPL's (Indian Premier League) Rajasthan Royals cricket team and Bollywood celebrity Shilpa Shetty's husband. But that proposal sort of fell apart. And SEBI decided to just forewarn investors that it didn't approve of such stock market games.

But hey, how are websites like Moneybhai (by Money control) or even the BSE itself offering virtual trading games, you ask? Look, SEBI doesn't have a problem with platforms using market data for virtual trading per se. The issue is simply the involvement of real money.

Platforms charging their users to play a virtual trading game are literally piggybacking on cheap or low-cost market data to build their own business model. And that can be detrimental to users simply because while these games earn money from increased user interest, SEBI doesn't regulate them. So, they don't have an obligation to give users formal disclaimers about how risky real money based virtual trading can be.

Besides, users who constantly win these games might also misconstrue their victories for skill to trade in the real stock market. And unfortunately, SEBI can't give them any sort of recourse or compensation if their winning streak doesn't continue when they deal with actual stocks.
That's precisely why SEBI wants to restrict these folks from fetching real time data from the stock markets.

It's a lot like what the US Securities and Exchange Commission did to a virtual stock trading website called Stock Battle in 2015. This game allowed participants to build virtual portfolios for a small entry fee. If they won, they'd get prizes depending on the pool created out of all other participants' entry fees.

No sooner had the SEC learnt of it than it ordered the platform to discontinue the way it operated. It would only allow the virtual trading game to continue if it agreed to run as a registered entity. But Stock Battle realised that they didn't have the funds to do that. Even if they managed to get funded, it wouldn't be a scalable business model simply because fetching data from US Stock Exchanges can be an expensive affair, unlike India where stockbrokers get it for free and other third parties can pay authorised data vendors a reasonable monthly subscription to fetch data. This meant that Stock Battle had to eventually shut shop.

Sadly, SEBI's new rules may not just mark the end of paid virtual fantasy stock gaming platforms, but even spell doom for educational fantasy stock gaming platforms that operate for free. Because while they can still access data, they'll only be able to get it one day later. And what use is delayed data when you already know what happened to the market yesterday right? Does that make SEBI's move counterproductive for investor education? Only time will tell. Until then…

By Rohith S Paradkar

Update for the day #2150 | Why are tax authorities running after PepsiCo's advertising spends?

The Story

Here's an interesting headline. A couple days ago the Delhi High Court ruled in favour of PepsiCo, dismissing Income Tax Department's appeal on ₹2,800 crore AMP expenses. And we know, this probably doesn't make any sense to you. But bear with us for a minute while we break down that headline.

AMP expenses mean advertising, marketing and promotional expenses. And authorities have been trying to get PepsiCo India to pay taxes on some of these advertising spends. This may look trivial to most people. However, there's a big problem here. If you understand the basics of tax laws, you know that expenses are usually tax deductible. If you spend on marketing, you don't have to pay a tax on these spends. Instead, you deduct the marketing expenses from your total revenue and only pay a tax on the profits.

This is what PepsiCo India has been doing so far.
So why on earth are tax authorities trying to get them to pay an additional tax on some of these marketing expenses? Can't a business advertise legally? And if they do, aren't they entitled to deduct this sum from the total revenue before calculating the net tax payable?

Well, there is a catch.

Even though your marketing expenses are usually tax-deductible, the situation gets more complicated when dealing with parent companies across the border. For instance, take the case of PepsiCo India Holdings Pvt. Ltd. Sure, it's an Indian company. But it regularly deals with its parent (or associated companies) abroad. And you could argue that some of the branding and awareness campaigns of PepsiCo India benefit these associated entities. For instance, PepsiCo India has routinely paid for substantial advertising and marketing to promote products with brands and trademarks owned by their associated entities in countries like Bangladesh, Nepal, Bhutan and Sri Lanka.

So, these marketing expenses aren't done solely for the benefit of the Indian entity but also for the benefit of other foreign entities. And therefore, you could argue that the associated entities should adequately compensate PepsiCo India for its work. And if they were compensated, that would boost the company's income, and the additional income would be taxable. That's what the taxman is after. They don't want to tax all AMP expenses. Just the ones done to benefit associated entities abroad. They believe these are international transactions (governed by separate tax rules) and over the years they've raised demands of hundreds of crores based on this interpretation.

How did they arrive at this number, you ask?

Well, tax authorities have often relied on a test called the BLT test (or the BrightLine test).
In simple words, it tries to identify any excessive spending that disproportionately benefits the parent company or associated enterprises. So, in PepsiCo's case, the test would compare PepsiCo India's AMP expenses to similar companies in India. If the advertising expense (expressed as a

percentage of sales) for PepsiCo India is disproportionately higher than Coca-Cola India for instance, then it suggests that the excess may represent a service to the parent company. This spending is beyond a threshold (or a bright line). And the tax demands are raised accordingly. Hence the name—BrightLine Test.

Now at this point, you're probably thinking—Well, that's reasonable. If in fact, there's a service being rendered for the benefit of someone outside India, without being taxed appropriately, then that is a disservice to the nation. Surely PepsiCo India should be made to pay up. Well, not so fast. Despite the demands from the taxman, courts have routinely sided with companies like PepsiCo. And to understand why, you have to look at the other side of the coin. Just because the associated entity stands to gain from the branding and awareness campaign you cannot claim that these spends were done solely for their benefit. PepsiCo India is just trying to boost domestic sales. Any additional benefit accrued to the associated companies could be purely incidental.

Besides how can tax authorities decide what spends benefit the parent entity and what doesn't?

The real impact of AMP expenses on brand value is complex to ascertain. Factors like customer loyalty, market dynamics, and competitive actions also influence brand value. And if you really think about it, PepsiCo India outspending its rivals may not really mean much. Each company has its own strategic objective. Maybe PepsiCo India sees merit in building its brand by spending aggressively. And it should be allowed to do so without fearing frivolous tax implications from the Income Tax Department. This is precisely why courts have refused to acknowledge the BrightLine test. They want tax authorities to show actual contracts and agreements that prove that the Indian entity was spending large sums of money to benefit the parent entity. Not just arbitrary comparisons and calculations. In the absence of such agreements, they've refused to intervene.

And yet, the IT department continues to try its luck. Perhaps this latest ruling will finally set the record straight. Or perhaps this will force the government to relook at its tax laws. In the absence of clear-cut legislation on how to tax such expenses, you will likely continue to see frivolous litigation.

By T Ganesh Pai

Update for the day #2151 | Why is LIC so late to the health insurance party?

The Story

LIC (Life Insurance Corporation) seems to be interested in entering the health insurance industry. But wait... LIC is India's largest financial institution. It manages close to ₹30 lakh crore in assets (out of India's ₹40 lakh crore insurance industry). It sells 3 out of 4 life insurance policies sold in the country. It's much bigger than the 23 private sector life insurance companies put together. And it is a profitable entity which has consistently delivered value to its shareholders and customers.

Then why hasn't LIC ever sold a single health insurance policy? What's holding it back? Well, technically speaking that statement is not entirely true. LIC does in fact sell health insurance products or at least products that pay for medical expenses. It's just that the form factor is different. Take for instance the LIC's Arogya Rakshak plan. The sales brochure notes that this plan "provides fixed benefit health insurance cover against certain specified health risks and provides you with timely support in case of medical emergencies and helps you and your family remain financially independent in difficult times."

So how come nobody talks about it? Well, that's the thing about the form factor. If you read the print carefully, you'll see that the plan provides a "fixed benefit". This means they pay out a predetermined amount regardless of the actual expense. For instance, if you have to undergo a coronary artery bypass surgery, an Arogya Rakshak plan with a sum assured of ₹2 lakhs will payout the full amount irrespective of the actual medical expenses. On the flip side, most health insurance products you know are indemnity products. They won't pay out a fixed pre-determined sum. Instead, they'll look at the actual medical bills and only pay for expenses related to the hospitalisation (up until the sum assured).

This flexibility is very important if you want to make a dent in the health insurance market. You don't want to be in a position where you're paying out fixed sums willy-nilly. Instead, you want to make sure that you only pay for the losses customers incur during the course of their hospitalisation. You also want to be in a position to customise these products or introduce variations — say health insurance plans for senior citizens, or women, or plans for Cancer/Heart patients. And finally, you want to specialise in this industry.

LIC however cannot do any of this. It cannot sell indemnity products or introduce customisations because regulation prohibits it from doing so. The Insurance Regulatory and Development Authority of India (IRDAI), has distinct regulations for life insurance and general insurance (which includes health insurance). Companies need separate licences to operate in these sectors. LIC meanwhile is primarily licensed as a life insurer and as a consequence, its presence in the health insurance market has been limited to the occasional fixed benefit plans like Arogya Rakshak.

Now you could ask—Why hasn't it tried its hand at procuring a general insurance license and start selling "proper" health insurance products?

Well, here's the funny thing. LIC used to be a composite insurer. It sold life insurance policies but also dabbled in general insurance through a subsidiary, Oriental Insurance. But then in 1972, the government decided to take over all general insurance companies and create 4 entities that would specialise in general insurance alone. Hence, the bifurcation—life and general insurance. Life insurance companies sell life insurance policies. While general insurance companies sell health, travel, motor, marine and other similar products.

LIC cannot do both. But then, things are changing. There's been a lot of talk about the government reintroducing composite licences. If the regulations are amended accordingly, then LIC could do health insurance, life insurance and everything in between. And while we don't know when the government will tweak existing insurance laws to support this, LIC seems to be setting the groundwork to move quickly when it happens. The company has said that it is looking at pursuing inorganic growth. That is to say, it is not looking to build out the health insurance division from scratch. Instead, it is likely to pick up a stake in existing health insurance businesses to make inroads in this industry.

And it makes sense to get into health insurance at this moment in time. Most families in India are a single medical bill away from poverty. And even as more people transition into middle and upper-middle-class income brackets, there is always the risk of financial ruin if a critical illness were to inflict even a single member of the family. Also, since the pandemic, people have become aware of the risks surrounding such a catastrophic event. It explains why you're seeing a steady uptick in health insurance penetration in India. At Ditto, we have been beneficiaries of this trend. We are seeing more people take an interest in buying medical insurance policies to protect their downside and they often ask us if LIC is an option they could consider.

So far, we've had to turn them down. But maybe if the regulations become favourable and the company takes up health insurance seriously, it could offer serious competition to the incumbents.

By Sree Harshitha S R

Update for the day #2152 | Does Reliance want to take on Airtel in Africa?

The Story

The year is 1997. It's been 2 years since Airtel began operations in India. Through grit and determination, the fledgling company has managed to corner a tiny market — about 1 lakh customers. And while some would baulk at the challenge of building a telecom brand in India, Airtel had other ideas. They weren't just content on building a local brand. They wanted to go international make a high-stakes bet in a completely uncharted territory.

They wanted to bid for a telecom operator's licence in Africa's Botswana.
And even though they failed with their bid, it didn't faze Airtel one bit. They tried again the next year in a different location and scored the licence to operate a national telecom business in the Seychelles, thereby becoming the first company to set up and operate a telecom network outside India.

With wind in their sails, they doubled down on their international goals. This time attempting to acquire MTN, Africa's largest telecom company. The $24-billion merger would create the world's fourth-largest telco at the time, spanning 24 countries and 200 million subscribers.

Unfortunately, government intervention in South Africa scuttled the deal and Airtel had to try again.

But the third time's a charm, isn't it?
In 2010, Airtel bought out the African operations of Zain, a Kuwaiti telecom company for about $9 billion and finally, they made it big in Africa.

Now don't get us wrong. This wasn't easy by any stretch of the imagination.
Two decades ago, the African market seemed a lot like India. It had a huge population with little or no access to telecom networks, prospective customers with low purchasing power and a potential for growth.

Yet, wobbly governments across many countries in the continent forced Airtel to navigate regulatory hiccups and currency devaluations (weak currencies losing value) until it could establish a base in Africa. In fact, in the early years, they had to take on boatloads of debt just to keep the Africa business running. But eventually, Airtel turned itself around. It raised money to pay down debt and expand its 4G connectivity. It strengthened local sales with the help of small SIM card distributors and expanded its reach across Africa.

By 2018 it was able to claim profitability. And today, Airtel Africa is either the first or second largest player by customer market share in 13 out of 14 African markets it operates in. The African unit also generates as much as 27% of the company's consolidated revenues — nearly $5 billion.

Now that you understand the African telecom opportunity, we can proceed to the main headline.
A couple of days ago, news media began reporting that Reliance had announced a partnership with the Ghana government to provide cheaper internet services in the country. And that got everyone thinking— Is Reliance Jio trying to do an Airtel? Are they going to take the battle to

Africa and try and dominate Airtel just as they did in India?

Well, it's a bit complicated.
For starters, Reliance has stated explicitly that they aren't entering the African market as a telecom service provider. Rather, a subsidiary of the company "Radisys" is shaking hands with the Ghana government and a consortium of companies like Tech Mahindra, Nokia and other African mobile network operators to build a solid broadband internet network infrastructure across the country. And they're calling this partnership Next-Gen Infra Co. (NGIC).

This is slightly different from what Airtel did. They went to the African market directly providing telecom services to customers in Africa. Reliance or Radisys on the other hand wants to develop affordable and high-speed 4G and 5G internet infrastructure for Ghana's masses. They are building an open infrastructure, specifically using Open Radio Access Networks (Open RAN). This open infrastructure will allow any telecom service provider in Ghana to enter the market and offer telecom connectivity to the Ghanaian people.

Now you may ask — Why doesn't Ghana build the network infrastructure on its own? Why can't private and public entities in the African nation come together and do this for their country? Well, building a high-speed telecom network, particularly one involving advanced technologies like 4G and 5G, requires specialised knowledge and experience. And companies like Reliance and its subsidiary Radisys have the necessary expertise to do so in a cost-effective manner.

And this is the most important part. Ghana wants to completely digitalise its education, healthcare and payments system by 2030. So, it'll need to make network connectivity affordable.

And while it is true that Ghana has the cheapest internet rates in Sub-Saharan Africa at $0.61 per GB, it still pays a high price for the internet speed it gets. For context, you can download 1 GB worth of data in 2 minutes or less in India. But it takes twice as long to download the same file in Ghana and sometimes even 10x the time in areas where network connectivity is patchy.

So yeah, if this partnership turns out to be a success, it could be a model that Reliance can replicate across other African countries. It could licence its shared network infrastructure to more telecom service providers, rake in higher revenues and grow exponentially without having to acquire a single customer in Ghana directly.

Interesting, isn't it?
Two massive telecom companies pursuing two very different strategies to make a dent in the African market.

By Sourabh Jain

Update for the day #2153 | Are flex fuel hybrid EVs the future?

Picture this. You are off on a road trip with your friends. As you drive, you notice that you'll soon run out of fuel. You switch to the electric mode, seamlessly transitioning to the electric motor, which takes over powering your car. The ride remains smooth and your friends barely notice the change.

You then spot a fuel station up ahead, pull in and refuel. Although you have the option to pick regular ethanol blended petrol, you pick ethanol 100 or an alternative fuel that's almost completely ethanol with just a little bit of petrol and a binder thrown in. Once the tank is full, you switch back to fuel mode, this time running on ethanol. You hit the road again with the electric mode ready as a backup. The car vrooms along efficiently on the ethanol. And you feel good knowing that you're using cleaner fuel.

This isn't just a figment of our imagination. It could actually be a reality in the near future. Thanks to Nitin Gadkari, the Union Minister for Road Transport and Highways, who flagged off the Toyota Innova HyCross, the world's first flex-fuel ethanol-powered EV (electric vehicle) last year. This car not only runs on an alternative fuel but can also operate in EV mode. And vehicles like these could be the future because the Minister has even batted for halving GST (Goods and Services Tax) on them recently.

Now we know what you're thinking. EVs, ethanol blended fuel, hydrogen or even biogas powered cars and now flex fuel hybrid EVs — India has so much on its mind. And everything seems to have a promising future. So, with its finger in every pie, which idea is it even going to pursue?

Okay, let's break that down.

Look, India wants to reduce its GDP emission intensity by 45% by 2030. Simply think of it as the total amount of greenhouse gas (GHG) emission we want to cut for every unit increase in GDP (or the value of all the goods and services the country produces). And since 40% of India's pollution comes from vehicles, it's important to cut down their emissions.

How do you do that?

Well, your first thought would be to go electric. But EVs aren't really great for the environment in their current form. And that's because the massive batteries that power these cars require a lot of nickel, cobalt and lithium. And mining and refining these metals emit a lot of greenhouse gases. Not just that. The electricity that charges your EV comes from fossil fuels since 80% of it comes from burning coal.

And that simply means that switching to an alternative fuel could be the way out. But doing that isn't easy either. You can't scale up biogas fuel simply because it comes from feedstock and India doesn't have enough of it. You can't whip up hydrogen-based fuel either, because it's expensive and lacks infrastructure.

This means that it might be easier to slowly lean towards flex fuel vehicles that use a cleaner fuel source and are scalable too. Ethanol blended petrol is exactly that. It comes from fermenting the sugar in the starches of grains like corn, barley or sugar. And since India is the second largest sugar producer in the world after Brazil, it makes complete sense too.

Look, Brazil has been mandatorily blending its petrol with ethanol since 1976. And it has successfully been able to convert 90% of the country's light-duty vehicles into flex-fuel ones. So, it sets a great example for another developing country like India.

But here's the thing. Even if India wants to achieve 20% of ethanol blending in its fuel by 2025, it'll need to produce 1000 crore litres of ethanol annually. But in the Ethanol Supply Year 2022-23 (ESY), which runs from December to November, we were only able to produce about half of it. So, scaling that will take time as well.

So, what's the most viable option?

Yup, you guessed it. Hybrids!

Look, hybrids are a cusp between a petrol or diesel-powered engine and an electric motor. They don't need an extensive charging infrastructure like pure EVs as they can be recharged by regenerative braking. This simply captures energy during braking to recharge the battery. They're more environmentally friendly than EVs too, because while regular petrol cars emit 244 grams of carbon dioxide per kilometre of use (gCO eq./km), EVs emit just 187 gCO eq./km. And hybrids emit even less at 167 gCO eq./km.

So, it's a win-win. And if that's the case why go with just a hybrid? A flex fuel hybrid EV could obviously leave a lower carbon footprint.

But could flex fuel hybrid EVs actually become the future of India's auto industry?

Well, they could. But they're not without their challenges either.

For starters, these vehicles won't come cheap. Ethanol blended fuel is corrosive. And with regular use, it can damage a vehicle's engine. That could mean more serious problems like rusting and even degradation of fuel quality. Not just that, these fuels have a lower energy, which means lower mileage and increased running costs by as much as 30%. Their supply isn't as extensive as regular fuel either. Sure, flex fuel hybrid EVs have an electric motor to offset that. But these cars have to be engineered differently for that, leading to higher costs. So, it could dampen buyer interest.

Then there's the problem of food security. Look, as of now India's ethanol relies on a part of the food grains coming from its central food pool. This is actually meant for distribution among underprivileged citizens. Sure, we're scaling up ethanol production. But that cannot happen without more land. This essentially means that we'll have to clear more land to grow ethanol producing crops. It's called land use change and it could result in a higher carbon footprint. You could look at the US for instance. Corn ethanol produced in the US leaves a carbon footprint at least 24% higher than regular petrol. Thanks to fertiliser and land use changes required to grow corn.

So yeah, solving these problems is something we'll have to think of before aspiring to mass produce flex fuel hybrid EVs. Otherwise, it's almost like coming full circle, isn't it?

By Anvy Susan Sabu

Update for the day #2154 | Weighing Digital Tradeoffs in Private Equity

When private equity (PE) firms buy a company, they typically follow a standard playbook to create value—streamlining operations, restructuring debt, changing management, and cutting costs. However, as digital technologies and artificial intelligence allow companies to drive productivity and innovation, PE firms are discovering new sources of value creation, new research shows. Moreover, the PE industry itself has become more competitive as the number of PE firms grows, prompting firms to explore a new way of boosting the success of portfolio companies by investing in digital technologies.

"There are many more private equity firms than in the past, so it's becoming difficult for them to generate returns and add value," says Brian Baik, an assistant professor in the Accounting and Management Unit at Harvard Business School. "Investing in cutting-edge technologies could make their [portfolio] firms more efficient."

"The growing success of digital transformation over the past decade has allowed PE firms to develop newer approaches to value creation. Digital technologies allow PE portfolio companies to gain both from top-line growth as well as improved efficiency and productivity," added Suraj Srinivasan, the Philip J. Stomberg Professor of Business Administration at Harvard Business School.

"Pursuing a digital strategy is an especially valuable source of differentiated value creation by PE funds."

Yet digital investments can be costly, which can be a tough sell for PE firms' intent on trimming expenses. So, is the investment worth it? Baik and Srinivasan explore this tension in their working paper, "Private Equity and Digital Transformation," cowritten with Wilbur Chen of the Hong Kong University of Science and Technology. The researchers are affiliated with the Digital Value Lab at the Digital Data and Design Institute at Harvard.

The researchers found that PE investors often turn to digital transformation strategies and technology to help revamp portfolio firms, and this investment often accelerates their assets' growth. "Pursuing a digital strategy is an especially valuable source of differentiated value creation by PE funds," says Srinivasan. "Smaller and mid-sized businesses have limited expertise to pursue a digital transformation strategy. On the other hand, their size and sophistication give PE funds the ability to support a digital transformation strategy. PE funds can offer digital strategies, investment, and talent to their portfolio companies that the individual companies cannot access by themselves.

Why invest in digital technology?

The researchers set out to discover whether PE firms are indeed investing in digital transformation to create value—and more importantly, whether such investments have paid off.

Digital investments can be as simple as moving manual processes online. "You might move to cloud storage instead of having data in a very large file cabinet," Baik says.

More advanced techniques include incorporating artificial intelligence (AI) and data analytics into an organization's day-to-day operations to streamline workflows and gain data-driven insights to improve the business.

"At this time, PE firms are finding that there's a lot of low-hanging fruit in terms of digital value creation, especially in smaller and mid-sized companies. PE firms bring in digitally savvy operating partners who can help their portfolio companies adopt digital technologies more efficiently," says Srinivasan. "The challenge, however, is in implementing newer technologies in organizations with legacy systems."

By Mohana Priya E

Update for the day #2155 | Vi's happiness is Indus Towers' happiness

Vi survives!

Yup, the telecom operator formerly known as Vodafone Idea managed to sell shares worth ₹18,000 crores.

And it can now use that money to repay its vendors and the government of India for the licences it bought to run the telecom company. Maybe it can use part of the money to even upgrade its infrastructure and convince its subscribers to stay.

While everyone's happy that Indian telecom won't end up being a duopoly with just Airtel and Jio, another company is breathing a sigh of relief too. We're talking about Indus Towers. It's one of the 'vendors' to Vi. And Vi owes them quite a bit of money.

But what's Indus Towers' role in the telecom space, you ask?

See, the telecom industry is quite a capital-intensive proposition. You have to shell out money in the form of licence fees. Then you have to bid big money for spectrum which will give them the right to use the airwaves for communication. Then there's the usage fee which is taken out of the adjusted revenue. And on top of that, you might need to set up massive towers too. You need a lot of them if you want your customers to have a lag-free network wherever they go, because the phone network latches on to the signals emitted by these towers to communicate.

Yup, it's a tough industry.

Now here's the thing. Telecom operators don't 'share' the airwaves. They could in certain cases. But it seems they have all the spectrum they need. So, sharing doesn't make sense anymore.

But one thing they can 'share' is the tower network.

And that's what Indus Towers helps with. It sets up those telecom towers you see everywhere—on top of buildings, open fields and grasslands, and university campuses. And then rents out the infrastructure so that the telcos can use it. Each telco can simply add its own equipment to the tower it desires and this prevents duplication of towers too—we don't need to have a tower each from Airtel and Jio right next to each other. Sharing also ends up reducing overall cost for telcos and that trickle down into lower prices for users too.

So, everyone's happy with this arrangement. The telco doesn't need to spend a truckload of money to set up all its towers. The independent tower company gets rent for its troubles. And customers like us experience a smooth network at a lower cost.

But we do have to add one caveat here.

Indus Towers isn't actually an independent tower company. Airtel owns 48% of the company and Vodafone has 21% of it. The rest of the shares are held by public shareholders since it's listed on the stock exchange. But it still caters to all the telcos in the country. It doesn't mete out preferential treatment to Airtel. And it can't because it does have competition. For instance, there's American Tower Corporation (ATC) India which has been around since 2007 and has around 75,000 towers across the country. So, if Indus does discriminate, it will eventually cede business to these rivals.

So, how can the business of a tower company like Indus really expand?

Well, there are 3 factors that analysts point to right now.

Firstly, research firm Jefferies points out that telcos such as Airtel have been expanding their rural operations and trying to cover more remote areas. And they need more towers in order to meet those needs.

Secondly, the rollout of 5G is still in progress. And if telcos want to improve speeds and connectivity, they require a higher density of towers even in urban areas. That means folks like Indus Towers will benefit from that too.

And thirdly, Vi's revival itself is a boon. Sure, you could argue that the latest funding is just a stopgap for the next few years. But even in that interim, Indus can be assured of having another potential tenant on many of their towers. They're not just depending on Airtel and Jio for their rents. This is crucial because some experts believed that the demise of Vi was imminent. But with fresh money flowing into Vi's coffers, they believe that there's a "100% probability of a three-player market."

That's important because for Indus Towers, the best scenario is to have even more telcos in the mix. If they could go back to the days of 12 operators, it would probably be a fantastic outcome. But since that's not happening, they'd be better placed with at least 3. And they'll be hoping it remains that way.

And one way to gauge how this improves is by looking at something called the tenancy ratio. Think of this as the number of telcos that Indus hosts per tower. It's currently at 1.7 and the hope is that with Vi in the mix, this should trend higher.

Oh, and the near-term bonus is that Vi will finally be able to pay Indus what it owes them. In fact, IIFL Securities is already getting rid of something it was accounting for earlier—the 'doubtful debts' provision worth ₹100 crores per annum.

Because of all this, most brokerages seem to think the only way for Indus Towers' share price is 'up' for now.

But hold on, we do have to point out a couple of things here.

For starters, Indus Towers' average rental revenue from each tower is around ₹74,000 a month. And this actually dropped from FY21 to FY23. Which means that it's not able to squeeze out higher charges from the telcos.

And that could be because of increased competitive intensity.

A rival firm called Summit Digital has been causing a bit of a flutter. It signed up Airtel as a key client a couple of years ago. And it has also signed Jio to what Emkay Research calls a "non-cancellable, 30-year contract." That makes Jio its anchor client and puts pressure on Indus.

So yeah, while Vi's revival is a cause for a party, Indus definitely has some dark clouds over its backyard too

By Harshini M

Update for the day #2156 | How is Amazon buying MX Player for dirt cheap?

The Story

If you were to go back in time, maybe about a decade ago and name a widely popular media player on your phone, what would you think of?

If you asked us, we'd say MX Player. It was one of those apps that helped you play any kind of video file on your phone, whether it was a movie you downloaded or something that your friend sent you via WhatsApp. MX Player played it all by default. It was to phones what VLC Media Player was to a computer.

Sure, it was a service that sprung up in South Korea. But Indians loved it so much that by 2018, 70% of its 50 crore downloads came from the country. And with over 17 crore users per month, you bet it was a huge hit.

That's also why Times Internet, the digital arm of media firm Times Group, lapped it up for a whopping ₹1,000 crores that same year. It wanted to make it big in the content space after a failed attempt to take off its OTT (over-the-top) venture called BoxTV.com. And MX Player, with its huge fan following, could be just the push it needed.

But now, the once far-famed MX Player is changing hands again. Times Internet is mulling over selling it off to Amazon at just about ₹500 crores — half the price it paid for the app nearly six years ago!

So, what ate up MX Player's valuation, you ask?

Well, let's begin from where we left off. After Times Internet acquired MX Player, it sorts of changed its DNA. It transformed the media player into a streaming service by not just licensing content from platforms like AltBalaji, The Viral Fever (TVF) and SonyLIV, but also produced its own shows.

And it made sense because by now users had switched to smartphones that had inbuilt media players equipped to play videos by default. No one needed a separate media player anymore. Not just that. Reliance had just disrupted the telecom market with Jio's incredibly low-priced data and voice services. So almost everyone, including the folks living in rural areas had begun to discover online content.

The only way to capitalise on that though was to run on the freemium model. Or simply a free platform that would slowly push its paid premium services as users grew. It also had the confidence of Tencent Holdings, China's internet giant which backed it up with an investment of $100 million (over ₹700 crores) in 2019.

Soon, the pandemic came swooping down, locking up people in their homes. But for OTT platforms it was like an opportunity that knocked on their doors. And MX Player was no exception. It quickly grabbed the chance and launched other verticals within its content streaming app to boost users as well as revenues.

There was MX Takatak, a short video platform that would make up for the loss of TikTok that India banned around the same time.

There was Gaana which fuelled the fun for music lovers. That decision must have probably been influenced by a 2019 study which revealed that Indians typically spent about 19 hours a week listening to music, much over the global average of 18 hours. 80% of surveyed internet users also identified themselves as "music fanatics" or "music lovers", which was also much higher than the global average of 54%.

And then there was gaming too. The streaming app tied up with gaming biggies like Nazara, Gamezop, Gamespix, Google Games Snacks and others to offer games like ludo, cricket and carrom that catered to the Indian audience. And you could see that they struck the right chord as MX Player's monthly active gaming user base had hit 25 million. Even the time that these users spent on the app's games rose. For context, over the first 4 months of the pandemic, time spent per user on games alone skyrocketed by 180% to 70 minutes per user per day.

To top it all, it also expanded across international markets like Canada, Australia, New Zealand, Bangladesh and Nepal in addition to the US and the UK.

And you could say that this strategy worked simply because MX Player became India's top video streaming app by 2021. To put things in perspective, each MX Player user spent close to 8 hours per month on the app. That was a little over the time users present on Netflix and nearly twice the time they spent on Hotstar and Amazon Prime Video. So, MX Player was second to only YouTube, where an average Indian user spent about 26 hours a month.

But here's the thing. A growing user base that spent more time on the app didn't mean that MX Player was actually raking in the dough.

In fact, it wasn't even able to break even or make enough revenues that took care of its costs, because here's what we didn't tell you. Most of MX Player's users came from tier 2 and tier 3 cities and towns, who couldn't afford to buy expensive Netflix, Hotstar or Amazon Prime subscriptions. That's exactly why they turned to MX Player, which was free. And you can imagine, that's not the kind of user base that will be willing to upgrade to a paid subscription. So that obviously jolted revenues.

But MX Player still had ads. So, it could still make money by throwing advertisements on screen. Besides, it also launched a service called MX Advantage that helped all kinds of businesses advertise across different OTT, gaming, music, live and video streaming platforms.

The thing with advertising revenues though is that it depends on how much money brands can afford to splash. And thanks to the post pandemic funding winter, startups were strapped for cash. They relied on cost cutting to stay afloat. And that meant that their marketing budgets had come down too.

The proof was in the pudding. A back of the envelope calculation by GrowthX showed that it took about ₹20 to show an advertisement 1000 times on MX Player. So yeah, that was a sign that advertisers weren't spending enough. In FY23, the platform's advertising revenues even dropped by 17% over the previous year. Not just that. For every ₹100 that MX Player earned, it spent ₹120 on advertising itself.

Add to that the rise of Jio Cinema which even began streaming the IPL (Indian Premier League) for free, and the cheaper subscription plans which competitors like Netflix, Sony LIV launched, and you'll see why MX Player couldn't hold ground. It wasn't making enough money to produce better content to attract an audience that would pay to watch its shows. And that simply meant that losses widened.

That's when Amazon came in as a prospective suitor. Last year it offered to buy the ailing streaming platform that still had a great user base for nearly half the price Times Internet had first paid for it. It would be a great fit for Amazon's ad-based free content streaming service like MiniTV. Times Internet obviously baulked at that.

But a continued cash crunch seems to have rekindled acquisition talks. Does that mean that Amazon could pick up a great bargain this time around?

We'll only have to wait and see.

By Shanu Jain

Update for the day #2157 | The real reason why RBI stores its gold in London

Last week the RBI said that it had moved 100 metric tonnes of its gold stored in the UK to domestic vaults in FY24. And as one article in Business Today notes—"This significant transfer marks one of the largest movements of gold by India since 1991".

100 metric tonnes of gold do seem like a lot of gold. However, the RBI is currently sitting on 822 metric tonnes of gold. So, this is a little over 10% of RBI's gold holding. The concerning bit however is that there are still over 400 metric tonnes of gold in the UK.

Which begets the immediate question—"Why? Why keep it in the UK and what good is this gold if it's stored abroad?"

Well, you are right.

Gold stockpiled in a vault is of little use to anyone. It eats space, costs money and slumbers in a dark room. You can only realize gold's potential when you sell it. However, selling gold can be a bit of a challenge. This may seem counterintuitive to most people, considering gold is almost universally accepted as a medium of exchange, but I am referring to certain logistical challenges. When you are transacting large quantities of gold (say a few tonnes), it becomes imperative to operate in a transparent, liquid market. A market where you have many buyers and sellers. A market where everyone plays fair. And a market that offers competitiveness and some degree of security.

Here, you can get the best price for your gold—irrespective of whether you're buying or selling. And London has it all.

They have the most liquid market i.e. this is where most buyers and sellers prefer to trade physical gold and it is aided by a robust supporting infrastructure vault, specialized transportation companies, bespoke insurers and customs handling firms. The Bank of England vault (where the RBI holds some of its gold) for instance has state-of-the-art security systems, including biometric scanners, motion detectors, 24/7 surveillance, and reinforced construction designed to withstand a variety of physical and electronic threats. They're so secure that they have never had gold stolen from them. Ever.

And there is the London Bullion Market Association. This is the organization that oversees the gold and silver markets in London. They make sure that the gold isn't bad and that everybody plays fair.

In effect, if RBI ever wanted to store gold or trade in the global markets (exchange the gold for foreign currency for instance), London is the best place to do it.

But wait... Why not another country that has a similar supporting infrastructure? Or why can't India position itself as a global trading hub for gold? Well, there are a few challenges.

London did not just become the central hub for gold trading overnight. Instead, this has been in the making for hundreds of years—going all the way back to the 1600s and the East India Company. Ships laden with gold and precious metals sailed into London, and a market for gold began to take shape from this plunder. Soon, refiners, banks and businesspeople began dabbling in gold. The infamous Rothschilds for instance set up the Royal Mint Refinery in 1852 in

London at the precipice of the gold rush. There was gold coming in from California, then Australia and finally South Africa. And considering London was the capital of the British Empire, most of this gold made its way to the metropolitan centre for processing, sale, and use and this only further bolstered London's position in the global market for gold.

By the 20th century, when most countries started backing their currency with physical gold, London had already transformed itself into a global hub for gold trading with most of the supporting infrastructure. All they had to do was hold on to their near monopolistic status. And they did (bar the rise of American influence).

So, the question isn't why RBI stores its gold in London. Why are they getting it back now?

Well, RBI says there's nothing to it. But maybe the Indian Central Bank isn't overly keen on holding over 50% of their gold holdings abroad. The US and UK have in the past unilaterally seized Russian gold held in their banks. And this may have spooked some countries. If it can happen to Russia, why can't it happen to us?

Maybe that's why they're de-risking. Maybe holding that much gold in London (for convenience and ease of doing business) may not be the smartest thing to do considering the current geo-political scenario. And RBI has finally decided to get some of the gold back to India.

By Vishnu Sankar

Update for the day #2158 | When Does Impact Investing Make the Biggest Impact?

The idea of supporting social change has propelled impact investing assets to more than $1 trillion. But what if those funds aren't as impactful as investors expect?

Recent Harvard Business School research indicates that while impact investors do behave differently in some important ways, the vast majority tend to invest in companies that are also able to raise capital from non-impact investors. More than half of funding rounds involving impact investors include co-investment with traditional, profit-motivated investors.

The study finds impact investors are more likely to invest in disadvantaged geographies and nascent industries, and they exhibit more risk tolerance and patience. However, the authors also find employee satisfaction tends to decline once an impact investment is made.

"In their mind, if they give a company $1 million equity investment, when nobody else was willing to do that, then that company has more capital and can-do things that it couldn't otherwise do."

Doing well by doing good is an important trend in business generally and venture capital specifically, with the sphere of impact investing no longer niche as big players like Bain Capital and BlackRock dive in. One important question the HBS study tackles carefully is the question of "additionality"—would the portfolio companies of impact investors have been able to raise capital from traditional investors, or might they have been passed over because of their increased risk?

"Some impact investors care a lot about additionality. In their mind, if they give a company $1 million equity investment, when nobody else was willing to do that, then that company has more capital and can-do things that it couldn't otherwise do," explains Shawn Cole, the John G. McLean Professor at HBS, who is one of the study's authors. "But, if there were 20 other venture capital funds that would have been just as happy to give $1 million to that firm, then the capital isn't additional. This seems to be the case for the majority of the portfolio companies we identify."

However, Cole pointed out there are different approaches to impact investing. "Most of the dollars raised are deployed in funds seeking market returns, and many of those investors are quite happy to co-invest with traditional venture firms." Impact investors may seek to influence portfolio companies in other ways.
Cole conducted the research with HBS colleagues Leslie Jeng, senior lecturer; Josh Lerner, Jacob H. Schiff Professor; Natalia Rigol, assistant professor; and Benjamin N. Roth, Purnima Puri and Richard Barrera Associate Professor.

Where impact investing makes the most impact

Impact investors approach targets differently than traditional firms, the authors note. They focus on disadvantaged regions and emerging industries, allow for longer time horizons, and take more risk than traditional investors.
Impact funds tend to prioritize consumer staples, energy, financials, industrials, materials, real estate, and utilities. Impact investors, on average, target investments in countries with 23 percent

less economic output—$9,400 per capita—than those of mainstream companies. Impact-only investments may require more patience, with a roughly 25 percent longer time to reach success.

"It's not simply greenwashing in the sense that there are real differences between impact investing and non-impact investing," Cole says. "But it's a matter of degree."
Areas for further research

The researchers found that employee satisfaction dropped twice as much when impact investors bought a stake in a company, compared to the decline after a traditional investment. That may cast some doubt on the social benefits of impact investing at early stages and deserves further study, they note.

The study also suggests that impact investments might benefit companies that can't raise funds through mainstream channels most, the researchers say.

Reporting on impact investing is fast evolving. "There are a lot of really important questions that are hard," Cole says. "Quite frankly, they may not even be answered in the venture capitalist space. Questions like 'what are best practices for impact investing?' Our hope is that these data allow us and other researchers to begin to shed more light on this important sector.

By Vijay Sathyanarayan

Update for the day #2159 | Do Indian elections care about climate change?

During April & May 2024, over 64 crore people voted in the world's largest elections. That's 1 out of every 13 people living in the world.

But here's something we may not have spoken of enough throughout this long-lived frenzy — climate change.

Sure, political parties may have touched upon climate change in their election manifestos. But talking about climate change in India doesn't grab votes. And that's because voters normally tend to prioritise issues that have an immediate effect on them like development, social welfare and employment.

That's exactly why you'll see that the conversation about climate change often goes missing from the country's electoral debates despite acute water shortages, erratic weather and rainfall patterns. In fact, in some parts of India it was hard to step out to vote amidst extreme heat waves.

It also explains why just about 0.3% of the questions asked in the parliament relate to climate change or why India has just 1 out of over 700 political parties which focuses on the environment.

But elections mean large gatherings, canvassing, campaigns, advertisements and even people commuting to and back from their polling stations. This implies a lot of transportation, waste generation and of course pollution. So, it's not something you can overlook.

To put things in perspective, if every Lok Sabha constituency uses an average of 1,000 vehicles for election-related work for just a month, each consuming about 15 litres of fuel per day, the entire campaign across India could burn about 244 million litres of fossil fuel or 660 million kilograms of CO_2. And removing that could take at least 2 crore trees.

Then you have the impact of campaign flights and helicopters which are the most preferred mode of political campaigning. This year the demand for helicopters rose by about a third from the last elections in 2019. And that's not a great look, especially when most of this demand came from two leading Indian political parties.

If you look at the US presidential elections in 2016 for instance, emissions from just one candidate's campaign flights were equivalent to the annual carbon footprint of 500 Americans. So, you can imagine the environmental impact the increased demand for helicopters in India has left behind.

Add to that the impact of other election related events, and the carbon footprint can be massive.

So, what are we doing to address this, you ask?

To begin with, in 2019 the Election Commission of India (ECI) came up with the concept of green elections. It directed political parties and their candidates to use eco-friendly materials while printing campaign banners.

Because you see, political parties traditionally rely on environmentally harmful PVC (polyvinyl chloride) flex banners to promote themselves. And 99% of these single-use plastic banners end up in landfills.

This year too, it asked political parties to reduce carbon footprint by using public transport and carpooling for their campaigns. District election officers were also instructed to set up polling stations by consolidating them in such a way that it cut the distance travelled by officials and voters didn't have to travel over 2 km to cast their vote.

Then you have electronic voting machines (EVMs) — an innovation that has actually helped a little bit. Despite 2004 being the first Lok Sabha poll to use EVMs in all its 543 constituencies, the idea of electronic voting dates back to the late 1970s. Back then, the country voted using paper ballots which not just lengthened the counting process but also had quite a significant environmental impact.

For context, the last parliamentary election that used paper ballots required close to 10,000 tonnes of paper. That's equal to cutting down over 1 lakh fully grown trees. EVMs came in and changed that. They didn't just save paper but also were light machines, even lighter than ballot boxes, that ran on batteries. And that meant that they reduced a vehicle's payload, translating into lower fuel consumption and emissions while being transported.

But here's the thing. EVMs aren't all that green. When connected to the VVPAT (Voter Verifiable Paper Audit Trail) machine that keeps voting trails, they use paper too. And disposing of these papers could be environmentally harmful. Thanks to a metal coating which ensures that the print on them lasts long enough.

Besides, green elections aren't a norm. They're just directives or optional guidelines to promote environmentally friendly electioneering practices. And despite some states like Goa setting up eco-friendly election booths with biodegradable materials crafted by local artisans for their Assembly elections, you can't really make up for the huge bulk of carbon emissions across the country without etching these practices in stone.

You could look at Kerala as an example. After the ECI advised against the usage of hazardous plastic material, its High Court actually imposed a ban on flex and non-biodegradable materials used for elections. Wall graffiti and recyclable paper posters emerged as alternatives.

To sum it up, elections are important. And we can be incredibly proud of the way the elections were conducted this year while applauding the efforts of hundreds and thousands of people who made it all happen. However, we hope that future elections don't have to impose such a massive burden on the environment.

By Barani Shre S S

Update for the day #2160 |Why is India expediting visa applications from China?

A few months ago, the Indian government did something baffling. It simplified and even sped up visa approvals for Chinese folks travelling to India. India's relationship with China has never been a bed of roses. The two countries have always competed with each other to claim territories along the borders. The situation worsened in 2020 when border clashes between Indian and Chinese troops killed soldiers from both sides. And ever since, India has not just slapped trade and non-trade barriers on China, but has also been cautious about its ties with other neighbouring countries.

The Indian government is expediting visa approvals of just a few selected Chinese individuals. So not all Chinese travellers have this privilege.

Until nearly a decade ago, global companies sourced most of their supplies from China. Stuff like toys, apparel, electronic goods, you name it, all of it came from China. Thanks to the country's low labour and production costs which crowned it the factory of the world. Investors sniffed this opportunity and flocked to China too.

But such heavy reliance also meant that most Western companies and investors were overexposing their businesses and money to China. It was like putting all their eggs in one basket. And that was a risky affair.

That's why they came up with a global business strategy to de-risk. They called it the China-plus-one strategy. Simply put, large economies like Japan and the US began to look for opportunities in other countries so that they could diversify their businesses and supply chains away from China.But this spirit wasn't strong enough until two events panned out.

One, the US started off a trade war against China, blaming it for unfair trade practices like intellectual property theft. And that quickly escalated into a fight for dominance in semiconductor chip technology between the countries.

Two, China's Zero-COVID policy. During the pandemic, China extended lockdowns throughout the country even when other countries had opened up for business. And no sooner had this disrupted supply chains across the world, than the global economies and investors began scouting for serious opportunities outside China.

Countries like Vietnam, Malaysia, Bangladesh and Taiwan began to emerge as alternatives.

And that was music to India's ears. It wanted a piece of this pie too.

So, in 2020, it rolled out a strategy called the PLI (Production Linked Incentive) scheme. The idea was simple. The Indian government would encourage local manufacturing and generate employment by incentivising companies to make in India. To put things into perspective, they'd receive financial incentives based on the incremental sales they made from products manufactured in India. These companies could make anything in house, spanning from textiles, food, mobiles, electronics, pharmaceuticals, medical devices, renewable energy, railway and auto components and even drones.

This simple trick could also reduce India's dependence on imports from China, attract global companies to set up factories here and also bring in foreign investments.

India wants to reduce its dependence on China, no doubt. But it can't do that completely even if it wants to simply because China is home to nearly a third of the world's manufacturing. That's as much as America, Japan and Germany's manufacturing capabilities combined. And it enjoys that status not only because of low costs and cheap labour but also because it's one of the few countries rich in a wide array of raw materials and natural resources. Stuff like coal, iron ore and other rare earth metals that are key to high tech manufacturing and industries, the dragon has it all.

India on the flip side, is just starting off as a manufacturing hub by either adding value to or assembling components it imports from China. And this means that China's technicians and engineers will also have to be a huge part of India's manufacturing growth story.

Many Indian manufacturers and even MNCs (multinational corporations) that set up shop in India to shift their machinery, research and development from China need Chinese expertise for installation, testing, expansion and repair work. But the courtesy of our sour trade ties meant that it was hard for them to get visas, let alone travel to India.

Just look at what happened to the Bengaluru Metro's Communications Based Train Control (CBTC) or first driverless train. It was supposed to be up and running by November 2023. But work visa delays for 65 of Chinese technical staff from the CRRC (China Railway Rolling Stock Corporation), the train's manufacturer, meant that it pushed back the much-anticipated trial run. The end result was that this derailed the Bengaluru Metro's Yellow Line deadlines. In fact, it's still not ready. And you can imagine how instances like these can stall India's growth plans.

So, the government had a brainwave. It said "Hey, let's set up a standard operating procedure (SOP) to streamline visa approvals. That way the Chinese technicians whose expertise is required by folks covered under the PLI scheme can easily travel to India."

It began prioritising visa applications that came from PLI units for Chinese technicians and engineers and made sure that the approvals came in quickly.

And it doesn't want to stop there. A couple of days ago the government announced that it was working on a similar protocol to simplify visa procedures for Chinese employees of companies who weren't lucky enough to get approvals under the PLI scheme.

So yeah, that's exactly why India is giving specific Chinese visas a push.

By S H L Vasavi

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