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Contents

Foreword

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

In today's rapidly changing world, staying informed about global events is crucial. Whether it's local news or international affairs, understanding current developments is essential. These events can directly or indirectly impact our lives. We're thrilled by the positive response from our readers. It's a testament to the value they find in our content. Every milestone we achieve is a step forward on our journey of learning. Each learning opportunity illuminates our path, enriching our knowledge. We're committed to providing valuable insights and analysis, your continued support encourages us to strive for excellence. Together, let's explore the boundless horizons of knowledge.

At SURESH & CO., we cultivate an environment that fosters personal and professional growth. We believe in the power of collective intelligence. Our, team members are empowered to challenge the status quo, refine their thinking, and broaden their perspectives.

This edition showcases the early insights of these young minds. While these updates offer valuable sparks of inspiration, please note that these updates are preliminary and may not have undergone expert review. We invite readers to delve deeper into these topics and form their own informed opinions.

Thank you for embarking on this journey with us. Let the "EMERGING THOUGHTS" empower you to shape the future of knowledge and innovation.

“In every day, there are 1,440 minutes. That means we have 1,440 daily opportunities to make a positive impact.” — Les Brown

As we step into a new month, let’s focus on making each day count. Whether it's through small acts of kindness, setting new goals, or taking time for self-reflection, each moment offers a chance to make a difference. Let's embrace these opportunities and bring positive energy to everything we do.

Update for the day #2161|RBI to set up digital payment's intel platform after cyber frauds spike over 700%

The Reserve Bank of India (RBI) Governor, Shakti Kanta Das, on Friday announced establishing a digital payments intelligence platform owing to recent surge in bank, digital frauds.

"Growing instances of digital payment frauds, however, highlight the need for a system-wide approach to prevent and mitigate such frauds. It is, therefore, proposed to establish a digital payments intelligence platform for network level intelligence and real-time data sharing across the digital payments' ecosystem," said Das.

"To take this initiative forward, the Reserve Bank has constituted a committee to examine various aspects of setting up the platform," he further added.
As per ET bureau sources, the panel will be chaired by Abhaya Hota who played a key role in transforming India into a digital economy as the first chief executive officer of National Payments Corporation of India (NPCI).

Members of the panel would include representatives of NPCI, State Bank of India, HDFC Bank and ICICI Bank. From the payments industry, Vipin Surelia, head of risk at Visa, Arif Khan, chief innovation officer at Razorpay, Jitendra Gupta, founder of Jupiter, and Pranay Jhaveri, managing director of Euronet, have been appointed as members of this committee, sources told ET Bureau.

The platform will define the operational parameters and processes that will determine the extent to which data will be provided by reporting entities like banks and fintech. The committee will have to specify these parameters.
An analysis of frauds reported across banks has revealed a significant increase in the number of cases in FY24, with a total of 36,075 cases, marking a nearly 300 per cent rise from the 9,046 cases reported in FY22.

Despite this surge, the amount involved in these frauds has drastically decreased from Rs 45,358 crore to Rs 13,930 crore, according to the central bank's annual report for FY24.
The report highlighted a 46.7 per cent drop in the total value of frauds reported during FY24 compared to the previous year. The Reserve Bank of India (RBI) noted that while private sector banks reported the highest number of fraud cases over the past three years, public sector banks accounted for the majority of the fraud amounts.

Frauds in digital payments, including card and internet transactions, was the most common in terms of the number of cases, the RBI stated. However, when considering the value, the majority of frauds were linked to loan portfolios. The analysis indicated, "While small value card/internet frauds contributed maximum to the number of frauds reported by the private sector banks, the frauds in public sector banks were mainly in loan portfolio."

The number of frauds related to card and internet payments surged from 3,596 in FY22 to 29,082 in FY24. The value of these frauds also increased significantly from Rs 155 crore in FY22 to Rs 1,457 crore in FY24.

Additionally, a study of fraud cases reported during FY23 and FY24 showed a 'significant' time lag between the occurrence and detection of frauds.
The RBI reported that 94 per cent of the fraud amounts reported in FY23 occurred in previous financial years. Similarly, 89 per cent of the fraud amounts reported in FY24 were from earlier fiscal periods.

By Darshan N

Update for the day #2162|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 liters 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 kilometer 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 fertilizer 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 Aasta Jain

Update for the day #2163|Can INDIA grab the opportunity??

Now, let's go through the opportunity I'm referring to. Bangladesh is in a state of lawlessness.
Last week, violent anti-government protests rocked Dhaka, Bangladesh's capital. In the midst of the turmoil, the Prime Minister stepped down and sought refuge in India. Meanwhile, the army is seeking to form a temporary government.

Unsurprisingly, the country's economy is also bearing the brunt of the political instability. Many businesses have temporarily shut shop due to fears of vandalism and as these tragic events unfold in our eastern neighbour, Indian textile stocks have rallied and shown significant gains, ranging from 11% to 20%. Surprised, right? Well, the current rally is fueled by the promising news that India's garments sector is riding the wave of Bangladesh's ongoing clashes. But why would Bangladesh's misfortune be a boon for India?

Well, that's a bit of a long story. So, let's take it from the top. Bangladesh gained independence after a nine-month-long war with the state of Pakistan in 1971. Since then, the country has faced it all, from struggling with a primarily agrarian economy to battling continued political instability and relentless floods year after year. Yet, despite these obstacles, it has grown, halving poverty and significantly boosting its gross domestic product (GDP). In 1972, its GDP was a mere $6.2 billion. Currently, it is nearing the half-trillion-dollar mark, with per capita income topping $2,500, surpassing even India and this massive transformation has been primarily driven by the ready-made garment (RMG) sector.

In the 1970s international companies like South Korea's Daewoo saw potential in Bangladesh's low labour costs. Daewoo set up a joint venture with local firm Desh Garments, bringing skilled supervisors and setting up a foundation for the industry. By the 1980s, Bangladesh had started to develop a vibrant garment sector. Foreign investment played a key role, and as global quotas on garment exports were lifted in 2005, Bangladesh seized the opportunity. For starters, the World Bank had established global quotas to protect the textile industries in developed nations from being overwhelmed by cheaper imports from developing countries.

And when the quotas went away, Bangladesh made massive inroads.
The momentum only carried on in the 2010s, as China's share of the garment market shrank due to rising labour costs. To put things in perspective, in 2014, China held a dominant 38% of the global garment market, but by 2023, this had dropped to around 30%.
Meanwhile, Bangladesh's garment exports skyrocketed from $25 billion in 2014 to over $38 billion in 2023. While China's exports still amounted to a hefty $160 billion, Bangladesh's rapid growth highlights its successful capture of the shifting market and the last two decades have been particularly game-changing for Bangladesh, which has now positioned itself as the world's third-largest RMG exporter after China and the EU.

Also, the country's success isn't just due to favourable trade deals; it's also a result of improved safety and labour standards and a strong partnership between the garment industry and the government. Today, Bangladesh boasts over 4000 garment factories, employing over 4.4 million people, mostly women.

Now, when we look at India's stats, its textile exports languished at $14.5 billion, which is in stark contrast to the figures from China and Bangladesh. This dip isn't an anomaly but part of a troubling trend fueled by several critical issues and we are not saying this. A recent Global Trade Research Initiative (GTRI) report highlights this fact very succinctly.
India's textile industry has missed a significant opportunity by under-representing synthetic apparel,

which now dominates global markets. With less than 40% of exports in this category, India has failed to tap into a massive segment of global demand.
Moreover, India's small, outdated weaving units struggle with high production costs and inferior quality, which again puts them far behind international competitors like China.
Further, only a handful of factories in India meet the fast fashion standards required by major retailers. This gap limits India's access to global markets and weakens its competitive position.
To top it all off, rigid labour laws and weak contract enforcement worsen the situation. These regulatory hurdles stifle growth and adaptability, making it challenging for India to compete internationally with this introduction, we can finally get back to the main story. How does India gain in all this?

Amid the current prevailing tumultuous backdrop, Bangladesh's garment manufacturing body called for a complete halt to the operations of all garment facilities in the country. This could turn the tide for India. Foreign companies and major international brands currently reliant on Bangladesh for their sourcing needs may want to diversify if they encounter delays and reduced product availability and industry experts seem to think that if 10 to 11% of Bangladesh's exports are diverted to Indian garment manufacturing hubs like Tiruppur, India could add additional business of $300–400 million per month.

However, there is one big question here: Will it last?
To answer this, let's look at what happened when Sri Lanka was reeling from the most difficult economic crisis after COVID-19. The country was facing an acute foreign exchange crisis, which affected its capacity to even import food and fuel. Amidst this backdrop, Sri Lankan apparel exports also hit rock bottom. Back then, foreign companies had turned to Indian garment manufacturers, particularly the textile hub in Tiruppur, Tamil Nadu. And consequently, Indian apparel makers' revenues grew by 16–18% during this period.

But this diversion was short-lived and eventually spinning mills and fabric manufacturers in Coimbatore and Tiruppur began struggling due to a drop in Western orders and high competition from cheaper imports. An 11% import duty on cotton and strict quality controls exacerbated their difficulties further despite falling cotton prices.
Today, most local mills are struggling, and some are even shutting down. They're calling on the government to remove the cotton import duty and ease synthetic fibre import norms to boost their competitiveness and help them cope with global competition.

So, nothing really changed despite the short boost. In a similar vein, global garment demand may shift to other destinations, including India, but once Bangladesh bounces back, the only factor that will weigh in will be export competitiveness. Evidently, India must solve the deep-rooted structural problems that are ailing its garment manufacturing industry to compete with countries like Bangladesh and Vietnam.
The Foreign Trade Policy 2023 emphasises that the real challenge and opportunity lie with the Indian states, particularly those rich in labour potential but lacking business-friendly environments (Bihar, Uttar Pradesh, Odisha, West Bengal and the like).

You see, tapping into this potential requires a strategic overhaul in three key areas:

- First, launching an investor concierge service to cut through bureaucratic delays, addressing issues like labour and regulations swiftly.

- Second, liberalised labour rules should be adopted to enhance flexibility and competitiveness, match global standards, and reduce costs.

- Third, implementing an employment-linked incentive scheme to bridge wage gaps. By offering incentives tied to job creation and investment, states can attract manufacturers and stimulate local economies, turning these labour-rich regions into vibrant garment production hubs.

So yes, it’s crucial to tackle the underlying issues and implement targeted policy changes to truly revolutionise India’s garment export sector. Quick fixes won’t cut it; we need sustainable solutions for long-term success.

Maybe we can take a page out of Bangladesh’s incredible success story!

Well, it’s always known that one person's gain often comes at the expense of another's loss.

By Chetan N

Update for the day #2164|Russia is now the fourth largest economy. But how?

Russia is now the fourth-largest economy!
And it's not Russia or us saying this. It's the World Bank. Last August, the World Bank released its PPP-based GDP (Purchasing Power Parity based Gross Domestic Product) data for global economies as of 2021. Simply put, it compared the economic output of different economies in the form of the goods and services they produced, while also considering their standards of living. And it found out that Russia overtook Germany to become the fifth largest economy.

A few days ago, though, it revised that report. It said that its last report was based on obsolete data. And this fresh data shows how Russia actually overtook Japan to become the world's fourth largest economy in terms of PPP-based GDP in 2021, while also managing to stay on number four ever since. But here's the thing. Ever since Russia began invading Ukraine, most Western economies like the US, UK and EU have slapped sanctions on it.

They've refused to accept a bunch of goods from Russia, while also denying non-essential exports to the country. They've cut off Russia from the SWIFT (Society for Worldwide Interbank Financial Telecommunication), a global interbank messaging network that helps facilitate international transactions between countries. Heck! They've even frozen nearly $300 billion worth of foreign reserves that Russia had parked with them as emergency savings before the war broke out.
Their motive behind this was simple. Hampering trade with Russia could cripple its economy and make it difficult for it to fund the war.

But let alone an economic decline, Russia's GDP has actually grown by over 3% last year.
So, how has it managed to defy the odds, you ask? For starters, Russia's oil exports are still reaching the US and UK's fuel tanks. Thanks to a loophole that countries like China and India are banking on. You see, Russia is the world's second largest crude oil exporter. And China and India are the two largest importers of it. Their transportation sectors depend on crude oil for most of their fuel. And they even process this crude oil to re-export the refined products to other parts of the world.

But since they don't produce enough of it, they rely on imports. And their oil imports from Russia only started rising after the Russia-Ukraine war took off. That's because Western sanctions meant that no one was willing to buy Russia's oil. So it had to actually sell the commodity at a discount to make it appealing for countries who couldn't cut off from it.

China and India obviously lapped up the cheaper oil, threw in crude oil from other countries during the refining process and legally exported it to the US and UK! That's because the "rules of origin" classify crude oil refined in a particular country as a product of that country even if it originated somewhere else. You could look at India as an example. In FY23, the country was able to import Russian crude oil at an average price of $83 per barrel. But if you were to go by the Dubai crude benchmark, which sets the base price for most Indian crude imports, the same commodity would be $12 more expensive.

That's exactly why the Jamnagar Refinery, which is the world's largest, imports nearly a third of its crude oil from Russia now — a stark contrast to importing nothing from Russia before the war. It then blends this with other foreign crude oil to refine it into petrol, diesel and other products that can be legally exported to American companies. And the end result is that despite the myriad sanctions, Russian crude oil still makes its way into Western countries, boosting its economy.

But it isn't just the oil exports that are helping, but the war itself. Yup! Russia's public spending has been on the rise ever since it declared war. Its Central Bank is even printing more money so that the government can spend on arms and ammunition, tanks and planes and even pay its armed forces, and compensate their families when they die. Not just that, Russia has been ramping up its industrial production over the last two years. Its factories are producing everything from boots to ammunition, running around the clock, often on mandatory 12-hour shifts with double overtime, to sustain the Russian war machine.

And this increased spending and production only adds up to its GDP. But wait… Won't all of this excessive spending trigger inflation? Actually, it has. In fact, the Ruble has even lost about a third of its value against the US Dollar in 2023. But Russia had a magic bullet for that too. Its Central Bank quickly cranked up interest rates so that it would become harder for people and companies to borrow and spend more money. That aside, it has even made it tough for Western companies who are still operating in Russia to take out money from the country. To put things into perspective, foreign companies selling their Russian assets aren't allowed to withdraw the proceeds in Dollars and Euros.

Besides, Western companies winding up their businesses have to even agree on a sale price in Rubles. Insisting on receiving money in a foreign currency could only mean that they'd face delays or even suffer losses on the amounts that they can finally take back with them.
And money that stays within the economy can actually work as additional effective control against its devaluation. So yeah, that's what's holding up Russia's economy so far. But is this war led growth sustainable in the long run? Most economists would disagree. But only time will tell.

By Sudarshan Raju C

Update for the day #2165|Elon Musk is overpaid. But who cares?

The Story
In 2018, Tesla's Board of Directors and most shareholders approved a sparkling pay package for the company's CEO, Elon Musk. And despite none of this pay hike being in cash, it was corporate America's largest by far. Musk would gradually get 12% more shares in the company, over the next few years depending on whether he'd achieve goals the Board had set for him.

To put things in perspective, these goals were split into multiple milestones. Say, pushing up Tesla's market capitalisation, increasing revenues or earnings before tax. And for every milestone Musk fulfilled, he'd receive 1% more shares than he already held. The final aim though, was to make Tesla a $650 billion company or simply multiply its market value (from the levels of 2018) by nearly 11 times over the next few years.

Yup, sounds like an audacious target, we know. But Musk was able to accomplish most of them by 2022. So, he was obviously entitled to receive the pay he was promised.
But Richard Tornetta, one of the shareholders, didn't think so. He took Musk straight to court because he felt that Musk didn't deserve such a mammoth payout. And he may have had some substance to his allegation because the court actually sided with him. It declared Musk's pay at Tesla excessive and cancelled it.

Why, you ask?
Well, for starters, Musk apparently controlled Tesla to the extent that other employees even considered him a tyrant. He not just occupied the most powerful roles of the Chair, Founder and CEO at Tesla, but also had his way with most things.
For instance, he made up positions and titles for himself without even consulting the Board. In 2021, Musk appointed himself "Technoking". In Musk's defence, it was a Chief Technology Officer that had more confidence and "great dance moves and sick beats". His antics even extended to pausing Tesla's acceptance of Bitcoin despite the Board's approval. Or even deploying 50 Tesla engineers to help him evaluate Twitter's engineering team. Again, without taking the Board's permission.

You could blame this behaviour on the Board's relationship with Musk. Musk and his brother Kimbal made up 25% of the entire board of directors. And the rest of them weren't really independent because many of them were friends who he was going off to vacations with.
So, this level of comfort with his so-called Board may have made him feel like he could always inform them of his decisions later. They could be Tesla's governing body just on paper but for Musk they were friends after all! And that meant that Musk decided how things would be done at the company.

He could use this control to prevent the Board from negotiating his pay by comparing it with packages offered to other high-level executives of his calibre in the past. It was 250 times greater than the median peer CEO compensation in 2017. In fact, the plan's closest comparison, as you can imagine, was Musk's earlier compensation plan as of 2012. They'd even have to go chop-chop on his pay approval because it was Musk who dictated how much time or rather how unreasonably less time they'd get to review it.

Now, shareholders obviously didn't know of his dealings with the Board or the kind of power he exercised on them simply because they weren't informed of it earlier. That's what must have probably got them to sign off on his pay. They'd assume that an independent Board, unrelated to

Musk and unbiased by his influence, approved Musk's pay.

And all of this put together convinced the court that Musk had extreme influence over the whole process. Control was Musk's quick fix to get the pay he imagined for himself. After all, his personal ambitions of colonising other planets like Mars, were just as expensive. So, he had to find a way to fund it. But here's the thing. A few days ago, Tesla's shareholders sort of reinstated Musk's package by approving it in a meeting all over again. Yeah, we're talking about the same set of shareholders that the court felt had approved his pay nearly 6 years ago on the basis of misinformation and deceit.

So, why did they do it, you ask? You could say "Hey, that's probably what shareholders really want. Maybe their votes aren't influenced by Musk's control. Maybe he's just a Superstar CEO who's earning every penny of his pay but came across as intimidating to the court."
Well, some shareholders may have thought in that direction, no doubt. But the real reason they redeemed his pay all over again may have simply been "control" itself.

Let's explain. Look, Musk has his fingers in many pies. There's SpaceX, The Boring Company, Neuralink and now X (formerly Twitter). And not approving Musk's pay would simply mean that he could make surprising decisions like quitting from Tesla itself. And this isn't something we're making up. That's a threat that Musk himself had issued through a post on X. If he didn't get a total of 25% of Tesla, he'd simply leave.

Knowing Musk, this is something that shareholders thought could surely pan out if they'd disagree with his pay. And that would drive down Tesla's share prices, leaving them sandwiched in a court fight between Richard Tornetta and Musk himself. Their best bet? Keep Musk happy.
And who knows? Maybe this will just motivate him to deliver even more value to shareholders. Maybe they really don't want to bet against Elon Musk.

By Mukesh Gehlot

Update for the day #2166|Indian ports make it to top 100 of World Bank performance index Yup, an Apple credit card!

Signalling a significant improvement in efficient handling of ships and cargo in recent years, nine Indian ports have made it to the top 100 rankings (in list of 405 ports) in the Container Port Performance 2023 of the world bank. Government Owned Visakhapatnam ranked 19th, first time for an Indian port making it to top 20. Adani-owned Mundra ranked 27.

In 2022, Visakhapatnam port ranked 115 and Mundra's ranking was 48. The improvement is a milestone for India's maritime industry, officials in the ports and shipping ministry said. The Indian ports have achieved this by enhancing their operational efficiency and service delivery.

Officials said Visakhapatnam port has demonstrated good performance on parameters, such as 27.5 moves per crane hour, a turnaround time (TRT) of 21.4 hours, and minimum berth idle time. These highlight the port's ability to handle container ships efficiently and influence customer preferences.

The seven other ports which were ranked within 100 were Pipavav (41), Kamarajar (47), Cochin (63), Hazira (68), Krishnapatnam (71), Chennai (80) and Jawahal Lal Nehru (96).

The index prepared by the World Bank and S&P Global Market Intelligence is a comparable assessment of performance based on vessel time in ports. Yangshan port in China and Salalah port in Oman were top two ports in terms of rankings.

"The average duration of a port call (time taken to load or unload at least one container) in 2023 was 40.5 hours, which represents a slight increase over the global average of 36.8 hours in 2022. About 11.7% (or 3.7 hours) was idle time consumed at the berth immediately before and after cargo operations. Also known as the 'Start-Up' and 'Finish' sub-processes of a port call, each activity does not necessarily need to take more than 30 minutes to complete safely," said the report.

By Sailesh L Gandhi

Update for the day #2167|The Lexus LFA: A Modern Supercar Poised for Investment Glory?

The Lexus LFA is a two-seat sports car manufactured by Lexus, the luxury car division of Toyota.

The Lexus LFA stands out from the rest of the Lexus lineup. This isn't a mass-produced everyday driver. It's a hand-built, high-performance machine built to showcase Lexus' engineering prowess and celebrate the world of supercars. But with its limited production run and unique qualities, could the LFA be a worthy investment for car enthusiasts and collectors?

A Recipe for Investment Potential:
Several factors suggest the LFA has the potential to become a valuable classic:

- **Limited Production:** Only 500 LFAs were ever built worldwide, with a mere 196 allocated for the US market. This scarcity instantly makes the LFA highly desirable among collectors.
- **Hand-Built Precision:** Unlike most modern cars, the LFA's V10 engine wasn't built on an assembly line. Specially trained technicians meticulously hand-assembled each one. This level of craftsmanship and exclusivity adds to its investment potential.
- **Exhilarating Performance:** The LFA boasts a naturally aspirated V10 engine churning out over 550 horsepower. It delivers a thrilling driving experience and a sound that rivals some of the most iconic supercars. This combination of performance and visceral appeal is a magnet for driving enthusiasts.
- **Lexus Heritage:** Lexus is known for luxury and comfort, but the LFA represents a bold leap into the high-performance arena. Owning a piece of this ambitious project holds historical significance for the brand and its evolution.

Early Signs of Appreciation:
The LFA's investment potential is already showing some promise:

- **Price Increase:** The LFA's starting price of around $375,000 in 2010 has reportedly tripled in value for some models. Pristine examples can even reach close to $1 million or more.
- **Collector Interest:** The LFA has garnered significant attention from car collectors worldwide. Its limited numbers, performance pedigree, and Lexus heritage make it highly attractive.

A Word of Caution:
While the LFA shows promise as an investment, some factors require consideration, as the case is for any type of investment or asset class:

High Upfront Cost: Acquiring an LFA requires a significant initial investment. Additionally, maintenance costs for a high-performance car can be substantial.

- **Market Fluctuations:** The classic car market, like any investment market, can fluctuate. There's no guarantee the LFA's value will continue to rise steadily.
- **Focus on Passion:** The best reason to own an LFA should be the pure enjoyment of driving it and appreciating its unique place in automotive history. Owning it solely for potential profit is a gamble.

The LFA: A Collector's Dream or Investment Gamble?

The Lexus LFA is a phenomenal car, a testament to Lexus' engineering capabilities and a dream for many car enthusiasts. Whether it becomes a surefire investment remains to be seen. Its limited production, hand-built quality, and exhilarating performance all point towards potential appreciation. However, the high initial cost, market fluctuations, and the importance of genuine passion for the car itself are crucial factors to consider before making an investment decision.

By Aniket R Patil

Update for the day #2168|Immigration: Where are Indians moving and why?

Historically, the US, the UK, Australia, and Canada have been the most popular overseas destinations for Indian students as well as for those seeking citizenship & work opportunities abroad.
India has been a key contributor to global migration. According to a Ministry of External Affairs report, there are 13.6 million Non-Resident Indians (NRIs), 18.68 million Persons of Indian Origin (PIOs), and nearly 32.3 million Overseas Citizens of India (OCIs) residing outside India, and overseas Indians comprise the world's largest overseas diaspora. Every year, 2.5 million (25 lakh) Indians migrate overseas, which is the highest annual number of migrants in the world.

Where are Indians moving?

For decades, the United States, the United Kingdom, France, the UAE, Singapore, Canada and Australia have been the obvious choices for Indians to move - whether for work, education or to seek citizenship.

"The immigration numbers of Indian immigrants to countries like the US have been higher in 2023. The US figure is significantly higher than the UK because the US economy is much larger. Figures released in November 2023 by the UK's Office for National Statistics show that the top non-European Union (EU) nationality for immigration into the UK was Indian (253,000). Indian migration to the European Union (EU) has risen consistently since 2008 but is less than Indian migration to English-speaking nations," Yash Dubal, Director and Senior Immigration Associate, A Y & J Solicitors, London (UK), said.

Where are HNWIs going?

In 2022, about 7,500 HNWIs left India, and according to the Henley Private Wealth Migration Report, another 6,500 were estimated to leave India in 2023 (the final migration numbers are not out yet). Dubai and Singapore will be the popular closest destinations while the United States would be the first option when looking West. Mature/elderly Indian HNWIs prefer Europe, the UAE, and Singapore while the younger investors who have been educated or lived long in the US prefer the EB-5 program.

With government-administered Golden Visa program, favorable tax environment, thriving business ecosystem, and safe atmosphere, Dubai is emerging as a favorite for Indian HNWIs. The proximity (it is a 3.5-hour flight from India) is another big reason.
Portugal, Germany and Austria have recently concluded agreements on migration and mobility with India. These agreements might shift migration patterns.

Why are HNWI Indians moving abroad?

The number of high-net-worth individuals (HNWIs) in Indian is expected to reach 1.65 million by 2027, compared with nearly 800,000 in 2022. And a fraction of them will be looking to leave the country soon. But why are they moving?

The big reasons are: India's tax regime is considered severe, rules about remittances are harsh, overseas' passports offer greater mobility (as per the Henley Passport Index 2023, Indian passport is ranked 80th along with Senegal and Togo, with visa-free access to 57 countries), and the higher standard of living in some countries, including better education and health care, more reliable infrastructure, cleaner air, and a better all-round lifestyle. Better education opportunities for children are one of the biggest reasons for Indians to move to another country.

Foreign countries with the highest number of Indians

The top 10 countries with the highest Indian population outside of India are: The United States, The United Arab Emirates, Malaysia, Saudi Arabia, Myanmar, Canada, Australia, The United Kingdom, South Africa, Singapore.

By Rachana N

Update for the day #2169 | G7 nations pledge support to India-Middle East-Europe Economic Corridor

G7 vows to push India-Europe corridor

The three-day G7 summit in Italy, attended by Prime Minister Narendra Modi, committed to promoting the strategic infrastructure initiative — India-Middle East-Europe Economic Corridor (IMEC). This was mentioned in a communique, issued after the conclusion of the summit on Friday evening, which also reiterated a commitment to a "free and open Indo-Pacific" based on the rule of law.

Billed as a path-breaking initiative, the IMEC envisages a vast road, rail and shipping network among Saudi Arabia, India, the US and Europe to ensure integration among Asia, West Asia and the West. The IMEC is also seen as an initiative by like-minded nations to gain strategic influence in the face of China's Belt and Road Initiative (BRI) which has faced increasing criticism over lack of transparency and disregard for sovereignty of the nations.

The BRI is a mega connectivity project that connects China with Southeast Asia, Central Asia, Russia and Europe. The IMEC initiative was firmed up on the sidelines of the G20 summit hosted by India in Delhi last year.
The visit to Italy was PM Modi's first overseas trip after assuming office for the third consecutive term, and also his fifth consecutive participation in the G7 summit. On his return to New Delhi on Saturday, the PM said he had "a very productive day" at the G7 summit in Apulia during which he "interacted with world leaders and discussed various subjects". In all, the PM met 14 world leaders. These included "pull-aside" interactions with nine, including Pope Francis, and US President Joe Biden, and structured talks with five.

"Together, we aim at creating impactful solutions that benefit the global community and a better world for future generations," he said. PM Modi said he had a "very productive" meeting with German Chancellor Olaf Scholz during which the two leaders discussed green technologies with Berlin flagging its interest in resuming a defence relationship with New Delhi, especially in supplying submarines. With Japanese PM Fumio Kishida, the PM said the two sides were keen on working in the realms of defence, technology, semiconductors, clean energy and digital technology.

What are the Geopolitical and Economic Implications of IMEC?

Geopolitical:

- **Thwart to China's BRI:** IMEC is seen as a potential counter to China's Belt and Road Initiative (BRI) in the Eurasian region. It can serve to counterbalance China's growing economic and political influence, especially in regions with historically strong ties to the U.S.
- **Integration Across Civilizations:** The project can strengthen ties and integration across continents and civilizations. It offers a strategic opportunity for the U.S. to maintain influence and reassure traditional partners amidst China's growing influence in the region.
- **Breaking Pakistan's Overland Connectivity Veto:** IMEC bypasses Pakistan, breaking its veto over India's overland connectivity to the West, a hurdle persistently faced in the past.
- **Strategic Engagement with Arabian Peninsula:** The corridor deepens India's strategic engagement with the Arabian Peninsula by establishing enduring connectivity and elevating political and strategic links with nations in the region.
- **Promoting Intra-Regional Connectivity and Peace:** IMEC has the potential to promote intra-regional connectivity and could help reduce political tensions in the Arabian Peninsula.

It holds the prospect of becoming an "infrastructure for peace" in the region.

- **India's Strategic Role in Africa:** The corridor's model could be extended to Africa, aligning with the US and EU's plan to develop a Trans-African corridor. This signifies India's intent to strengthen its engagement with Africa and contribute to its infrastructure development.

Economic:

- **Enhanced Trade Opportunities:** IMEC presents a transformative opportunity for India to boost economic growth by enhancing its trade connectivity with key regions. The route could significantly reduce transit times, making trade with Europe 40% faster compared to the Suez Canal maritime route.
- **Stimulated Industrial Growth:** The corridor will create an efficient transport network for the seamless movement of goods. This will encourage industrial growth, particularly in regions connected to the corridor, as companies will find it easier to transport raw materials and finished products.
- **Job Creation:** As economic activities expand due to improved connectivity, there will be a surge in job opportunities across sectors. The growth in trade, infrastructure, and allied industries will necessitate skilled and unskilled labor, promoting employment.
- **Energy Security and Resource Access:** The corridor can facilitate secure energy and resource supplies, especially from the Middle East. Reliable access to these resources will stabilize India's energy sector and support its growing economy.
- **Facilitating Special Economic Zones (SEZs):** The corridor can be strategically leveraged to develop SEZs (Special Economic Zones) along its route. SEZs can attract foreign investment, promote manufacturing, and drive economic growth in these designated zones.

What are the Challenges to the India-Middle East-Europe Corridor (IMEC)?

- **Logistics and Connectivity Issues:** Developing a multimodal transport corridor involving rail, road, and sea routes spanning multiple countries requires complex logistical planning and coordination among stakeholders. Selecting the most viable and cost-effective routes, assessing the feasibility of rail and road connections, and ensuring optimal connectivity are key challenges.
- **Missing Rail Links and Construction:** Significant portions of rail links are missing, especially in the Middle East, requiring substantial construction efforts and investment to complete the rail network.
- **Coordination among Multiple Countries:** Coordinating efforts, policies, and regulations among multiple countries with diverse interests, legal systems, and administrative procedures is a major challenge in realizing this cross-continental corridor.
- **Potential Opposition and Competition:** Opposition or competition from existing transport routes, especially Egypt's Suez Canal, which may see reduced traffic and revenue, could pose challenges and diplomatic hurdles.
- **Cost and Financing:** Estimating and securing adequate financing for the construction, operation, and maintenance of the corridor is a significant challenge. The costs for development are estimated to be substantial, and funding sources need to be identified. Initial estimates suggest that developing each of these IMEC routes could cost anywhere between USD 3 billion to USD 8 billion.

Way Forward

- Achieving technical compatibility and standardization in terms of gauges, train technologies,

container dimensions, and other critical aspects across different countries is vital for seamless operations.
- Balancing the geopolitical interests of participating nations and addressing potential political sensitivities, especially regarding Israel, is crucial for smooth implementation.
- Addressing environmental impact concerns, ensuring sustainability, and adhering to green and eco-friendly practices in construction and operation are critical aspects of the project.
- Implementing robust security measures to safeguard cargo and infrastructure from potential threats, theft, piracy, and other security risks is essential.

By Shreelakshmi Nair

Update for the day #2170|What's in a state's special category status?

India just formed a new government a few days ago. And with all of the buzz around the election, there's some new talk in town — "Special Category Status" or SCS for states.
Think of SCS as a status that makes economically or geographically challenged states eligible for some extra financial support from the central government. This could be in the form of a higher share of funds from its central kitty and/or additional tax benefits.
It started way back in 1969 when the then Finance Commission felt that a move like this could help India's border states (who constantly had to live with the fear of infiltration), economically backward states, states with a sizable tribal population or even newly carved out ones that would need some time to transition.
And right now, there are two states that think that they fit the bill.

To begin with, you could look at Bihar, one of the long contenders of the SCS.
Most of its economic output comes from agriculture, an activity highly vulnerable to droughts, floods and other natural disasters. And limited industrial development compared to other Indian states, means that folks in Bihar have limited job opportunities beyond agriculture itself.
Thanks to past policies like Freight Equalisation, which ensured that the central government subsidised the transportation of minerals and raw materials to a factory set up anywhere across India. This meant that a tonne of coal would cost the same in a place like Bihar from where it was mined or in Mumbai (then Bombay) where it was used. It incentivised companies to set up industrial locations closer to the coastal trade hubs or markets in other parts of the country, leaving states like Bihar behind.

Carving out Jharkhand off from itself over two decades ago was another nail in Bihar's coffin. It lost whatever little was left of its industries and mineral resources. That explains why Bihar today is India's poorest state in terms of how many people have access to cooking fuel, electricity, homes and bank accounts. Despite pulling out nearly 7% of its people from poverty between 2021 and 2023, nearly a third of its population still remains poor.

This sorry state of affairs seeps into the state's finances too. It hasn't been able to up its educational infrastructure, improve its low literacy rates or even its healthcare facilities because the government can't really make much money off of taxes or other revenues from its poor population. For context, just about 30% of its revenues come from its own taxes. This implies that it has to heavily rely on transfers from the central government to keep its economy ticking.

Then you have Andhra Pradesh, another state in the SCS queue. Its economic situation isn't as bad as Bihar's. But losing Hyderabad, its central economic hub to Telangana, which was carved out of it a decade ago, meant losing significant revenue sources and a skilled workforce. Most of its projects and development came to a standstill. And it also fell short of funds to build its new capital, Amaravati. And this imposed a huge financial strain on the state, widening its debt to about 30% of its state income or Gross State Domestic Product (GSDP) from about 24% when Telangana was still part of it.

And these two states think that SCS can be a magic spell that can pull them out of the realms of poverty and debt.
But here's the thing. 2014 marked the end of the SCS. And that meant that leaving out the 11 states of Jammu & Kashmir (now a Union Territory), Himachal Pradesh, Uttarakhand and all the North Eastern states that already enjoyed the SCS, the government wouldn't freshly confer this title to other states anymore.

The reason to halt this privilege was simple. SCS isn't something the government can offer for a short while. It's a long-term commitment. Because if states got a taste of it, they'd come back asking to continue the benefits until they were stable enough to run their economic engine on their own. And that would add up to the central government's expenditure, taking a toll on its finances. Instead, the central government was ready to share more of its revenues with states. Simply put, it earlier divided 32% of the money it made through taxes and other income with them. But it now upped that to 42%*. Not just that. If states suffered a financial crunch and they couldn't spend on development, the centre would even offer a grant to make up for the shortfall.

So why aren't Bihar and Andhra Pradesh happy with that offer, you ask?
Well, you see, a SCS could mean that 90% of the funds they need to run centrally sponsored schemes would come from the center's coffers, as opposed to just 60% for other states. We're talking about schemes like the mid-day meals to underprivileged school children, employment guarantee for rural folks or even the National Health Scheme. States will only have to put in 10% of their money to keep these schemes running. They can even carry forward unused funds to the next year, something other states aren't allowed to do.

And the best part? SCS states even enjoy tax concessions that might attract more companies to set up shop there. A one-time financial grant won't come with the same benefits. The higher tax devolution that the central government offered wasn't going to solve the problem either, because it's something all states would share. And that made it seem like only a SCS could turn the fortunes of states that aren't able to cope economically.

But wait… If the SCS can't be freshly doled out to states anymore, then how can states even vie for it? They can, simply because here's what we didn't tell you earlier. One of the reasons behind discontinuing the SCS in 2014, was that the central government abolished the Planning Commission and replaced it with the NITI Aayog. While the Planning Commission was a body that had the authority to impose policies on the centre or states and even allocate funds between them, the NITI Aayog was just a think tank, whose role was limited to advising the government.

This meant that it was now optional for the government to allot states the coveted SCS. And if it wants to, it can always take advice from the NITI Aayog and revisit this arrangement. Doing that though, can be an expensive affair. And that's why it keeps telling states that they can't get a SCS tag because the Planning Commission doesn't exist anymore. But with a coalition government at the helm after a decade and the states of Bihar and Andhra Pradesh having more say, will the SCS debate be reignited once again?

By Kavya Hebbar

Update for the day #2171 | Why is LIC so late to the health insurance party?

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 hospitalization (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 hospitalization. You also want to be in a position to customize 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 specialize in this industry.

LIC however cannot do any of this. It cannot sell indemnity products or introduce customizations 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 licenses 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 specialize 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 licenses. 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 Sujith Sai

Update for the day #2172|Why is the UK paying Tata Steel £500 million?

In the mid-2000s, Tata Steel was bubbling with ambition. It wanted to be ranked among the top 50 steel companies in the world. But since it didn't have enough production capacity, getting into that list was hard.

So, in 2007 the steelmaker did something sudden. It acquired Corus, an Anglo-Dutch steel company that was 4 times its size, but earned much lower profits than Tata Steel itself. At $12 billion, the deal was considered the biggest foreign acquisition by an Indian company back then.
But its dreams soon became a dud because Corus, which later became Tata Steel Europe, turned out to be a problem child for Tata. It has incurred more than a whopping £4 billion (nearly ₹42,400 crores) in losses ever since it was acquired. And that has forced its UK steel plant at Port Talbot to succumb to a tough decision — shutting down its blast furnaces and letting go of 2,800 employees.

How did it come to this; you ask?
Look, operating the furnaces (essential in steel production) is rather expensive. It needs large amounts of resources like coke fuel, ores, limestone, energy and labour.
It needs regular maintenance too as the furnace's lining wears out over time due to high temperatures and chemical reactions. As a blast furnace ages, efficiency declines, paving way for higher maintenance costs. This gradually makes them unsustainable.

But that may have only played a small part in the decline of Tata Steel's UK operations.
Things began to actually fall apart with the global financial crisis (GFC) that panned out just a year after Tata's Corus acquisition. The crisis severely impacted businesses across the globe. And the steel industry was no exception.

Falling house prices in the US and a rise in the number of borrowers who were unable to repay their loans meant that a looming bubble had burst. This pushed governments worldwide to tighten liquidity by reducing the amount of money people and businesses could borrow. Industries found it hard to finance their operations since demand in the construction, automotive, and appliance industries began to fall too. At one point the global demand for steel dropped by 21% compared to the year before. And this was a big blow for Tata Steel.

Then came the deluge of cheap Chinese steel. A construction boom in China until the GFC meant that its government invested quite a bit into steel production in the form of subsidies. This translated into an overcapacity. Low labour costs in the country also meant that the steel was cheap. And as the world was recovering from the GFC, China began exporting or dumping its steel to other countries including European markets. Cheap Chinese steel imports into Britain forced Tata Steel to halve prices on some of its products to remain competitive too.

As if that was not enough, Brexit came around quickly. As the UK exited the European Union, exporting to other EU nations became more expensive. Thanks to higher tariffs and trade restrictions, the demand for UK steel nosedived.

The biggest blow though was the fact that Tata's Port Talbot plant is also the UK's biggest carbon dioxide emitter. But since the country wants to reach net zero or nullify its carbon emission by 2050, Tata had to think in the direction of completely shutting shop. That would mean laying off nearly 4,000 people that the steel plant at Port Talbot employs. That's roughly 10% of the city's population. This would set off a significant rise in unemployment rates among the local community.

The UK government definitely knew what an economic turmoil that would cause. It could not let its domestic steel company shut down and rely entirely on foreign imports for its steel requirements. And that's exactly why it went looking for a sustainable solution. It came up with the idea of transitioning Tata Steel's coke powered blast furnace operations into electric arc furnaces (EAFs). EAFs use an electric current to melt scrap steel or iron and produce steel. So, it's environmentally friendly.

But here's the thing. Doing that can cost a hand and a leg or precisely £1.25 billion. And without support from the government, Tata would only have to pack up its bags. That's exactly why the UK Government agreed to put in £500 million into revamping Tata Steel.
It would be like killing two birds with one stone, really. It would save the jobs of thousands of people at the Port Talbot plant and also dramatically reduce the carbon emissions by about 85% a year.

Sure, Tata Steel UK will still have to lay off a good chunk of its workforce since operating electric furnaces requires fewer people and a different skill set. But that's probably the best possible way to cut emissions as well as support sustainable economic growth for the UK's steel industry.

By Bhavana BV

Update for the day #2173|Corporate Restructuring: A Quick Guide

Piramal Pharma Limited: A Prescription for Growth
Beginning with the demerger of Piramal Pharma Limited from Piramal Enterprises Limited, let's delve into a brief snapshot of both companies. Allow me to introduce you to the powerhouse pair – PEL and PPL. They're like the Batman and Robin of the corporate world.

About Piramal Enterprises Limited:
- Piramal Enterprises Limited (PEL) is a prominent Indian company with a focus on financial services and pharmaceuticals.
- PEL engages in both retail and wholesale financing, providing a range of diverse financial products.
- In the retail lending sector, PEL extends home loans, small business loans, and working capital loans, catering to customers in affordable housing and mass affluent segments across different cities.
- The company also offers wholesale lending services to real estate developers and corporate clients.
- PEL has established notable partnerships, collaborating with entities such as CPPIB, APG, Ivanhoe Cambridge, and others across various investment platforms.

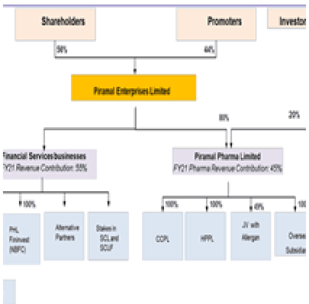
About Piramal Pharma Limited
- Piramal Pharma Limited (PPL) operates globally with 15 manufacturing facilities and a distribution network spanning 100+ countries.
- PPL comprises three key divisions:

1. **Piramal Pharma Solutions (PPS):** Specialised in development and manufacturing, offering comprehensive solutions for innovator and generic companies.
2. **Piramal Critical Care (PCC):** Focuses on hospital generics, with a product portfolio including inhalation anaesthetics, therapies for spasticity and pain, injectable pain and anaesthetics, injectable anti-infectives, and more.
3. **India Consumer Healthcare:** Engaged in the sale of over-the-counter products.

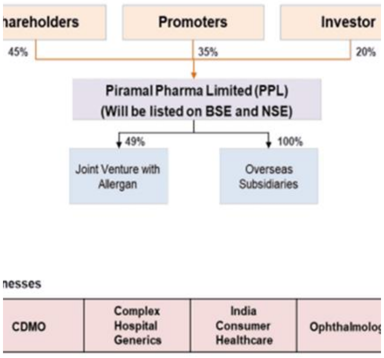
Corporate Landscape: PEL handles both money matters and medicine. Meanwhile, its sidekick, PPL, focuses on making and spreading pharmaceutical goodies worldwide. Quite the tag team, right?

Rationale for Demerger: The demerger aimed to provide focus, flexibility, and speed to the pharmaceutical business, allowing both entities to pursue growth independently and insulate them from each other's risks.
Shareholding and Strategic Rationale: Now, grab your popcorn and check out these shareholding pattern glow-ups before and after the demerger!

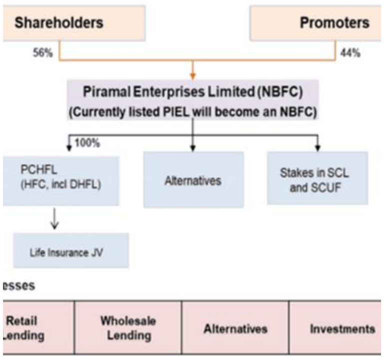
PIEL's corporate structure (prior to the demerger of the Pharma business)



PEL Structure post-demerger



PEL Structure post-demerger



PPL Structure Post-Demerger Share Entitlement Ratio: In consideration of the transfer of the Demerged Undertaking from PEL to PPL, for every 1 equity share of face and paid-up value of ₹2/- held in PEL, 4 equity shares of face and paid-up value of ₹10/- in PPL shall be issued by PPL, in accordance with the Share Entitlement Ratio.

Conclusion: The demerger of Piramal Pharma Limited from Piramal Enterprises Limited proved to be a strategic move, enhancing sustainability and creating value for stakeholders. The case study showcases how the decision contributed to the growth and success of both entities in their respective domains.

By Namratha DV

Update for the day #2174|An HUL decision is creating jitters across Asia

What's common between your soaps, biscuits, lipsticks, ice cream and pizza dough?
Well, they all use palm oil. That's because palm oil is quite versatile. It works like a foaming, binding and stabilising agent. Which is why it's a great ingredient for as many as half of the packaged products and 70% of cosmetics made globally. So, you can imagine that HUL (Hindustan Unilever), the maker of Lifebuoy, Surf, Lakme, Kwality Walls and other popular brands, uses a lot of it.
But a few days ago, the FMCG (Fast Moving Consumer Goods) giant came up with something new. It said that it would use as much as 25% less palm oil in its soaps and replace it with plant-based vitamins, fatty acids and polysaccharides or the stuff that helps your skin stay hydrated. And it calls this tech strategy Stratos.

The reason is simple. Palm oil prices have remained volatile for quite some time now.
See, palm oil comes from the fruit of oil palm trees. It's colourless, odourless and doesn't spoil easily. It also contains almost no unhealthy trans fats. It is better equipped to efficiently use land and water too. To put things into perspective, making the same amount of oil from its cousins, sunflower, soy or coconut could need up to 10 times more land. That not just makes it much cheaper to produce, but also the most commonly produced vegetable oil in the world.

But oil palm trees only make a great commercial crop for up to 25 years of their life, after which they need to be replanted. During the pandemic though, farmers in the world's largest palm oil producing regions like Malaysia and Indonesia, were forced to delay replanting. This reduced yields, hurt output and pushed up palm oil prices.

Hotter weather or El Nino in the years after the pandemic also crushed output. Labour and other input costs were soaring too, inflating palm oil prices even more. Prices would sometimes drop briefly too when good weather would result in good yields.

These price volatilities wreaked havoc for HUL because palm oil and its byproducts account for over 20% of its input costs. Palm oil prices are still 80% up from the pre-pandemic levels. And that kind of price rise translates into a 16% hike in HUL's soap prices if it wants to keep its profit margins intact.

But that's not the only thing. Another reason why HUL wants to reduce its reliance on palm oil is the fact that its production requires clearing vast swathes of forests.
For context, Indonesia lost nearly 25 million acres of forest over the last two decades. And roughly a third of that deforestation was caused by palm oil. Not just that. In Borneo, an island split among Brunei, Indonesia and Malaysia, the palm oil industry contributed to about 6 million acres of forest loss or 40% of deforestation between 2000 and 2018. That's a little over the size of the Indian state of Meghalaya.

And making products linked to deforestation simply comes across as encouraging biodiversity loss and climate change. So HUL would rather ditch palm oil with Stratos and fix its public image.
But here's the thing. HUL's plan is worrying the Asian Palm Oil Alliance (APOA). Think of it as a group of all the apex edible oil industry associations from five of Asia's major palm oil importing countries — India, Pakistan, Sri Lanka, Bangladesh and Nepal.
These countries came together in 2022 to protect the economic interests of the countries that consume palm oil. They wanted to help produce it sustainably and change the negative image associated with palm oil, while also ensuring that it is recognised as a high-quality, wallet friendly

and healthy vegetable oil. And the alliance would soon expand to include industry associations from other palm oil producing countries across the continent.

They think that HUL's decision has significant ramifications for both the palm oil industry and its sustainable development efforts.
Why's that, you ask?
You see, small scale farmers play a significant role in making palm oil.
If you actually go back a few decades and find out why farmers began growing palm oil, you'll see that its productivity and financial returns became a way to alleviate poverty in parts of Asia. Over the years it has been able to increase farmers' incomes in Indonesia, by up to 25%. And right now, palm oil provides employment for up to 8 million people in the country, 40% of which are small scale farmers.

So HUL's reduced dependence on palm oil would simply hamper their livelihoods.
Sure, you could argue that a fifth of oil palm plantations in Indonesia are illegally operated inside forest areas. But it's slowly moving towards sustainability. For instance, it's delaying fresh palm oil cultivation to see what kind of land is being used to grow the crop. Old licences are also being reviewed to make sure their environmental impact is not too heavy.
Malaysia too has capped its land-use for oil palm cultivation at 6.5 million hectares.
And both countries have come up with mandatory certification schemes to trace the source of their palm oil and prove its sustainability.

The proof is in the pudding. Over the last decade, the amount of deforestation caused by the Indonesian palm oil industry has actually declined nearly every year, hitting a 22-year low in 2021. Malaysia has seen a similarly positive graph too.
And APOA wants to use these models to help other Asian countries move towards sustainable production too. India, for example, is an important market for palm oil since 90% of the palm oil it imports goes into cooking food. Its National Mission for Edible Oils wants to sustainably increase oil palm cultivation and boost palm oil production to 11 lakh tonnes by FY26. That's 300% more than the production in FY20.

HUL itself has also recently partnered with 15,000 farmers in Andhra Pradesh to sustainably transition into creating at least 30,000 hectares of oil palm plantations.
And Stratos could seem counterintuitive to all these efforts. Can APOA's arguments convince HUL to give the palm oil industry another chance?
We'll only have to wait and see.

By Sakshi G Mudigoudar

Update for the day #2175|How Nvidia dropped from the world's No. 1 most-valuable company to No. 3, behind Microsoft and Apple

Nvidia lost its position as the world's most valuable company on Friday (June 22). The shares in chipmaker Nvidia have tumbled over 6% in the past two trading days, shedding more than $200 billion in market value and relinquishing its crown as the world's most valuable company. According to Bloomberg data, Nvidia's market cap sits at roughly $3.1 trillion, trailing behind Apple's $3.2 trillion and Microsoft's $3.3 trillion.

This sharp reversal follows an earlier surge that saw Nvidia overtake its mega cap rivals. Analysts point to no specific negative news driving the selloff, but rather a correction following the stock's blistering year-long run, nearly tripling in price. This rapid ascent makes it susceptible to such sudden drops.

"It's just standard market fluctuations," told Russ Mould, investment director at AJ Bell to Bloomberg, "which can have a significant impact on valuations of large companies," he added. He, at the same time, emphasized that Nvidia's fundamentals remain strong.

While some short-term volatility was anticipated, Bank of America analysts led by Vivek Arya believe "any volatility is likely short-lived" despite acknowledging the stock's vulnerability to profit-taking. They maintain their buy rating, $150 price target, and top pick designation for Nvidia. Bullish sentiment persists, with Melius Research analysts led by Ben Reitzes raising their price target to $160 from $125, marking their fifth increase this year. Reitzes argues that Nvidia is "better positioned than some SaaS 'leaders' who haven't proven AI's impact," suggesting Nvidia could capture a larger share of the enterprise software market.

The decline is reported to coincide with a broader market pullback coinciding with a "triple-witching session," where options and futures contracts expire simultaneously, along with index rebalancing by S&P Dow Jones Indices and related ETF adjustments. This confluence of events can trigger market turbulence, affecting individual stocks.

By Vishnu Bhushan BD

Update for the day #2176|How Stock Experts Mint Money from TV Shows!!!!

Zee Business is the number one ranked business channel in India as per data from the Broadcast Audience Research Council (BARC).

And guess the most popular shows?

Anything to do with the stock market, of course — ones such as 'First Trade' and '10 ki kamai'. Everyone wants to get a stock tip from the 'experts' who feature on the shows with the hope of making some quick bucks.

But looks like a few of these stock experts had ulterior motives when they made an appearance. They had a 'get rich quick' scheme in mind of their own. And the market regulator SEBI points out that some of them made close to ₹8 crores in profit in under a year!

So how did they do it, you ask?

In one word — front-running.

See, we told you some of Zee Business' most popular shows involved stock recommendations. These even included the BTST (Buy Today Sell Tomorrow) kind. Now these shows would invite a certain set of expert stock market guests. For instance, Kiran Jadhav and Ashish Kelkar who were also business partners, ran a show called Kiran Ka Kamal (Kiran's Magic). Himanshu Gupta's show was called Hitman Himanshu and Simi Bhaumik had a show called Simi Ke Non-stop Shares (Simi's Non-stop Shares). And while Mudit Goyal was not even a SEBI-registered Research Analyst, he recommended stocks on a show called Mudit Ke Munafe (Mudit's Profits).

And maybe their TV influence planted an evil idea in the head of Nirmal Soni, the mastermind behind the whole fraudulent scheme. He's someone who initially worked with a stock broker and then struck out on his own. Maybe his experience helped him build connections in the industry too. And soon, he may have been encouraged to approach guests whose stock shows were a buzz on Zee Business.

His scheme was simple. He'd take stock recommendations from these guest experts a few minutes before they'd appear on TV. Then he'd pass this information to his network in a couple of stockbroking entities.

So, if a guest expert told Nirmal that they'd be recommending viewers to buy a certain stock, his network would go ahead and lap up those shares before the guest went on air. The stock recommendation would influence the public to invest in them immediately. And that would increase trading volumes and in turn, increase stock prices too. As soon as that happened, Nirmal's associates would sell the stock and pocket a cool profit.

And if you're wondering how much influence these TV guests had on the stock market, here are a couple of mind-blowing figures that SEBI highlighted in its interim order.

When Simi Bhaumik recommended viewers to buy the stock of Balrampur Chini in August 2022, trading volumes rose a whopping 300% as soon as Simi asked viewers to buy the stock. Everyone jumped in.

And this isn't the only case. Most other examples that SEBI quoted in its order had similar spikes in trading volumes.

The end result?

A group of 10 people including the guest experts made a total of ₹7.4 crores in a span of 11 months. Folks like Nirmal Soni ended up making nearly 300% more profits from these recommendations than he'd make from his regular trades. That percentage was a whopping 1,900% for Nirmal's company Manan Sharecom.

And SEBI has barred all of them and others who helped pull off the stunt from trading in the markets until it passes a final verdict. Meanwhile, they also have to pay back the crores of profits they illegally made.

Now here's the thing. Journalists or TV personalities front running isn't new. In 2021, CNBC Awaaz's news anchor Hemant Ghai and his family were barred from trading in the stock market for doing something similar. And despite SEBI's strong laws against the practice, it hasn't stopped.

So, what encourages them?

Here's how a widely published economic commentator, Vivek Kaul put it in News laundry:

When I first started working for a newspaper in October 2005, it was very common for reporters to write a piece on a particular company and inform a stockbroker about it. They knew that their story would move the price of the stock the next day, after the story had appeared in the newspaper and people had read it. The broker would take a position in the stock because he had advance information.

The next day, after the story appeared and the stock moved, thanks to the news item, a profit was made and was shared between the broker and the reporter. Sometimes, the reporters were so blatant that they would call brokers directly from their office phone numbers.

Around a decade back, the business media started getting its act together and got into contracts with journalists which did not allow them to buy a stock today and sell it tomorrow. If a journalist bought a stock, he had to hold on to it for a while. This ensured that any front running moved on to accounts of mothers, wives and girlfriends. The smartest of the lot just took a cut for every piece of information they provided a stockbroker with, without getting involved in the buying and selling of the stocks. The payment to them was made in cash.

So yeah, maybe the guest speakers at Zee Business too felt confident that appointing mules, who weren't related to them, would help them make ill-gotten gains from their TV appearances.

The only catch?

Simi Bhaumik, one of the guests also shared guest experts' recommendations with her husband before she appeared on TV, who in turn made 90% of his entire trading profit from these nudges.

Now that's an amateur move. And maybe that could've given SEBI a cue to start investigating. We don't know.

All we know is that front-running is illegal. And SEBI actually built an AI tool to scan how stock recommendations from TV shows affect trading volumes. If it found anything fishy about an unusual spike in trading volumes because of certain shows, it would then go out and investigate.

Now, SEBI kicked off this tool in December 2022. And coincidentally, that's also the month until which this investigation on Zee Business' guest experts suspected front-running.

By Anusha M

Update for the day #2177|Reason for ATM crunch in the country

ATM's serve a crucial role in the economy. But it almost always seems like we are running short of them. For instance, data from the Reserve Bank of India shows that between 2016 and 2024, there's been a mere 14% increase in ATMs.

Granted, you could attribute some of this to a demand problem. The proliferation of digital payments has had some impact on ATM use. But in reality, there's also a big supply bottleneck and you can trace it back to an RBI initiative and the government policy of "Make in India"

RBI is in favor of ATMs if they're secure and theft-proof. But there is a big problem in the way ATMs are being run. This can be illustrated by observing bank staff replenish cash inside an ATM. First, they prepare bundles of currency notes in various denominations. Then, the cash-in-transit (CIT) personnel transport the prepared cash to the ATM locations. At the ATM site, the personnel opens the ATM, accesses the cassettes, and finally loads the money.

This process requires manual counting and verification. During replenishment, CIT must take precautions to prevent plausible theft. They must also ensure that no customers are present during the process, which renders the machine unusable for that period of time.

This is obviously labour-intensive, time-consuming and carries inherent security risks.

Therefore, in 2018, the RBI issued a directive to banks urging them to start using lockable cash cassettes in all their ATMs. These lockable cassettes will have cash loaded in them already. Needless to say, this mitigates some risks associated with open cash handling.

But this was a challenging feat to achieve. Partly because the RBI mandated all commercial banks to install lockable cassette swaps in their ATMs by March 31, 2021. They also estimated the cassette swaps to cost Rs 160 crore which the banks felt was a gross underestimation. The banks believed it would cost them upwards of Rs 3,000 crore.

In the end, the RBI did offer some concessions by pushing the deadline and it was finally set to March 31st 2024. But banks still haven't been able to fully comply with this directive.

The problem starts with replacing the old cassette systems with lockable cassettes, commonly called retrofitting, involves modifying the cash handling components within the ATMs without needing to replace the entire machine. But banks can't do this on their own. They need to work with ATM manufacturers and service providers to upgrade their machines.

This would lead you to believe that the manufacturers are at fault.

But that's not entirely true either. The manufacturers aren't just selling retrofit kits. They've also been contracted to do a bunch of other things. For starters, they have to replace nearly 40,000 old ATMs because they're getting old. In addition, banks are planning to install 10,000 more ATMs to expand their ATM network, mainly in semi-urban and rural areas and manufacturers have to step up to the plate here as well. And finally, banks want to add cash recycling machines (CRM) to ATMs. Cash-recycling ATMs accept currency deposits and dispense cash. They operate from the same cassette to handle both functions seamlessly. By consolidating deposits and withdrawals, they minimise the need for frequent cash replenishment.

When the government institutionalized the 'Make in India' campaign (2014), it wanted to beef up domestic production capabilities across several industries, including ATMs. And in 2020, the government further developed policy guidelines to establish ATM production facilities here in India.

First, critical components, such as cash dispensers, card readers, and security modules, are often imported due to technological complexities or lack of local suppliers. However, the 'Make in India' guidelines require ATM manufacturing companies to source a certain percentage of components locally. For ATMs, this means that vendors must use Indian-made parts, which can limit their options.

Also, ATMs must comply with various certifications and standards (such as EMV, PCI DSS, and ISO) to ensure security, interoperability, and functionality. Meeting these standards can be challenging for domestic manufacturers, especially if they lack experience or resources.

This means the domestic manufacturing and supply chain will take time to mature and fulfil the banks' many ATM requirements. And even if they could somehow fill the gap, there's another matter we haven't talked about yet—the GeM portal. All public sector banks (PSBs) must place their orders for new ATMs including lockable cassettes through the GeM portal.

The Government e-Market (GeM) online portal was launched in 2016 to ease the procurement process for central government ministries and departments. They can order various products, from office stationery, computers, and office furniture to vehicles. The portal also lists services, including transportation, logistics, waste management, webcasting, and more. However, not all ATM vendors are currently registered on the GeM portal and this severely limits a bank's options.

So even though banks are trying to meet the RBI's directive of swapping old parts, they're struggling to do this because of supply chain issues. In a desperate bid, they are now trying to reach out to both the RBI and the Government of India to extend the deadline for achieving the lockable cassette swaps at ATMs and easing the guidelines under 'Make in India'.

Hence, unless both parties meet midway there's little chance, we will be seeing upgraded ATMs sprout across the country.

By Dhriti R

Update for the day #2178 |The Complex Dynamics of Fuel Taxation in India: Exploring the GST Debate

Raman, a long-haul taxi driver from Narayanpet, Telangana, often strategizes his refueling stops in Karnataka due to the cheaper fuel prices there. This routine not only saves him money but highlights a broader issue in India's tax structure.

Fuel prices in Karnataka are notably lower than in Telangana—₹6 less per liter of diesel and ₹4 less per liter of petrol. This cost disparity prompts many, including Raman, to cross state borders for fuel, much to the dismay of local fuel dealers.

These dealers, reliant on fuel sales for their income, advocate for including petrol and diesel under the Goods and Services Tax (GST).

The GST was introduced seven years ago to simplify India's complex tax system, replacing a myriad of state and central levies with a unified tax structure. While it streamlined business operations, it also posed challenges for state revenues, as GST revenues are shared between the central and state governments.

Despite its benefits, fuel, along with alcohol and electricity, remains outside the GST ambit. This exclusion ensures that states can continue to generate significant revenue from fuel sales, which contribute between 11-17% of their total tax income.

Approximately 40% of the retail price of fuel comprises various taxes—both central and state-specific. For instance, if fuel costs ₹100, dealers purchase it at ₹60, with the remaining ₹40 accounting for taxes. This tax burden, which varies by state, explains the differing fuel prices across India.

Advocates for bringing fuel under GST argue it could reduce costs for consumers. However, experts caution that such a move might lead to substantial revenue losses for governments.

Even the highest GST rate of 28% would not compensate for the revenue generated through current tax structures.

The complexities of fuel taxation underscore a larger dilemma: balancing consumer affordability with government revenue needs. Any decision to integrate fuel into GST would require careful consideration of its impact on state finances and everyday living expenses.

In conclusion, while GST has simplified many aspects of India's tax regime, its application to fuel remains a contentious issue. The debate continues as policymakers navigate the delicate balance between economic efficiency and fiscal prudence.

Author's Note: The implications of integrating fuel under GST are far-reaching, affecting both governmental revenues and consumer expenditures. The outcome of this ongoing debate will significantly shape India's economic landscape in the years to come.

By Shashank N K

Update for the day # 2179|McDonald's doesn't own the Big Mac anymore

McDonald's is a trademark bully!

And it isn't us saying this. It's what Supermac's, Ireland's largest fast-food chain, told the European Union Intellectual Property Office (EUIPO) or the EU's trademark registration authority, while fighting to cancel the McDonald's Big Mac trademark in the EU.

"How silly of Supermac's!", you might think. Big Mac is such a well-known trademark and everyone associates it with McDonald's. So why would anyone want to fight to cancel it? Well, if we were to put it in one word, we'd say 'revenge'. Yup! Close to a decade ago, Supermac's wanted to register its name as a trademark in the EU, so that it could expand outside Ireland.

But McDonald's decided to play spoilsport and threw a spanner in the works by opposing this request. Its argument was the clichéd "Hey, their name is too similar to our Big Mac burgers. So, it could confuse our customers."

And this meant that Supermac's partially lost the case. It could keep its restaurant name but couldn't use the Mac label to market the items on its menu. It was sort of a predictable win too, simply because McDonald's has been successful in winning the most bizarre trademark lawsuits globally in the past. Like its fight against P. C. Mallappa & Co., the Bengaluru based sanitaryware dealer.

In 1994 the American fast-food giant accused it of violating its internationally popular Golden M logo. And despite being in a completely different business field, it had to give up its logo in favour of McDonald's. Courtesy: The Karnataka High Court felt that the similarities between the logos could confuse customers into thinking that P. C. Mallappa is somehow related to McDonald's.

We know how oddly funny that sounds. But you can't really challenge court orders unless you have deep pockets.

Supermac's though, didn't want to be like other small companies. It wanted to stand out from the crowd and stand up for other smaller entrepreneurs like itself. So, it took on McDonald's.

But here's the thing. You can't just fight a trademark lawsuit without proving a few basic things.

For instance, your trademark or logo shouldn't be so similar that it confuses customers. Could consumers confuse a Supermac for a grand version of the Big Mac? Well, maybe.

Or you shouldn't be dealing in the same kind of business. In Supermac's case it obviously was, since it was a fast-food restaurant.

Even then, the type of items on your menu matter too. Say if a fast-food restaurant wants to use the word Mac or Mc to brand its Malaysian or Indian cuisine, which is starkly different from American food, it can. That's what the Malaysian Federal Court decided when McDonald's brought a trademark violation case against McCurry, a small Indian curry shop in Malaysia.

And finally, you have to make sure that you've registered your trademark before your opponent. It simply went digging to look for how genuinely McDonald's was using the Big Mac trademark because that's also an important factor in most global trademark laws. You can't just register a trademark and go about claiming your exclusive right to use it unless you've used it enough.

Just look at how the Big Mac is marketed in India. The Big Mac essentially has a 100% beef meat patty. That's the kind of image McDonald's has portrayed for the Big Mac world over. But since most Indian regions are sensitive towards beef consumption, McDonald's had to only restrict itself to other meats like chicken or mutton. And selling a non-beef version of it, but still calling it Big Mac wouldn't make sense. That's why McDonald's calls this the Maharaja Mac in India.

So, you could say that McDonald's may not be genuinely using the Big Mac trademark in the country simply because it doesn't have beef items on its menu.

Supermac's stuck to a similar argument.

It told the court that McDonald's wasn't genuinely using its Big Mac trademark for its chicken burgers, drive through and take away services. That's a clear violation of the EU's trademark law which expects companies to continuously use a trademark for five years to prove that they're genuinely using it. If not, another company can easily stand a chance to snatch that unused trademark.

And Supermac's had a case in point to back this up too. Meat and poultry are considered different ingredients worldwide, and McDonald's hadn't stressed on the Chicken Big Mac enough in its menus across the EU. Even if it did, it didn't have proof to show when it did, because sadly menus don't have dates.

But yeah, McDonald's could still use sales to prove its point. All it had to do was show how the trademark may have pumped up sales of its chicken burger. Fortunately, or unfortunately, it failed at that too. And this meant that it couldn't prove to the court that it was genuinely using the Big Mac trademark for its poultry products.

Those folks, is how McDonald's lost its exclusive right to the Big Mac in the EU.

So yeah, Supermac's can call its chicken burgers Big Macs unless McDonald's barges into a higher court with an appeal.

By Vismitha V

Update for the day #2180|Why is SEBI after Religare's Rashmi Saluja?

Religare Enterprises' chairperson, Rashmi Saluja is in a tight spot right now. And it's because the SEBI (Securities and Exchange Board of India) has been badgering her company's Board to get approvals from a bunch of regulators. It wants Religare to give in to a hostile takeover bid by the

Burman family or the folks who own Dabur.

But why is SEBI doing that, you ask?

Well, actually it's a rule. And SEBI's just doing its job as a market regulator. To understand what this weird sounding rule is, you'll have to take a short trip back in time.

In 2018, Shivinder and Malvinder Singh, the common founders of Fortis Hospitals and Religare, were accused of fraud. They allegedly swindled a whopping ₹2,400 crores that belonged to Religare's subsidiary Religare Finvest.

Now, since Religare is a listed financial services firm, investors naturally lost confidence in its management. And this wasn't a good look for the company.

That's exactly why it decided to hand over the reins to Rashmi Saluja, Religare's current chairperson. She was a doctor by profession, had a law degree, an MBA in finance and over two decades of experience handling administrative affairs at various other corporate entities. Her qualifications and experience seemed to tick all the right boxes. And that may have pushed the Board of Directors to think that she was a perfect fit for the role. She would be able to turn around the bitter impression Religare had created, or so they may have thought.

But it seems like Saluja had her task cut out right from the start. It was around this time that the Burmans gradually began increasing their stake in Religare. To put things into perspective, between 2018 and 2023, Dabur and its associated entities' shareholding in the financial services firm went up from just about 10% to 26%.

And this 26% is exactly what's creating the problem for Religare right now.

Because here's the thing. When promoters or investors buy large chunks of a publicly listed company, they have to abide by a few rules chalked out by SEBI. And one of them relates to minority shareholders.

If investors end up buying a controlling stake or over 25% of a company, they have to make an additional open offer to minority shareholders to buy their stake in the company too. The reason is simple. If you're a minority shareholder in a company holding a few hundred stocks, and there's a sudden but massive change in ownership that could impact the company's future, then you have every right to exit an investment. This open offer is what allows you to sell your shares at a certain price and walk away from the investment if you wish.

And that's exactly what the Burmans did. They announced an open offer to buy more shares in Religare. Or to put it differently, the Burmans were coming for Religare through a hostile takeover bid.

Now, we know what you're thinking. The Burmans are the promoters of Dabur, an FMCG (Fast

Moving Consumer Goods) giant. So, why are they even interested in a financial services firm like Religare?

You see, Dabur started off with humble roots nearly 140 years ago. Its founder, S K Burman, was an Ayurvedic physician, whose objective was to provide effective and economical healthcare treatments to people in remote villages. So, he built a brand that eventually made health supplements, packaged foods and personal care products with an Ayurvedic touch.

As generations stacked up, Dabur's business interests diversified across healthcare, hospitality, education, media and even financial services. But the Burmans want more. And they're now looking to create a large financial services platform that dabbles in lending, broking and health insurance services. And Religare fits right into that scheme of things. Hence, the open offer.

The problem with this idea though is that the Burmans will undoubtedly start influencing Religare's operations. They could even choose to put someone else behind Religare's corporate wheel if they want to. And that might not bode well for Rashmi Saluja. So, you can imagine that her best knee jerk reaction would be too well… resist! And she's doing that quite tactfully.

Look, Religare isn't just a financial services company regulated by the SEBI. It's an NBFC (Non-Banking Financial Company) regulated by the RBI (Reserve Bank of India) too. So going by the RBI's rules, Religare must write an application to the Central Bank seeking an approval for the takeover.

Not just that. Its presence in the insurance business means that this takeover needs the blessing of the IRDAI (Insurance Regulatory and Development Authority) as well.

And if the Religare board does not initiate these applications, the Burmans can't go ahead. They can't even usher in the applications themselves because the rules specifically say that this obligation lies with the target company that is being acquired or Religare in this case.

Religare's Board though, hasn't sought approvals from any of the regulators until now on the grounds that Burmans don't fulfil the requirement of being 'fit and proper' as per RBI's rules. It alleges that the family was involved in frauds like the infamous Mahadev betting scam, a scam centered on illegal betting apps. It even accused the Burmans of colluding with Fortis' Singh brothers in the fraud that transpired at Religare earlier. And when most of these allegations seemed to have no substance or proof, Religare cried foul about how the Burmans are paying an unfairly low price for the company.

But SEBI's not having any of it. It's been watching how Religare and its Board have been bypassing the rules by borrowing time. And that's exactly why it shot off a notice to Saluja and her company, a few days ago, pushing them to get all the regulatory approvals they need.

Will the Religare board give in? Well, that's something we'll only have to wait and see.

By Kishore R

Update for the day # 2181|Does the market need to worry about P-Notes?

In 2001, a massive financial scam rocked the Indian stock market. Ketan Parekh, a smart Chartered Accountant, swindled a whopping ₹40,000 crores by artificially inflating stock prices and then selling them at their peak.

One of his tricks was using Participatory Notes or P-Notes. Think of P-Notes as a way for foreign investors to anonymously invest in the Indian stock market.

If you want to invest in stocks, you just sign up with a broker, set up a demat account to hold your investments, and start trading. But for foreign investors, it's a hassle. They need to register with SEBI (Securities and Exchange Board of India), which can be a complicated process.

P-Notes on the other hand make it simple. Foreign investors can go to a registered entity or bank tell these entities to issues them a P-Note (as proof of their participation) and invests in the Indian market on their behalf. The investment is under the entity's name, keeping the real investor anonymous.

This anonymity worked perfectly for Parekh. He set up accounts with registered foreign investors and funneled money into select stocks via P-Notes. This droves up stock prices, attracting more Indian investors.

Since P-Notes are tied to these stocks, Parekh could use his highly valued P-Notes as collateral to borrow money from foreign banks. He'd then secretly reinvest this borrowed money into the market, driving prices even higher and sparking off a vicious stock market rally.

But this rally came to a screeching halt when the US dot com bubble burst. Stock prices of massively overvalued technology companies nosedived when they failed to deliver profits. When this resulted in a domino effect on global markets, India was no exception. Parekh's investments began to plummet too, translating into massive debt defaults.

The value of P-Notes or the nefarious instruments behind the Ketan Parekh scam, have been rising of late. In fact, these investments have now reached a staggering ₹1.49 lakh crores! And the last time Indian markets saw P-Note investments like that, was way back in 2017.

P-Notes aren't pure villains. They were actually devised as a tool to encourage foreign investments way back in FY92. At the time, India was low on foreign exchange reserves barely sufficient to meet 3 weeks' worth of imports. Thanks to excessive agricultural subsidies and the global oil crisis. And ever since, P-Notes have made India an attractive destination for foreign capital.

But over the years, these instruments also gave foreign as well as Indian investors a back door entry into the Indian markets. Investors enjoyed the anonymity and ease with which P-Notes could be transferred. And this translated into illegal practices.

For instance, wealthy Indians with a lot of unaccounted income found clever ways to send their money to tax havens like Cayman Islands and Mauritius. They'd then round trip that money into the Indian markets via P-Notes, and make more money off of it. That wouldn't attract any tax either, simply because these profits would be taxed in a foreign jurisdiction. And if that country had a zero-tax policy for profits on investments like these, these disguised Indians investors would get away without paying taxes too.

Not just that, P-Notes easily became a way for terrorists and money launderers to park their money in India. And that's exactly what gave P-Notes their bad reputation.

The problem worsened in 2007, when P-Notes made up for over half of the total foreign investments India received. And this miffed regulators like the SEBI and RBI (Reserve Bank of India) who advocated banning P-Notes altogether.

These attempts only backfired as stock markets crashed whenever new rules to tame P-Notes came about. On the 17th of October, 2007, for instance, the government's intention to ban P-Notes dragged down Indian markets by close to 10%, even prompting stock exchanges to suspend trading for a while.

That's when regulators realized that P-Notes were not just a sensitive investment but a conundrum for them too. Nevertheless, they took up the challenge and began tweaking the rules. Slowly but steadily, they tightened KYC (Know Your Customer) norms, stopped P-Note issuances to investors in countries not compliant with Anti Money Laundering regulations and even got P-Note issuing entities to frequently disclose any unusually high investments that came in.

And you could say that this worked. For context, the share of P-Notes in India's foreign investments has drastically dropped from over 50% in 2007, to about 10% in 2015 and just about 2% now.

And the rise that P-Notes investments are witnessing at the moment is well within that 2% threshold. If you try to reason it out, they could be largely driven by weaker global markets and western investors who are looking to reduce their exposure to China's industrial stocks. India's economic growth and booming stock markets are probably their best bet right now.

When Hindenburg Research released its controversial report about the Adani Group's business last year, it said something about P-notes too. It alleged that the Adani Group used P-Notes to invest anonymously in its own stocks and artificially inflate its businesses' stock prices.

Although unproven, this could mean that a small but good chunk of astute investors are still camouflaging their way into the Indian stock market.

By Shriya G B

Update for the day # 2182|MNCs in India fret as US yet to ratify global tax deal

Multinational corporations operating in India, especially major digital firms, are eagerly awaiting clarity on the global tax landscape as the likelihood of the US ratifying the OECD tax deal remains uncertain. The US Senate is currently deadlocked, making it improbable that the Multilateral Convention (MLC) for Pillar 1 (P1) will be agreed upon by the self-imposed June 30 deadline.

Key Points:

1. US Senate Deadlock: The international tax treaty, which faces strong opposition from Republicans, requires a two-thirds majority in the US Senate to pass. Without US ratification, implementing the OECD tax deal to reshape the global tax system remains highly challenging.

2. Global Participation Requirements: The OECD tax deal needs acceptance by 30 jurisdictions and must include headquarters jurisdictions for at least 60% of the most profitable multinationals. Many of these businesses are based in the US, making American participation crucial.

3. India's Position: India currently imposes unilateral charges, such as the Equalisation Levy, which are expected to continue in the absence of US ratification.

Sanjay Tolia from Price Waterhouse & Co. LLP highlighted that the delay in finalizing the MLC text on Amount A suggests that even if the US Treasury agrees to sign, ratification by the US Senate remains uncertain.

Naveen Aggarwal from KPMG in India pointed out that Pillar 1 and standalone Digital Services Taxes (DSTs), like India's Equalisation Levy, cannot coexist. The MLC requires the removal of such DSTs to allocate profits under Amount A.

4. MLC and Amount A & B: India is actively involved in finalizing the MLC to implement Amount A of Pillar 1, which aims to redistribute $200 billion in multinational earnings based on client location.

Differences exist between the US and India on implementing Amount B, with the US pushing for it to be mandatory—a stance India rejects.

5. Future of Digital Services Taxes: If the MLC fails to be implemented, India is expected to continue with the Equalisation Levy. The government's approach to removing DSTs will depend on the ratification of the MLC and subsequent calculations of India's gains from Amount A.

6. Pillar 2 Developments: Pillar 2 is progressing, with over 40 countries in various implementation phases aiming for 2024.

The OECD's Pillar 2 framework ensures that multinational businesses with global revenues over $750 million pay a minimum tax rate on income in each country they operate.

Although the US has yet to make a public pronouncement on Pillar 2, analysts believe this will not significantly impact India's plans.

Tolia emphasized that even if one country legislates Pillar 2, it can collect the shortfall in taxes, suggesting India may move forward with its implementation to avoid lagging behind.

Tax experts anticipate further clarity on India's roadmap for implementing Pillar 2 in the upcoming budget, while also defining its stance on the Global Anti-Base Erosion (GloBE) standards over time.

By Raki Saha

Update for the day # 2183|ITC packs a punch, beats Britannia in foods business

ITC Limited has surpassed Britannia Industries to become India's second-largest listed packaged foods firm by sales, trailing only behind Nestle. The company's food business clocked consolidated sales of ₹17,194.5 crore for the fiscal year (FY) ending March 31, 2024. This figure includes both domestic and export sales and highlights the strong performance of ITC's popular brands like Aashirvaad atta, Bingo potato chips, and Sunfeast biscuits.

Sales-Surge:

ITC's food business saw a significant 9% growth in FY24, outpacing Britannia's 2.9% expansion. This impressive performance was bolstered by a 7-8% climb in atta prices and robust growth in categories like biscuits and salty snacks, each registering a 10% increase over the previous year.

Meanwhile, Britannia saw consolidated sales of ₹16,769.2 crore with total income reaching ₹16,983.4 crore when considering revenues beyond its core foods segment. Nestle India, at the forefront, reported total sales of ₹24,275.5 crore for FY24.

Business Planning:

ITC's plan of expanding its premium portfolio and launching over 100 new goods annually, has been a key driver in the company's sales growth.

NielsenIQ reports had previously indicated ITC's rise in the domestic packaged foods market, surpassing competitors like Parle and Britannia in the nine-month period leading up to September 2023.

This dominance continued into FY24 with ITC's FMCG division hitting gross sales of ₹20,966 crore, marking a notable 9.6% increase year-on-year (YoY).

In the last annual report, for FY2024, the company said that the share of modern trade and e-commerce routes for its FMCG portfolio has grown to 31% in the last year.

This, in comparison to industry average of 15-20%, is way higher than the other leading FMCG players in the country. While, 80-85% of their sales come from the general trade channel comprising of traditional kirana stores and other such physical outlets.

According to ITC management, the surge in internet usage particularly through smartphones, widespread adoption of digital payments, wide assortment of products and faster deliveries continue to drive the rising salience of e-Commerce channel.

ITC’s collaborations with leading e-Commerce platforms on all aspects of operations viz. category development, supply chain, consumer offerings and customer acquisition has enabled it to significantly scale-up sales in this channel.

While the modern trade channel continued to witness strong growth, driven by store expansions primarily in Tier 2 & Tier 3 cities.

Omni-channel presence in urban markets enabled accelerated growth while shopper marketing insights and agile supply chain capabilities were leveraged to enhance operational and execution efficiencies. ITC focused on an in-house omni-channel network, comprising of 'ITC e-Store' - its D2C platform.

The digitally powered eB2B platform of ITC, UNNATI, has been rapidly scaled up during the year, covering nearly seven lakh outlets with a large number of retailers placing orders directly on the platform.

By Amogh V N

Update for the day #2184|The glittering allure — Why gold smugglers like India

Last year, an unbelievable heist known as Project 24 Karat went down at Canada's Pearson International Airport. Some very clever thieves targeted a massive 400 kg shipment of gold coming in from Switzerland. With a little help from some airline employees and forged documents, they waltzed right into the Air Canada Cargo terminal where the gold was being kept. And then made off with the entire consignment, worth about $20 million, vanishing without a trace. Authorities only realised what happened when the gold was reported missing.

Despite several arrests, tracking down the missing gold is proving to be a real challenge. That's because smuggled gold bars and coins often get melted down, wiping out any identifying marks that could trace it back to its original source.

And now, investigators believe that some of this stolen gold has likely been smuggled into India.

Why do they think so?

You see, India has a deep love affair with gold. No Indian wedding, celebration or festivity is complete without it. And this passion for gold means that India's average annual demand is about 8 lakh kg.

But here's the catch. India doesn't produce nearly enough gold to meet this huge demand. In fact, the country only produces a little over 1,000 kg of gold each year, all of it from the Hutti Gold Mines. And so, we end up importing a lot of gold to make up for the shortfall.

This is the starting point that makes India a gold smugglers' paradise. The reason is simple. Importing such vast quantities of gold each year means that the government has to spend a lot of foreign currency. This puts extra pressure on the Current Account Deficit, which happens when a country's total imports exceed its exports. To manage this, the government adjusts the import duty on gold. Meaning, when they see gold imports soaring, they hike the duties to discourage buying.

But this move actually encourages smugglers because people's love for gold never fades. Higher demand and lower supply push up gold prices. And smugglers jump at the chance to bypass legal channels and avoid paying duties. This means that smuggled gold comes in cheaper and can be sold at higher prices. Eventually, this smuggled gold mixes with legally imported gold and finds its way to jewellers.

How's that, you ask?

For starters, smugglers cleverly use SEZs (Special Economic Zones) to sneak gold into India. They know that SEZs offer exemptions from customs duties and taxes on goods meant for use within the zone or for export. This means that gold imported into an SEZ can bypass the usual hefty import duties, making it an attractive loophole for smugglers.

And here's how they do it. First, they'll overreport the amount of gold they're bringing into the SEZ. For instance, if they're actually importing 5 kg of gold, they'll declare it as 20 kg, simply because it gives them permission to trade in a higher amount of gold duty-free. The authorities are less likely to question the shipment's weight if it's mixed with imitation jewellery and other metals alongside the real gold.

Once the gold is inside the SEZ, smugglers pretend to export the same amount they declared. Here's the trick. A SEZ company dealing in gold arranges for Passenger A to carry jewellery in their hand luggage, ostensibly for export. Passenger A might be travelling abroad via a connecting domestic flight. At the same time, Passenger B, with a bag full of imitation jewellery, also boards a different domestic flight from the same airport. Both passengers pass security checks and then swap the contents of their bags in a secluded spot, like a washroom. This means that A carries the imitation jewellery abroad, while the actual gold exits the SEZ and enters the domestic market through loopholes.

Of course, this scheme often involves corrupt officials who turn a blind eye for a bribe. And that's how smuggled gold seamlessly blends into the legal market. They leave no trace of transactions because the illegal gold trade is often backed by hawala, and off-the-books and off-banking money transfer system that leaves no paper trail.

But that's not the only loophole smugglers exploit. India's extensive coastlines and land borders with several countries make it incredibly challenging for the government to monitor and control every entry point. Smugglers take full advantage of these vulnerabilities to bring gold into the country illegally. This also explains why coastal states like Maharashtra, Tamil Nadu, and Kerala accounted for over 60% of the gold smuggling cases registered in the country in 2023.

Put all of these things together, and you'll see why gold smuggling in India has been on the rise. To put it in perspective, in FY23, the CBIC (Central Board of Indirect Taxes & Customs) and DRI (Directorate of Revenue Intelligence) confiscated 3,500 kg of gold. But in FY24, that number shot up by about 30%.

The root cause?

Increased import duties and other taxes on gold over the past few years coupled with the gold price rise owing to the Russia-Ukraine war.

Sidebar: Gold prices rise during events like wars because investors shy away from risky assets and turn to gold to protect themselves from economic downturns.

So yeah, the government is stuck in a "to hike or not to hike" dilemma regarding import duties on gold. And this ongoing conundrum makes it easier for smugglers to exploit other loopholes and find ways to bring gold into the country illegally.

The best way for authorities and the government to crack down on gold smuggling is by stepping up their game with smart strategies. This includes advanced passenger profiling, risk-based checks, targeting cargo consignments, thorough aircraft inspections and working closely with other agencies.

How long until that happens? Only time will tell.

By Arun Nagarajan

Update for the Day #2185|Why is Hyundai India looking to go public?

According to the Society of Indian Automobile Manufacturers (SIAM), Indians bought more than 4 million cars in 2023 alone. We are the world's third-biggest car market, after China and the US.

And with an increasing number of people choosing electric vehicles (EVs), many people believe the market is ripe for disruption. By 2025, India is expected to become the third-largest EV market, with 2.5 million EVs on the roads.

It's no wonder then that automakers want to ride on this trend. Look at Hyundai India. They want to raise around $3 billion (₹25,000 crores) from the public market in what could end up being a record-breaking IPO.

We say record-breaking because the money it wants to raise, surpasses the last two biggest IPOs in the Indian stock market's history (LIC—around ₹21,000 crores and PayTM—around ₹18,000 crores).

Anyway, given this ambitious IPO plan, you might wonder: Isn't Hyundai a foreign brand? So why pursue an IPO in the Indian market?

Let's take it from the top.

See, Hyundai Motors India is a wholly-owned subsidiary of South Korean auto giant Hyundai Motor Company (HMC).

In the early 1990s, when India liberalised its economy, opening doors for foreign companies to sell and set up shop in India, Hyundai Motors was one of the frontrunners, (in 1996) capitalising on the fledgling Indian economy.

But it wasn't an easy ride for Hyundai.

At first, they faced tough competition from the well-known domestic car manufacturer Maruti and foreign brands like Ford. In fact, they were even competing with rival brand South Korean Daewoo, whose compact MPV (Multi-Purpose Vehicle), Matiz, took on Hyundai's Santro in 1998. But as you all know, Santro would go on to become a best seller and cement Hyundai's place in the market.

Today, they're a household brand and they've undoubtedly won Indian consumers' hearts like no other. This success is evident in its position as the second-largest car manufacturer in India after Maruti Suzuki.

But how did it manage to do so, you ask?

First, instead of competing solely on price points, which can be extremely challenging considering Maruti's dominance in the affordable segment, Hyundai focused on offering extra comfort and more features.

For instance, their debut model, the Hyundai Santro, won hearts with its tall-boy design and spacious cabin. See, tall-boy cars have a boxy shape, with a higher roofline than usual, providing ample headroom for occupants, especially taller people.

At the time, its entry-level cars featured some really cool technologies such as a multi-port fuel injection engine, power steering, and rear seat belts, distinguishing itself from competitors.

Second, Hyundai put a lot of weight on local manufacturing. At its Chennai plant, Hyundai brought South Korean makers and vendors to localize the manufacturing processes.

This approach ensured that Hyundai maintained international standards while controlling the costs of critical components like body parts, headlights, and engine parts.

Third, Hyundai continued this trend with models like the i20, Grand i10, and Creta, demonstrating a keen understanding of consumer preferences and positioning itself as a premium alternative to Maruti Suzuki.

Impressive, no?

Fourth, we cannot underestimate the phenomenal success of Kia Motors, which is striking gold in the Indian markets. As Hyundai's subsidiary, Kia Motors has followed in its parent company's footsteps, becoming the fifth-largest car manufacturer in India within just a few years.

So yes, Hyundai's success story will be told for years to come.

But they don't want to sit on their laurels. They want to double down on this remarkable success.

Together with Kia, the company plans to increase its annual production capacity in India to 1.5 million units annually.

A key component of this expansion strategy is the new Pune plant, which they acquired from General Motors last year. This plant will play a crucial role in helping Hyundai strengthen its presence and meet the growing demand in the Indian market.

To add to this, Hyundai India is also a major car exporter. Since 1999, it has consistently maintained its position as India's largest passenger car exporter. It exports cars to over 80 countries, including the Middle East, Africa, Asia and Latin America.

To add to its growth trajectory, it plans to introduce more electric vehicles (EVs) in India and expand its EV lineup by 2030. On the other hand, Kia India plans to begin local EV production by 2025.

And all of this will need money. To put things in perspective, to date, Hyundai has invested $5 billion in its Indian manufacturing plant, with commitments to pump in another $4 billion over the next decade.

And apparently, Hyundai India doesn't want to borrow any money from its parent company in Korea.

Therefore, it is preparing for an initial public offering (IPO) in the Indian stock market. The parent company in South Korea will sell its 17.5% shareholding in Hyundai Motors India to investors who believe in the growth potential of auto stocks.

Moreover, the cherry on the cake is that India's stock market is soaring higher than ever. Between 2019 and 2023, the benchmark Indian indices have doubled. Earlier this year, India's stock market confidently overtook Hong Kong's to claim its place as the world's fourth-largest.

Given these favourable conditions, you can see why the company believes it’s the perfect time for them to go public.

By Nisarga S Kundapur

Update for the Day #2186|Should RBI let the rupee fall?

India is a currency manipulator!

And it's not us saying this. Back in 2020, the US Treasury actually added India to its watchlist for potential currency manipulation.

Sure, they changed their tune two years later and took us off it. But it didn't end there.

Even the IMF (International Monetary Fund) thought the RBI (Reserve Bank of India) was doing a bit too much to control the rupee-dollar exchange rate.

And now, some experts, including former economic advisors and IMF folks, feel that the RBI is still over-managing the rupee to keep it stable.

And if all this sounds overly complicated, let's simplify things a bit and start with what the rupee-dollar exchange rate means and how the RBI manages it.

See, the rupee-dollar exchange rate is simply how many rupees you need to buy a dollar, or how much you'll get in rupees if you sell a dollar in the market today. Right now, if you sold $1, you'd get about ₹84.

But this rate doesn't stay fixed. It shifts based on various factors. For example, if foreign investors lose confidence in India's economy and pull out their money, the rupee might weaken.

Or if there's a high demand for dollars, like when countries start building up their foreign reserves, the rupee could weaken, too.

On the flip side, if more foreign money flows into India or there's a stronger demand for the rupee, the rupee strengthens.

That's how the rate moves naturally, with no one stepping in. And when the rupee finds its value this way, we call it a flexible or "floating" exchange rate.

But sometimes, the RBI steps in to manage the rate and protect the economy from sudden shocks.

For example, the RBI might buy foreign currency to increase its reserves, just to have extra funds for paying imports.

When it does this, it's essentially paying out rupees to buy other currencies, which can make the rupee weaker. The opposite happens if it sells foreign currency.

And despite a steady rise in its foreign exchange reserves, which peaked at $700 billion a couple of months ago, the RBI might be overdoing it in controlling the rupee-dollar exchange rate. It seems as if it's using its foreign exchange reserves a bit too much, too often.

The reason is simple. Until around 2019, the RBI mostly let the rupee find its own value, allowing it to fluctuate naturally. It would only dip into foreign exchange reserves during major crises.

For instance, during the 2008 global financial crisis or the 2013 taper tantrum when the US Fed's policies led to higher interest rates, the RBI sold dollars from its reserves to keep the rupee from dropping too fast. But in calmer times, it stayed hands-off.

Since 2019, though, the RBI has taken a more active approach. It boosted its reserves when foreign money flowed into India and started selling from these reserves whenever the rupee faced pressure to drop.

For context, between February and October 2022 alone, it used up a massive $105 billion from its reserves to keep the rupee steady as the US Fed raised interest rates to control inflation.

This intervention didn't just keep the rupee stable and cushion it from big swings, it did two other things, too.

One, it pushed up the rupee's real effective exchange rate (REER). Think of it as the value of a country's currency compared to a basket of other currencies, adjusting for inflation and ties with its important trading partners.

So, if India's inflation is higher than in the US, which it currently is, it means that our goods and services are pricier. This can make our exports less competitive in the global market.

Ideally, if the REER is 100, the currency is considered fairly valued. Below 100 means it's undervalued, while above 100 means overvalued.

Right now, Reuters says that the rupee may be about 5% overvalued, with the REER at around 105. And some think that's because the RBI is propping up the rupee.

Two, an overvalued rupee makes Indian exports even less competitive because foreign buyer need to spend more of their currency (like dollars) to buy Indian goods and services. This could slow our export growth.

To put things in perspective, non-oil exports have grown slowly, averaging just 4.5% annually from 2019 to 2024, which is almost half the growth rate seen between 1994 and 2018.

So, should the RBI just let the rupee fall and find its natural value like it used to, you ask?

Well, in theory, that sounds pretty straightforward. But in practice, it's not so simple.

Take China, for example. China's central bank often steps in to keep its currency slightly weaker so, exports stay competitive and cheaper. But that approach works for China because its economy relies heavily on exports, and inflation is usually low.

In India though, things are a bit different. Even if the RBI lets the rupee weaken, it might not boost exports as much as you'd think. If you're wondering why, here's the thing. India's inflation has been high, especially with food prices surging due to unpredictable weather and lower crop yields. This rise in prices affects everything.

And exporters who rely on imported raw materials still end up paying more to make their goods. So even if the rupee falls, Indian goods could still seem pricey in the global market.

Plus, if global customers demand discounts due to inflation, that eats into exporters' profits too.

In fact, an analysis by The Print shows that exporters might only benefit by about 0.1% to 0.3% with a weaker rupee.

And that there's really only a tiny statistical connection between competitive exports and a weaker currency.

So, letting the rupee weaken doesn't necessarily mean that our exports will suddenly become a lot more competitive. It's just not a guaranteed fix for export growth.

And maybe that's what the RBI realizes too. Perhaps it feels that prices in India are way too high. So, it's using this method of dipping into reserves to keep the rupee stable instead of letting it fluctuate too much.

After all, that's the RBI's job, right? So, yeah, instead of calling it a currency manipulator, let's just say that the RBI is just doing what it's meant to do.

By Manoj Kumar Y N

Update for the Day #2187|Vedanta Resources Ltd. Regains Control of Konkola Copper Project in Zambia

In a significant development for the global mining industry, Vedanta Resources Ltd. has been authorized to reclaim control of the Konkola copper project in Zambia. This follows a court decision that sanctioned a debt settlement plan for the mine's creditors.

On Friday, a court in Zambia's capital, Lusaka, approved a scheme of arrangement endorsed by the creditors of Konkola Copper Mines Plc (KCM). Paul Kabuswe, Zambia's mines minister, shared this announcement on Facebook, marking a pivotal moment in Vedanta's protracted effort to regain this major copper asset. The company, led by billionaire Anil Agarwal, has been striving to reclaim KCM since 2019. The previous Zambian government had placed KCM into provisional liquidation, accusing Vedanta of misleading about expansion plans and underpaying taxes.

To facilitate the reclamation of the mine, Vedanta must adhere to the court's directive by releasing $250 million to settle KCM's debts owed to contractors and suppliers. In a statement to Bloomberg, Vedanta expressed readiness to commence these payments. Furthermore, Agarwal's firm has pledged to invest an additional $1 billion over the next five years to complete essential expansion projects.

Konkola Copper Mines has a significant production capacity, capable of producing over 300,000 tons of copper annually. However, production plummeted to less than 40,000 tons in 2023, despite copper being a critical metal for the energy transition and experiencing a price surge to a record high last month.

The flagship operation, Konkola Deep, is renowned for its extensive underground workings, reaching nearly a mile deep. It is recognized as one of the world's wettest mines, necessitating the daily pumping of water equivalent to 140 Olympic-sized swimming pools to maintain operations.

This court ruling and Vedanta's subsequent actions are poised to revitalize the Konkola copper project, potentially restoring it to its former productivity and contributing significantly to Zambia's economy. The planned investments and debt settlements underscore Vedanta's commitment to the mine's future and its pivotal role in the global copper market.

By Akhilesh Mandavilli

Update for the day #2188 | Cabinet approves Rs 1000 crore venture capital fund in boost to space sector focused startups

The Union Cabinet approved a ₹1,000 crore venture capital fund under the IN-SPACe program on Thursday to support space-sector focused startups in India. Union Minister Ashwini Vaishnaw announced the decision. The proposed ₹1,000 crore fund is set to have a deployment period of up to five years from the start date of its operations. Each year, the average amount deployed is expected to range between ₹150 crore and ₹250 crore, depending on available investment opportunities and the needs of the fund.

The proposed investment range is set between ₹10 crore and ₹60 crore, depending on the company's stage, growth potential, and its impact on national space capabilities. The indicative equity investment ranges are as follows:

- Growth stage: ₹10 crore – ₹30 crore
- Late growth stage: ₹30 crore – ₹60 crore

With this investment strategy, the fund aims to support around 40 startups.

"This fund is strategically designed to enhance India's space sector, aligning with national priorities and fostering innovation and economic growth through several key initiatives," the government in a press release detailing the Cabinet meet's outcomes.

The Narendra Modi-led Centre aims to bring in the following changes and advancements in the Indian economy with this fund:

- Capital Infusion
- Retaining Companies in India
- Growing the Space Economy
- Accelerating Space Technology Development
- Boosting Global Competitiveness
- Supporting Atmanirbhar Bharat
- Creating a Vibrant Innovation Ecosystem
- Driving Economic Growth and Job Creation
- Ensuring Long-Term Sustainability

By addressing these objectives, the fund seeks to position India as a leading player in the global space economy, the government said.

"The proposed fund is expected to boost employment in the Indian space sector by supporting startups across the entire space supply chain—upstream, midstream, and downstream. It will help businesses scale, invest in R&D, and expand their workforce. Each investment could generate hundreds of direct jobs in fields like engineering, software development, data analysis, and manufacturing, along with thousands of indirect jobs in supply chains, logistics, and professional services," the government said in its press release.

The fund aims to not only generate employment but also cultivate a skilled workforce, driving innovation and boosting India's competitiveness in the global space market.

IN-SPACe

As part of its 2020 space sector reforms, the Government of India established IN-SPACe to encourage and regulate private sector involvement in space activities.

IN-SPACe had proposed a ₹1,000 crore venture capital fund aimed at fostering the growth of India’s space economy, which is currently valued at $8.4 billion and targeted to reach $44 billion by 2033.

This fund seeks to address the critical need for risk capital, particularly since traditional lenders are often reluctant to invest in this high-tech sector.

With nearly 250 space startups emerging across the value chain, timely financial support is essential for their growth and to prevent the loss of talent to other countries.

The proposed government-backed fund will enhance investor confidence, attract private capital, and demonstrate the government's commitment to advancing space reforms.

It will operate as an Alternative Investment Fund under SEBI regulations, providing early-stage equity to startups and enabling them to scale up for further private equity investments.

By Bhuvana S Bharadwaj

Update for the day #2189|Do we need more fuel stations, the oldest computer and more

Have you heard of the Antikythera mechanism, yet?

Well, if you haven't, it's an ancient Greek device, about 2,200 years old, and is considered the oldest known computer in the world!

Discovered by divers in 1900 near the Greek island of Antikythera, this shoebox-sized device didn't gain much attention until researchers realised that it used bronze gears and dials to predict celestial events like eclipses and the moon's future positions, based on ancient astronomical theories.

And ever since, this seemingly modern piece of ancient technology has been a treasure trove of unsolved mysteries.

One long-standing question, for instance, was about the number of evenly spaced rings and holes it used to determine celestial events with a pre-set calendar. And due to centuries of underwater corrosion, scientists were unsure if the device followed the lunar calendar or the Egyptian one. While 350 holes meant that it followed the lunar calendar, 365 holes meant that it was based on the Egyptian calendar.

But recent research by a team of astronomers from the University of Glasgow has solved that.

They used statistical modelling techniques to finally find out that the Antikythera mechanism tracked the Greek lunar calendar.

Urban India may soon get more fuel stations. But why?

The government just relaxed some rules, allowing fuel stations to pop up 30 to 50 metres from residential areas. So, we might see more petrol pumps in crowded urban spots.

But hold on... if India is pushing to cut down on fossil fuels and move to electric vehicles (EVs), why add more fuel stations?

Here's the scoop.

Petrol and diesel consumption has been rising, thanks to the surge in fuel-powered vehicles. To put things into perspective, oil marketing companies sold almost 130 million metric tonnes of petrol and diesel in FY24, up about 5% from last year. Besides, diesel is still India's most consumed fuel, making up for almost 40% of all petroleum products consumed.

Sure, EV sales are rising too, but they still account for just 7% of total vehicle registrations in India.

So, the government probably just wants to meet the country's current fuel demands more efficiently. More fuel stations could mean more jobs too.

But, there's a catch. When the number of fuel stations in any given area increases, it can hurt profits for stations close to each other. And this might simply push smaller, unviable stations to shut down.

Could this rule end up backfiring on what the government intends to do? We'll only have to wait and see.

By Dhanush M

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Update for the day #2190|India trying for better deal for Marine jets

India is bargaining hard for getting a better price during the ongoing negotiation with France for buying 26 Rafale Marine jets in a deal expected to go beyond Rs 50,000 crore.

The second round of negotiations between India and France started on Monday and is expected to continue for the next 10-12 days, defence sources told ANI.

In the deal where the French offer is estimated to be over Rs 50,000 crore for the complete contract including weapons, the Indian side wants a better price.

The French offer includes the packages for integrating Indian weapons on the fighter aircraft including the Astra air-to-air missile, India-specific enhancements, landing equipment for the aircraft to carry out operations from the aircraft carrier and other related equipment, they said.

The French side has showcased the landing and take-off capabilities of the Rafale aircraft from the Indian aircraft carriers during trials but will have to use some equipment for real-time operations. That is also going to be part of the package for India to buy, the sources said.

The Indian side is clear about the negotiations and wants to use the previous deal for the 36 planes for the Indian Air Force as the base price for the naval deal.

The price will add inflation costs that were agreed upon between the two sides in the previous deal.

Naval twin-engine jets are generally more expensive than the same aircraft being used by air forces across the globe due to the additional capabilities required for operations in the sea including the landing gear used for arrested landing at the carriers.

The negotiations for the price and other related issues for the all-important 26 Rafale Marine fighter aircraft started around June 12 last month.

The French delegation for the talks includes officials from their Directorate General of Armament.

The aircraft would be operated from the aircraft carriers of the Indian Navy including the INS Vikramaditya and the INS Vikrant.

As per the plans, the Indian Navy will deploy these aircraft at the INS Dega in Vishakhapatnam in Andhra Pradesh as their home base.

France had submitted its response to India's tender for buying 26 Rafale Marine jets for the Indian Navy's aircraft carriers - INS Vikrant and INS Vikramaditya in December last year.

By Harshita Jain B

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