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EMERGING THOUGHTS

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Contents

Foreword

We, the team at **SURESH & CO.**, are excited to present the latest edition of **"EMERGING THOUGHTS."** This publication is a testament to the innovative thinking and global awareness of our articled assistants—future Chartered Accountants—and our dedicated employees.

In today's dynamic world, staying informed about global and local developments is more critical than ever. Understanding these changes helps us navigate challenges and seize opportunities. The positive feedback from our readers inspires us to keep delivering meaningful insights. Every edition represents a step forward in our collective learning journey, enriching our understanding and opening new horizons.

At **SURESH & CO.**, we foster an environment where both personal and professional growth thrive. We believe that collaboration and shared ideas pave the way for innovation. By encouraging our team to question norms and broaden their perspectives, we aim to create a culture of continuous improvement.

This edition reflects the fresh ideas and early perspectives of young minds. While these updates are thought-provoking, we encourage readers to dive deeper and explore these topics independently. The insights shared here are a spark meant to ignite curiosity and encourage meaningful discussions.

Thank you for joining us on this journey of exploration and growth. May the insights in this edition of **"EMERGING THOUGHTS"** inspire you to think differently, embrace challenges, and contribute to a brighter future.

"Every great achievement begins with a small step forward. Use today's opportunities to build the foundation for tomorrow's success."

As we embrace a new month, let's strive to make each day purposeful. Whether through acts of kindness, setting ambitious goals, or simply reflecting on our journey, every moment holds the potential to create a meaningful impact. Let's seize these opportunities and infuse positivity into all that we do.

Update for the day #2191|Why India can't afford a delayed consensus anymore?

The Story
If you grew up in the 90s or early 2000s, you may remember the census (from 2011). Maybe a friendly enumerator knocked on your door, asking questions about your household - how many people lived there, your education level and if you have access to basic amenities like a washroom.

Fast forward to 2024, and here we are, gearing up for another round of this once-in-a-decade ritual.

But this one's a little late - actually, three years late. Sure, you could blame it on the pandemic and the government's intention to shift from pen-and-paper to digital tabulation, but this delay is more than just a minor inconvenience. In fact, it's causing some serious complications.

So, why does the census matter so much, you ask?

You see, the census is not just a routine headcount of the population. It's like the ultimate data treasure trove. It shapes how we understand our country - who lives where, how cities are expanding and what kind of social policies need tweaking. It's the bedrock for everything from planning welfare schemes to building political strategies.

To get the full picture, you could take a quick trip down memory lane to past censuses. In 1991 and 2011, for instance, the numbers revealed something shocking. There was a steep drop in the child sex ratio in states like Punjab, Haryana and Gujarat. In simple terms, people were aborting female babies and in favour of male children. This disturbing trend forced the government to step in. They introduced the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act in 1994 to crack down on female foeticide. And by 2015, the Beti Bachao Beti Padhao campaign came into play, tackling gender bias head-on.

Or you could consider the rapid urbanization trend captured by the 2001 and 2011 censuses. That data prompted governments to launch initiatives like the JNNURM (Jawaharlal Nehru National Urban Renewal Mission) in 2005, followed by the Smart Cities Mission and AMRUT (Atal Mission for Rejuvenation and Urban Transformation). These were all aimed at making Indian cities more liveable, sustainable and well-managed.

Plus, census data isn't just about numbers. It's key for deciding how resources get distributed. The education department, for example, depends on this data to support states with lower literacy rates and the Finance Commission decides how to allocate funds.
But here's the problem. Today we're still stuck using data from the 2011 census because the 2021 census got delayed. And this means that the outdated information is now impacting a wide range of thing.

For starters, food security could be at risk. Just look at the NFSA (National Food Security Act), which promises subsidized food grains to two thirds of the population. This ratio though, is based on the 2011 census data. But since then, India's population has grown significantly, meaning over 10 crore people may now be missing out on this essential support.

Deccan Herald even puts a face to this problem. It says that in 2019, a single mother in Delhi applied for a ration card. Five years later, her application is still 'waitlisted' because the outdated census data hasn't been updated, meaning she and many like her can't access subsidized food grains under the PDS (Public Distribution System).

This isn't just a bureaucratic hiccup, it's the difference between putting food on the table and going hungry for many vulnerable families, including migrant workers and the elderly.

And it doesn't stop at food, employment is at stake too. The MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme), which provides wage employment to millions of rural households, also relies on census data to allocate funds. Without updated figures, the scheme struggles to serve its purpose effectively, potentially leaving countless households in the lurch.

Then, there are critical issues like migration, urbanization and demographic changes. States like Maharashtra, Karnataka, Tamil Nadu and Delhi, which see a large influx of migrant workers, are forced to make policy decisions based on obsolete numbers. That's like trying to navigate a fast-moving city with a decade-old map. It just doesn't work.

Another interesting thing is that census data does more than just count heads. It also validates other key surveys.

Take the Household Consumption Expenditure Survey, for instance. It's conducted every five years to track how families spend their money. The Periodic Labor Force Survey examines job trends quarterly in cities and annually in rural areas. The National Family Health Survey evaluates health metrics to guide healthcare planning.

These surveys use samples to represent the whole population, but the census covers everyone, providing a crucial check on their accuracy. This process, known as "triangulation of data", involves cross-checking information from various sources to ensure reliability. In short, reliable census data ensures that these surveys give us a true picture of the economy.

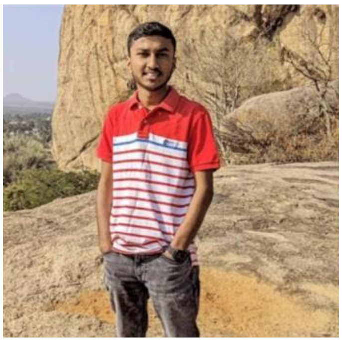
And finally, there's the matter of delimitation. Think of it as the process of redrawing electoral boundaries directly tied to population shifts captured by the census, whose results will be out by 2026. By then India's population is expected to reach 1.46 billion and this data will be crucial for reshaping electoral constituencies to ensure fair representation. For instance, Karnataka might see its Lok Sabha seats increase from 28 to 36, while Uttar Pradesh could jump from 80 to 128 seats. But Kerala, with its more controlled population growth, might see a slight reduction in its Lok Sabha seats.

Without accurate census data, this crucial political process could be based on outdated assumptions, leading to unequal representation and resource distribution.
So, what's the solution?
Well, it's pretty straightforward. We need to prioritize getting the census back on track because as you've seen, the stakes are too high to let it linger. Accurate data is the foundation for almost everything in the economy. The sooner we complete the census, the sooner we can start fixing the gaps it's left behind and build policies on solid, up-to-date information rather than outdated numbers.

In a rapidly changing country like India, the cost of delay is simply too big to ignore. Besides, seeing that countries like the UK, China and the US have managed to complete their censuses despite severe COVID outbreaks, should push us to act faster. So yeah, the long due 2021 census isn't just a formality, it's a necessity.

Until then, the nation waits, ready for the numbers that will shape its future.

By Somashekar L M



Update for the day #2192|Indian Economy Holds Steady as Businesses Look to Festive Cheer

India's economy continued to maintain momentum in August, though at a slightly slower pace compared to July, according to high-frequency data released on September 1 and 2.

Goods and Services Tax (GST) collections in August stood at Rs 1.75 lakh crore, marking the sixth consecutive month of collections exceeding Rs 1.7 lakh crore. Although this figure was lower than the previous month's Rs 1.82 lakh crore, the year-on-year growth in GST collections remained steady at 10 percent. Saurabh Agarwal, Tax Partner at EY, highlighted that the growth in gross GST collections despite increased refunds reflects the economy's robustness, with a noticeable shift towards self-reliance due to declining imports and rising exports.

Manufacturing activity showed signs of slowing, with the Purchasing Managers' Index (PMI) easing to 57.5 in August, marking the second consecutive month of decline. Firms surveyed for the PMI noted that increased competition was dampening growth. However, Pranjul Bhandari, chief India economist at HSBC, noted that the sector continues to expand, albeit at a moderated pace.

Unified Payments Interface (UPI) transactions remained strong, with another month of volumes exceeding Rs 20 lakh crore. However, the pace of growth slightly tapered compared to the previous month. Similarly, FASTag transactions saw a minor increase from 323 million in July to 329 million in August, though growth slowed to 7 percent from the previous month's 9 percent.

Auto sales experienced a second consecutive month of decline. Maruti reported an 8.4 percent drop in domestic sales, while Hyundai and Tata recorded decreases of 8 percent and 3 percent, respectively. However, the two-wheeler segment showed signs of recovery, with Bajaj registering a 30 percent increase in sales, Hero MotoCorp a 4 percent rise, and TVS Motor Company reporting a 14 percent growth.

Consumption remained a positive aspect of the economy, even as growth slowed to 6.7 percent in the first quarter, down from 7.8 percent in Q4FY24 and 8.2 percent in the previous year. Private final consumption expenditure grew by 7.4 percent in Q1FY25, up from 4 percent in the previous x quarter and 5.5 percent in the first quarter of FY24.
In the transportation sector, domestic air traffic increased by 7 percent in July 2024, and freight traffic grew by 4.7 percent.

Coal production, however, saw a decline. Coal India's output fell by 11.9 percent in August, down to 46.1 million tonnes from 52.3 million tonnes in July. Overall coal production for August dropped by 8 percent, although cumulative production for the year up to August was 6.5 percent higher than the previous year.

Investment activity provided a boost to the economy, with growth reaching 7.5 percent in the April-June period, up from 6.5 percent in the January-March quarter. Core industries also rebounded in July, with output growth rising to 6.1 percent, compared to a previous eight-month low of 5.1 percent.

Looking ahead, the economy is expected to expand by over 7 percent in the second quarter of the year. A strong return of capital expenditure, highlighted by a 107 percent increase in government spending in July, alongside a favorable monsoon, is anticipated to further drive growth. Manufacturers are optimistic about increased sales during the upcoming festive season.

Reserve Bank of India (RBI) Governor Shaktikanta Das, speaking on August 31, expressed confidence that the RBI's 7.2 percent growth projection for FY25 would be achieved.

By Varsha G Bhatt

Update for the day #2193| How stock experts minted 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 Newslaundry:
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.
Hard luck!

By Umesh Pareek

Update for the day #2194|Indian Road safety screams for help

Indian roads are dangerous. Even the Road Transport and Highways Minister, Nitin Gadkari, admits that despite all the success in developing Indian road infrastructure, his biggest regret is failing to make Indian roads safer. And the numbers don't lie.
Nearly 1.7 lakh Indians lost their lives in road accidents in 2022. That's over 460 deaths a day! But that number might be far from the real figure, and the reality could be much worse. And before we explain why, let's see how India compares to countries with better road safety.

If you were on the road in India back in 1990, you were 40% more likely to die in a road accident compared to someone in developed countries like Sweden and other Scandinavian nations. And if that sounds scary, buckle up. Because fast forward three decades to 2021, and the risk had skyrocketed to a staggering 600%! Yup, you're now six times more likely to die on an Indian road than in these safer nations. And this chilling stat comes from the latest Indian Status Report on Road Safety 2024.
Now you might think that it's unfair to compare India to these countries. They have more money and probably spend less time on the road, right? Well, not exactly.

An average person in a metro city in India spends about 40 kilometres a day commuting to and from work. In Sweden and the US, people travel even more and yet experience far fewer road deaths. And the argument about being a developing country doesn't fly either. Data shows that income levels don't directly affect road safety, and there are countries like Kenya and Nigeria with similar or lower Gross National Income (GNI) per capita than India that have far fewer accidents. Research from the Global Status of Road Safety Report 2023 backs this up, stating that historical trends from many countries show that despite the increase of vehicles, incomes and population, road traffic injuries (RTIs) have reduced.

So, being a "developing country" isn't a valid excuse for the danger on Indian roads. Plus, let's not forget that in 2022, India received $500 million from The World Bank and Asian Development Bank specifically to improve road safety. Despite having only 1% of the global vehicular population and not being the top car-owning country, India still ranks among the highest in the world for annual road accident deaths.
So, what's going on? And why do we think that the 1.7 lakh figure we mentioned earlier could actually be even higher?

See, when an accident happens in India, the first thing people do is head to the police to file an FIR (First Information Report). But here's where the problem begins. Once an FIR is filed, the cause of the accident has to be recorded as 'fault' of a driver or 'human error' for more than 80% of accidents. The real causes like poor road design or faulty vehicles rarely get recorded. So, we never really get the full picture of what's causing these accidents. And when these flawed reports pass through layers of bureaucracy and end up with the National Crime Records Bureau (NCRB), they become the official stats.
So, a lot gets lost along the way.

In fact, studies show that official data could underreport up to 40% of actual road deaths! For context, a study in Bengaluru found that the police data missed 5% of road deaths. And another study estimated that there were over 2 lakh deaths in 2019, which was 40% higher than the government's official figure. Shocking, no?

That's exactly why we say that the real number is probably much worse than the number of deaths reported. And all that clearly shows why Indian road safety is screaming for help.

So what's the solution, you ask?
Well, it all boils down to what we just discussed — data and surveillance. Because to save lives on roads, we need better data. And that requires a well-running crash surveillance system. It's one of the recommendations in the latest road safety report.

The countries we mentioned earlier — Sweden, the US and Australia, all have already adopted these systems, and they've seen dramatic improvements in road safety.
Sweden's "Vision Zero" strategy for instance, aims for zero road fatalities. And their data-driven traffic monitoring has reduced deaths by 50% over the past two decades. Their Strada system integrates police and hospital data, giving them a full picture of road traffic injuries.
The US also plans to implement advanced Vehicle-to-Everything (V2X) technology which allows cars to "talk" to each other and to traffic signals, improving emergency response times and leading to data driven policy decisions.
And Australia has implemented real-time surveillance on highways. And it has helped reduce accidents as well as improve road design.

When we say crash surveillance systems, imagine cameras and sensors that track accidents in real-time. They capture details like what caused the crash, how fast the vehicles were going, and how bad the injuries were. With this kind of information, authorities can make smarter decisions to keep roads safer and cut down on accidents.
But in India we're nowhere near having that level of real-time monitoring. Sure, some cities have cameras and sensors. But they cover only a small portion of the roads. And the use of AI (artificial intelligence) to analyze this data is still in its early stages. Awareness and adoption of V2X tech is also relatively low. And while smart roads exist, they're not fully integrated with real-time data collection.
So yeah, the government can take a serious look at these crash surveillance systems.
And hey, it's not just about saving lives. Improving road safety also has a significant economic impact. According to a World Bank report, road accidents disproportionately affect poor households, pushing them further into poverty and debt. In fact, over 70% of crash victims come from these disadvantaged backgrounds. So, road crashes take a toll not only emotionally but also financially on families.
On top of this, India has set a vision to achieve zero road fatalities by 2030 as part of its global road safety targets. However, without better data and an effective surveillance system, reaching that goal might remain out of reach.

But it's not just about government efforts. As Mr. Gadkari highlights, the lack of respect for traffic laws among motorists and pedestrians plays a significant role in the problem. Until we as a society start taking road safety seriously, no amount of technology will make our roads safer.

By Shravan Prabhu N

Update for the day #2195|The Truth About EVs: They Aren't as Good For The Environment As You Might Think

It's a debate that's happening all around us when it comes to electric cars. Some people argue that these vehicles are far better than internal combustion engines for the environment. Others say they are just as bad. Car manufacturers are presenting their electric vehicles as the future, some of which have plans to stop the production of internal combustion engines by 2030.

There are a few arguments against electric vehicles that are just as detrimental to the environment as traditional combustion engines. The mining process for lithium-ion batteries is very energy-intensive and produces a high amount of greenhouse gases. It's going to get worse as more people buy EVs. It takes about 8 to 10 metric tons of CO2 to produce one electric vehicle. The more EV's we will have in circulation the higher the amount of greenhouse gases needed to extract the raw materials to produce batteries. Some smaller batteries can take as few as two tons while larger ones could generate up to 17 tons of CO2. When it comes to CO2, the average production of an EV produces around 7 metric tons of CO2.

Mining Process And Material Handling

More than half of the world's lithium supply comes from the lithium triangle, an area between Chile, Bolivia, and Argentina. It's causing a decrease in the water supply for the local farmers, causing the locals to survive only on lithium mining. The mining process has taken around 65% of the region's water, leaving less water for the local agriculture to grow fresh vegetables and fruits.

Furthermore, the production of a ton of lithium requires 750-tons of brine, but it doesn't stop here. Batteries are not made out of lithium only, actually, a battery is made out of only 6% lithium, to produce a battery cobalt is also required. The leading country in worldwide cobalt mine production in 2020 was the Democratic Republic of Congo, having produced an estimated 95,000 metric tons that year. The sourcing problem with cobalt mining in the Democratic Republic of Congo is the use of child-labour, with reported deaths big tech companies like Google, Tesla, Dell are named in the US lawsuit by families of children killed or injured while mining in DRC.

Storage And Recycling

As we mentioned above, it is estimated that the high amount of greenhouse gases to extract the raw materials that make up a battery is greater than the number of greenhouse gases produced by internal combustion cars. Electronics have a lifecycle, some get too old and go outdated, some fail yet some never hit the household doors. Recycling old batteries is a great solution, once all the lithium human labour can extract is over, we will have to keep recycling what we already have, but that comes with a cost.

Different from plastic, battery storage is more onerous. Batteries tend to catch fire because of the volatility of elements it contains. Similar cases have happened to the general public as well. For example, the Samsung Galaxy Note 7 was discontinued because of this. Recycling will take more effort, but as of right now the industries seem more focused on getting rid of the internal combustions and replacing them with electric vehicles.

Coal For Electricity

Electric vehicles have a long-run environmental footprint. Based on research from the Federal Highway Administration, the average American travels nearly 13,500 miles per year. If the scenario were to drive an electric vehicle the total amount of electricity to run the car would be 4,000 kWh of electricity per year to operate. Does the US have all the resources to go fully electric? Countries with lots of wind and efficient solar systems can generate enough electricity to run electric cars in their country. Larger unions, like the U.S, rely upon coal, which is set to be the third-largest energy source for U.S. electricity generation in 2020—about 19%. The disadvantages of using coal also include the fact that coal is a non-renewable source of energy, is potentially radioactive, destroys natural habitats and lastly it creates high levels of carbon emissions.

Greenhouse Gases In The Long Run

Now speaking in the long run, an electric vehicle will produce fewer emission gases and be more eco-friendly to the environment compared to fuel-powered cars. As of right now, we are still moving up the slope to hit the break-even point where the production of electric cars equals the same amount of gases released in the atmosphere as the production of gas-powered engines does. With technology moving forward we might see development and better efficiency in the production of electric vehicles, until then we have to slowly walk up the slope.

By KK Krupa

Update for the day #2196|The Household consumption expenditure survey and its significance

Shifting Spending Patterns in India

The Household Consumption Expenditure Survey reveals major shifts in Indian spending habits. In 2011–12, rural households spent nearly 53% of their budget on food—cereals, vegetables, fruits, milk, and eggs. Fast forward to 2022–23, and that share has dropped to 46.4%, marking the first time in survey history that rural spending on food has fallen below 50%. Urban areas also saw a decline, from 42.6% to 39.2%.

But why does tracking these numbers matter?

The Basis: Engel's Law

The answer goes back to 1857, when German statistician Ernst Engel observed that the poorer a family, the larger the portion of its budget dedicated to food. As family income rises, the percentage spent on food drops, though the actual spending might increase. Known as "Engel's Law," this principle helps economists assess standards of living: a decrease in food spending as a share of the total budget suggests an improvement in quality of life, as people can allocate more funds toward health, education, and other non-food items.

By this measure, India's declining food share points to improving living standards. The CEO of NITI Aayog even suggested that only 5% of India now lives below the poverty line.

How Do We Measure Poverty?

India's poverty estimates are based on data from 2012, with the rural poverty line set at a Monthly Per Capita Expenditure (MPCE) of ₹816, known as the 'Tendulkar poverty line.' Adjusting for inflation (around 6% annually), the current poverty line would be about ₹1,460. According to the latest survey, only 5% of the rural population has an MPCE below this updated threshold, supporting claims of reduced poverty.

However, it's essential to interpret this carefully. While the average rural MPCE is ₹3,773, this figure can be misleading due to a small segment with much higher spending. In fact, 5% of rural households report MPCE above ₹10,500, which skews the average upward, suggesting a need to monitor inequality within these figures.

Rural-Urban Spending Gap

Another trend is the narrowing of the spending gap between rural and urban India. In 2011–12, urban households spent 84% more than rural ones; now, they spend only 71% more. This could be due to increased remittances as workers migrate to cities and send money home—reports suggest that as much as 30% of rural expenditure could come from these remittances. These funds are a critical support, reducing poverty, helping people start businesses, and increasing access to healthcare and education.

Implications for Inflation and Policy

The survey will also help refine India's inflation calculations. Currently, the Consumer Price Index (CPI) weights different spending categories based on 2012 data, which assigns food a 54% weight in rural areas. However, the latest survey indicates that food now comprises just 46% of rural spending. Also, within food categories, there's a shift: for example, cereals, previously given a weight of over 12% in CPI, are now less than 5% of the rural consumption basket.

As economies grow, households often shift toward a more diverse diet, increasing consumption of proteins and processed foods, and the survey reflects these changes. Updating the CPI with these latest spending patterns could make inflation measurements more accurate, aligning official data with actual consumer behavior.

Why It All Matters

Understanding these trends is essential for policymakers. Accurate data on poverty levels, inequality, remittance impacts, and spending shifts helps governments craft effective policies that respond to real needs. The Household Consumption Expenditure Survey provides a valuable snapshot of economic progress, aiding in the creation of social welfare programs, budgeting, and setting inflation targets that reflect today's reality.

By Sai Saran

Update for the day #2197|The great Indian Chinese conundrum

India is in a bit of a conundrum. And it's not us saying this, but the latest Economic Survey that the Finance Minister rolled out a few days ago. And the big questions that are driving India's dilemma are simple.

One, Can India boost its manufacturing and join the global supply chain without over-relying on China? And two, can it balance trade and investments with China while keeping a wary eye on the relationship between the two countries?

India's relationship with China has been a mixed bag. On one hand, we've been importing everything from China, from basic items like plastics and textiles to high-end electronics and machinery. Chinese companies have also invested heavily in Indian startups, technology and infrastructure. But with the "Atmanirbhar Bharat" initiative, India aimed to reduce its reliance on imports, especially from China, and promote domestic production. This move was partly driven by concerns over China's extensive investment strategies, which often led to control over key resources in other countries.

Take the Belt and Road Initiative, for example. It's China's grand plan to create new trade routes connecting it with the rest of the world. And although it sounds ambitious, there's a twist. China poured in a whopping $1 trillion into energy and transport projects, like power plants and railways in other countries. It loaned them large sums of money to help build the necessary infrastructure. This seemed like a golden opportunity for low-income countries like those in Africa because they had access to cheap capital to build their own infrastructure.

However, this led to a situation where indebted countries found themselves in a bit of a debt trap. It seemed like China was ensnaring these nations in a web of debt and then taking control of critical infrastructure like ports. For instance, Sri Lanka leased the Hambantota Port to China for 99 years after defaulting on its debt when it ran into financial troubles.

Now, you could argue that this is just how business works. If you lend someone money, you'll obviously expect it back. But since this debt trap diplomacy narrative seemed to be gaining popularity, many countries began to reconsider their stance on their deals with China.

The pandemic really cranked up the pressure on concerns about Chinese investments. By April 2020, India had tightened the reins on Chinese FDI (foreign direct investment), making government approval a must for any investment. Things took a turn for the worse later that year when border clashes between Indian and Chinese troops killed soldiers from both sides. Since then, India has been on high alert, banning hundreds of Chinese apps over privacy worries and keeping travel between the two nations on a tight leash. In short, the country has been extra cautious about its trade and non-trade ties with China. And that might make it look like we've severed ties with our neighbor. But the truth is quite the opposite.

Our reliance on Chinese imports has actually surged, topping $100 billion in FY24. On the flip side, our exports to China are only about 16% of that amount, which means we're staring at a hefty trade deficit of around $85 billion.

Yeah, it's a bit of a head-scratcher. And that's exactly the kind of paradox the Economic Survey is pointing out.

But this isn't a problem unique to just India. For years, economies in the global north, like the US and the EU, have leaned heavily on China for its low-cost manufacturing. China's got a grip on everything from electronics and rare earth elements to Active Pharmaceutical Ingredients (APIs). It's a major player in high-tech stuff too — think telecom gear, drones and EV batteries.

China's dominance in these areas gives it some serious sway in global markets. But the pandemic shook things up and exposed the risks of relying too much on one country.
That's where the China Plus One Strategy (C+1) comes in. The idea was to spread the manufacturing load to other countries, including India. For instance, the US is actively "friendshoring" India, which basically means diversifying trade away from China to nations with fewer geopolitical risks. American companies are moving their electronics and tech production to friendlier countries, mainly in the Asia-Pacific region. While these countries are stepping up, they're still not quite closing the gap yet.

That's because, despite some changes, China's hold on global manufacturing is still pretty tight. For example, the slump in China's property sector resulted in a steel glut. With all the extra steel it had in hand, China started offloading it to overseas markets. Countries snapped up the cheap steel, which ended up putting a squeeze on local producers in those markets. And this kind of manufacturing trade surplus has made it tough for other emerging economies to keep up.

To counter China's cheap imports, some countries leaned on import restrictions. But often, Chinese products are so competitively priced that even tariffs can't offset the advantage. On top of that, China dominates crucial supply chains in many sectors. For instance, it processes over three-fourths of the world's lithium, a key component in batteries. So, for India to suddenly ramp up and compete with China is no small feat.

Even though India is the fastest-growing G20 country and its growth rates are surpassing China's, its economy is still just a fraction of China's. Plus, C+1 means that other countries, like Vietnam, are also vying for a piece of the pie. Vietnam is known for its prowess in manufacturing electronics and garments, thanks to lower labor costs and simpler regulations. To put things into perspective, India's import duty on information and communication technologies is 10%, much higher than Vietnam's average of around 5%. Besides, India's infrastructure is still catching up to its manufacturing ambitions. And that can translate into longer shipping and road delivery times, which drives up transit costs.

One more thing you have to understand is that India's goal to become a manufacturing hub is more about achieving self-sufficiency first rather than jumping straight to become a global export leader. David Roche, founder of Independent Strategy, a research firm, put this beautifully in an interview with CNBC.

He pointed out that China became a manufacturing powerhouse by setting up Special Economic Zones (SEZs). These zones were designed with perks like tax breaks, simplified regulations and solid infrastructure to attract foreign companies and investments. This influx of advanced technology and manufacturing know-how not only boosted exports but also strengthened domestic industries, giving China a significant edge in global markets.

India has SEZs too, but its economic strategy is more about building up its domestic market. While there are export-oriented industries, the overall focus is on meeting local needs and growing the internal market. This difference in strategy means India and China are following quite different paths to economic development. So, without integrating into China's existing supply chain, getting India plugged into the global supply chain could be a tall order.

But we could definitely take a leaf out of China's book to boost our growth as a manufacturing hub. And guess what? The Economic Survey hints at a similar approach.

It points out an interesting tactic used by Brazil and Turkey. They've hiked duties on Chinese electric vehicles while simultaneously wooing Chinese FDI in the same sector. It's like trying to have your cake and eat it too!

This balancing act goes beyond just tariffs and trade restrictions. It's a broader strategy which suggests that swapping out some Chinese imports for Chinese investments could help India build up its own manufacturing muscle and trim that trade deficit. For example, instead of just importing smartphone components from China and assembling them here, why not focus on direct investments from China's component supply chain companies, so that we manufacture these parts locally? Essentially, following Brazil and Turkey's lead could help us add more value domestically and strengthen our manufacturing sector.

Sure, it's not a perfect solution, especially with all the economic and geopolitical complexities involving China. And it definitely doesn't remove China from the equation. But sometimes, you have to make do with less-than-perfect options.

Will India find a way to crack this challenge? Only time will tell.

By Mohith G

Update for the day #2198|Growing importance of Sustainability and ESG Reports

The growing importance of sustainability reports is due to the fact that investors and other stakeholders are calling on companies to disclose more information about their sustainability activities and environmental, social, and governance strategies.

A sustainability report is a report published by companies on the environmental, social and governance (ESG) impacts of their activities. It enables addressees and users to understand more clearly the impacts of a company's business activities on the environment and society and to assess the risks and opportunities companies face, or which are offered to them. It is a communication tool that plays an important role in convincing skeptical observers that the company's actions are sincere.

Environmental, social and governance (ESG) is a framework used to assess an organization's business practices and performance on various sustainability and ethical issues. It also provides a way to measure business risks and opportunities in those areas. In capital markets, some investors use ESG criteria to evaluate companies and help determine their investment plans, a practice known as ESG investing.

While sustainability, ethics and corporate governance are generally considered to be non-financial performance indicators, the role of an ESG program is to ensure accountability and the implementation of systems and processes to manage a company's impact, such as its carbon footprint and how it treats employees, suppliers and other stakeholders. ESG initiatives also contribute to broader business sustainability efforts that aim to position companies for long-term success based on responsible corporate management and business strategies.

Why does ESG investing matter, and how does it work?

In many cases, customer behavior has changed to focus on more sustainable practices. People increasingly look to recycle, minimize waste and make greener choices on products and to reward businesses that act responsibly. In ESG investing, those goals also influence decisions on investment choices.

Often, both individual and institutional investors who consider ESG issues want to use their money to support companies that align with their own values on environmental sustainability and social responsibility. In addition, such companies could have better long-term financial performance than other organizations because of lower costs, reduced business risks and new marketing opportunities, potentially leading them to outperform in the stock market. ESG investing has seen strong growth as a result.

The process involves several steps to provide relevant ESG data to investors. Companies track internal ESG metrics, which can differ from organization to organization based on the industry, business makeup and corporate priorities. They can then use various ESG reporting frameworks to document and publish the results. Next, different ESG rating agencies analyze the reports and award ESG scores to the companies. ESG investors can factor all of that information into their investment decisions.

By Ektha M

Update for the day #2199|Why is the RBI cracking down on gold loans?

The Story

Something strange happened last year at a few Bank of Baroda (BoB) branches. Gold loans, those supposed to be backed by actual, physical gold, were being disbursed without any gold! Yup, you heard that right. No gold at all.

Sounds crazy, doesn't it?
Here's what happened.

Some BoB employees, eager to hit their loan targets, devised a pretty shady workaround.1 They teamed up with a few customers and disbursed loans without any gold as collateral. Then, they blocked the customers from accessing the funds and later changed the repayment dates to make everything look legit.
But no real money was being moved around. The employees simply inflated their loan figures. And when it came to processing fees, they used the branch's own internal expense account to cover it up.

It wasn't until BoB's internal audit team started snooping around that they realized something was off. A lot of gold loan accounts were being closed on the same day they were opened!

Clearly, this wasn't normal.
But it turns out that this wasn't just a BoB issue. Earlier this year, the RBI temporarily barred IIFL Finance, another big player in the gold loan market, from disbursing gold loans.

Why? Well, they were cutting corners, too. They were under-assessing the value of gold, handing out cash loans over the permissible limits… and basically ignoring a bunch of important rules.
Eventually, both BoB and IIFL admitted that there were issues and promised to fix them. But by then, the RBI had its suspicions. So, it decided to dig deeper and look at gold loan practices across the board.

And here's what it found out a few days ago.

First, the RBI noticed that many banks were outsourcing their gold loan processes to third parties, mostly fintech companies. Fintechs are great at making things faster and more convenient. But they were skipping some key steps. For example, many were valuing the gold without the customer even being there!
Then, there was the problem with the loan-to-value ratio or LTV. LTV is the percentage of the loan amount compared to the value of the gold you're pledging. For example, if you have gold worth ₹1 lakh and the LTV is 75%, you can borrow up to ₹75,000.

But here's the catch. If the price of gold drops, the value of the collateral (your gold) also drops, and the LTV ratio rises. Let's say your gold's value falls to ₹80,000. Suddenly, that ₹75,000 loan is now covered by less valuable gold, making it riskier for the bank. And that's not a good thing because it can sometimes end up in situations where the borrower owes more than the gold's worth, increasing the risk of defaults.
To avoid this, banks are supposed to monitor the LTV ratio closely. But some weren't doing that properly either, and that's when things started to get even riskier.

And then there was evergreening. This happens when lenders keep fictitiously renewing a loan for a long time without really trying to recover the money. It's basically keeping the loan alive just to make things look better on paper, but it actually increases the risk of default.

But we're not done yet.

When borrowers can't repay their loans, banks usually auction off the gold to recover the money. It's a last resort, but it happens. However, the RBI found that some customers weren't always informed about how their gold was being sold or what price it fetched at the auction. Lenders were even almost stealing from customers by not returning the leftover money after auctioning all the gold. Because remember, they could only lend up to the LTV ratio or say, 75% of the gold's value. So, if they auctioned off the entire gold, they were supposed to return the remaining 25% of what they earned to the customer.

On top of that, there was an odd trend. Many gold loan accounts were being closed right after they were sanctioned. Why would someone take out a loan and close it so quickly?

Suspicious, right?
And then, the RBI found that some people were taking out multiple gold loans under the same PAN (Permanent Account Number) in a single year. It looked like some borrowers were gaming the system.

Yet another big issue RBI uncovered was the valuation of gold. Ideally, when you pledge gold, it's supposed to be assessed for its weight and purity, and then the loan is advanced based on that assessment. But what if a 20-carat gold ornament is incorrectly valued as 22-carat? That would inflate the value, and the loan amount would be higher than it should be.

For example, IIFL Finance had over 1.9 million gold loan customers, and when it was time to auction off some of these loans, the RBI found that 67% of the cases had discrepancies between the gold's value and the loan amount.

That's a huge problem because when the borrower defaults and the gold is auctioned, the buyer will only pay for the actual value, say, 20 carats, not the inflated 22 carats. So, the lender ends up losing money.

Well, the RBI isn't sitting idly by.

It has given banks and NBFCs (non-banking financial companies) three months to clean up their act. They've been told to review their gold loan policies, fix the gaps and monitor their third-party services closely.

But how did we even get here, you ask?
See, gold loans have become a lifeline for many people who need quick cash. Borrowers, often typically borrow between ₹60,000 and ₹1 lakh in urgent situations, and they're usually not in a position to negotiate much.4 They just take whatever terms are offered.

This informality in the sector became especially problematic after the COVID-19 crisis. Back in August 2020, the RBI raised the maximum LTV ratio from 75% to 90% to help people in financial trouble. But even though this grace period ended in March 2021, many lenders just kept operating at this higher LTV ratio, and things spiraled from there.

Also, you see, the gold loan market is now worth ₹6 lakh crore, three times what it was a decade ago. Besides, in the last three years itself, the gold loan market has grown at an annual rate of a whopping 23%! Gold prices have shot through the roof too. In April 2024, gold hit an all-time high of ₹73,000 per 10 grams, a 21% increase in just one year and currently, it is at close to ₹78,000.

When gold prices rise, people are more likely to use their gold to secure larger loans at better LTV ratios.

Plus, since gold loans are secured, they are often cheaper than personal loans. The process is simple too. There's less paperwork, and some lenders even offer to come to your doorstep to finalize the loan.

But with this boom came intense competition.
Once dominated by NBFCs, the gold loan market is now seeing banks fight for a bigger share. Banks jumped in when the RBI raised the LTV cap to 90% for retail gold loans. That's because they have an edge in agricultural gold loans, where they can lend up to 85-90% of the gold's value. They can also offer lower interest rates, around 9% to 17%, while NBFCs often charge between 20% and 26% because of their higher borrowing costs. This is partly because NBFCs usually borrow from banks themselves, which raises their expenses.

However, NBFCs can move faster, thanks to internal gold valuations. On the other hand, banks rely on external, government-certified valuers, slowing down their process.

The end result was that this cut throat competition, combined with rising gold prices, translated into riskier lending behavior. Lenders came under pressure to capture market share and meet their targets. And that drove some of the frauds and irregularities we're seeing today.

So yeah, the gold loan market is at a turning point as competition heats up and the RBI steps in. But the question lingers — will lenders clean up their act and priorities ethical practices?

By Aniket Jain R

Update for the day #2200|The Rising Cost of Living in India: A Pressing Issue in 2024

As India moves through 2024, the rising cost of living has become a central concern for millions of citizens. With inflationary pressures intensifying, especially in recent months, the impact on household budgets is becoming more pronounced. From fuel and food to housing, prices across essential sectors are climbing, posing challenges for both the government and the common man. The current situation reflects the global economic slowdown, coupled with domestic factors that are putting immense strain on the country's population.

Key Drivers Behind the Current Rise

1. **Persisting Inflation,** The inflation rate in India has been persistently high through 2023 and into 2024. After a brief period of stability post-pandemic, inflation surged again, largely due to global geopolitical events, such as the war in Ukraine, which have disrupted global supply chains and led to sharp increases in energy prices. The Reserve Bank of India (RBI) has been working to manage inflation, but the continuous rise in the Consumer Price Index (CPI) has impacted the affordability of basic necessities for millions of families.

2. **Fuel Price Hikes** Fuel prices in India have remained volatile in 2024, with international crude oil prices still under pressure due to the geopolitical landscape, including the ongoing Israel-Palestine conflict and tensions in oil-producing regions. India, which imports over 80% of its crude oil, has seen domestic fuel prices soar. The rise in petrol and diesel prices has led to higher transportation costs, which in turn has impacted food prices and the cost of consumer goods, making daily expenses more burdensome.

3. **Food Inflation** Food prices have been a major contributor to the rising cost of living. In 2024, India has faced erratic monsoons, exacerbated by climate change, affecting crop yields. This, combined with global food supply disruptions due to extreme weather events, has led to price hikes in essential food items like vegetables, cereals, and dairy products. Furthermore, import restrictions and export bans from food-producing nations have created additional scarcity in certain commodities.

4. **Rising Housing and Rental Costs** Rapid urbanization in India's metros continues to push housing prices upward. Major cities such as Mumbai, Delhi, and Bengaluru have seen rents skyrocket in 2024, driven by growing demand, limited supply, and speculative investment in real estate. Middle-class families, especially those renting, are finding it increasingly difficult to afford adequate housing, while property ownership has become a distant dream for many.

The Road Ahead

As India navigates 2024, the rising cost of living is likely to remain a significant challenge. While the government has taken steps to provide relief, much more needs to be done to ensure that inflationary pressures do not disproportionately affect the middle and lower classes.

Increasing wages, improving the social safety net, and ensuring stable food and fuel supplies will be crucial in easing the financial strain on millions of Indian households. Addressing the cost-of-living crisis will require a multi-pronged approach that balances short-term relief with long-term reforms, ensuring sustainable growth for all sections of society.

By Rohith S Paradkar

Update for the day #2201 | How does the RBI make money?

The RBI is a not-for-profit organization*. Yet, it made a profit of nearly ₹2.20 lakh crores in FY23! How on earth did it achieve this, you ask?

Through a simple process called seigniorage, assuming that people who follow the income-tax act 1961 news daily are already familiar with this concept..

Now this is just a fancy term for the profits that the bank makes by printing currency. Think about it this way. If the RBI prints a ₹100 note and gives it to a bank for circulation, the bank doesn't get it for free. It has to 'buy' the note and transfer the full face value of ₹100 to the RBI's coffers. But here's the thing. The RBI basically whipped this note out of thin air. The only cost it incurred was probably around ₹2 to print the note. Put another way, the RBI spent ₹2 and created ₹100 in face value and the profit for the central bank is derived from putting that ₹100 to good use. That profit is called seigniorage.

So what does it do with these profits?

Well, it puts the money to work. And tries to make even more money for itself.
For instance, it can lend this money to banks for their daily needs. That fetches interest for the RBI. Then there's the Indian government which also needs money for its activities. And when the government issues bonds to borrow money from people, the RBI steps in here too. It buys these bonds and pockets a nice sum of interest from the government.

Then it can buy foreign assets. Such as US government bonds. It earns interest and has the benefit of giving the RBI some exposure to the dollar. Or it can just buy and hold dollars by itself. And when the value of the dollar rises, the RBI can act proactively, sell it and pocket the gains. In fact, just by buying low and selling high last year, the RBI made over ₹1 lakh crores in forex trades.
Basically, the RBI prints or creates a bit of money and then uses that to make a whole lot more.
The end result of all this is that the RBI earned a grand total of ₹2.35 lakh crore in FY23—a whopping 47% higher than the previous year.

It gets to pocket most of this because it doesn't have too many expenses either. There is the cost to print notes. Then it delegates some form of government-related work to other banks and it pays them a fee for that. And finally, it needs to pay everyone on its payroll. Put together, this comes up to just about ₹15,000 crores.
Oh and since the RBI isn't really a 'for-profit' entity, it doesn't pay any income tax.
Ergo, the massive profits of ₹2.20 lakh crores!

And what does it finally do with these profits?
Well, the RBI is a prudent money manager. So when it makes a windfall, the first thing it does is save a chunk of it for a rainy day. It pushes money into its contingency fund. Something it can dip into if there's an unprecedented event that rocks the economy—say if some of its investments fail or a pandemic hits again and we need to protect the banking system.

And this year, it decided to move ₹1.30 lakh crores into this fund to be on the safe side.
Now if you jot these numbers down on a spreadsheet, you'll see that there's still money left over. In fact, the net income for the RBI was approximately ₹87,000 crores in FY23.

But it doesn’t really keep this for itself too. Instead, it transfers this to the government as a dividend.

See, typically the government spends more than it earns. It needs to build infrastructure, dole out subsidies for social welfare schemes, and beef up the military… there are a whole lot of expenses. And we end up borrowing money and paying interest on it. So any bonus money really helps. And since the RBI is technically owned by the government, it gets its share of profits too.
So yeah, because the RBI had quite a bonanza this year, not only was it able to build its contingency fund but it could even transfer the nice chunk of ₹87,000 crores to the government as a dividend too.

And now you know how the RBI makes and spends its money.

By T Ganesh Pai

Update for the day #2202|Nvidia Overtakes Apple as World's Most Valuable Company

Nvidia dethroned Apple as the world's most valuable company on Friday, following a record-setting rally in the stock powered by an insatiable demand for its new supercomputing AI chips. Nvidia's stock market value briefly touched $3.53 trillion, while that of Apple was $3.52 trillion, according to data from LSEG.

In June, Nvidia briefly became the world's most valuable company, before it was overtaken by Microsoft and Apple. The tech trio's market capitalizations have been neck-and-neck for several months. Microsoft's market value stood at $3.20 trillion. Nvidia's stock has risen about 18% so far in October, with a string of gains coming after OpenAI, the company behind ChatGPT, announced a funding round of $6.6 billion. Nvidia provides chips used to train so-called foundation models such as OpenAI's GPT-4.

"More companies are now embracing artificial intelligence in their everyday tasks and demand remains strong for Nvidia chips," said Russ Mould, investment director at AJ Bell. "It is certainly in a sweet spot and so long as we avoid a big economic downturn in the United States, there is a feeling that companies will continue to invest heavily in AI capabilities, creating a healthy tailwind for Nvidia." Nvidia's shares hit a record high on Tuesday, building on a rally from last week when TSMC, the world's largest contract chipmaker, posted a forecast-beating 54% jump in quarterly profit driven by soaring demand for chips used in AI.

The next big test will be when Nvidia reports third-quarter results in November. Nvidia in August forecast third-quarter revenue of $32.5 billion, plus or minus 2%, compared with the current average analyst expectation of $32.90 billion, according to data compiled by LSEG.

Morgan Stanley analyst Joseph Moore said in a note dated Oct. 10 that he remains "very bullish" about the company longer term, but the recent rally "raises the bar for earnings somewhat".

After a meeting with Nvidia's CEO Jensen Huang, Moore noted the ramp up in production of its next-generation Blackwell chips appeared to be "quite strong" and are booked out for 12 months. The stock came under pressure in August after Nvidia confirmed reports that the production of Blackwell chips was delayed until the fourth quarter. Shares of Nvidia, Apple and Microsoft have an outsized influence on the richly valued technology sector as well as the broader U.S. stock market, with the trio accounting for about a fifth of the S&P 500 index's weightage.

Frenzy around the prospects of AI, expectations that the U.S. Federal Reserve will considerably bring down interest rates, and most recently, an upbeat start to the earnings season, have pushed the benchmark S&P 500 to an all-time high last week.

Nvidia's massive gains have helped boost the stock's appeal for option traders and the company's options are among the most traded on any given day in recent months, according to data from options analytics provider Trade Alert.

The stock has surged nearly 190% so far this year as a boom in generative AI prompted the company to issue a series of blowout forecasts.

"The question is whether the revenue stream will last for a long time and will be driven by the emotion of investors rather than by any ability to prove or disprove the thesis that AI is overdone," said Rick Meckler, partner at Cherry Lane Investments, a family investment office in New Vernon, New Jersey.

By Sree Harshitha S R

Update for the day #2203|The decline of print Newspapers in India: A complex struggle

The shift away from Print

When was the last time you held a physical newspaper? Not an e-paper, but an actual printed one. If your answer is "this morning" because it's part of your daily routine, you're in the minority—only about 35% of Indians were reading physical newspapers daily as of 2019, according to the Indian Readership Survey (IRS). This marked a decline from 37% in 2017, reflecting a gradual shift towards digital media for news consumption.

With smartphones and social media becoming go-to sources for on-the-go news, it's not just the rise of digital media that has impacted print readership. Publishers believe that government policies, particularly concerning import taxes on newsprint, have also played a role in squeezing the industry.

The Impact of Import Duties

In 2019, the government reimposed a customs duty on imported newsprint, ending a near-decade-long exemption. This decision has since been a point of contention. The pandemic worsened the situation for publishers, reducing readership and advertising revenue as people avoided newspapers for fear of virus transmission. Supply chain disruptions and closures in domestic newsprint manufacturing also led to shortages, and newsprint prices nearly doubled.

When the pandemic receded, publishers hoped for a rebound, but new challenges arose. India consumes around 2.5 million tonnes of newsprint annually, but local mills produce only about 1 million tonnes. Quality concerns and limited domestic capacity mean India relies heavily on imports, particularly from Russia. However, the Russia-Ukraine conflict disrupted these imports, straining the already volatile market.

Energy costs added to the problem. Russia's restriction on fossil fuel exports raised energy prices worldwide, including in coal-reliant India. As power costs constitute about 30% of newsprint production overheads, this only deepened the financial stress on publishers.

Government Response and Domestic Industry Protection

Facing calls from the newspaper industry to lower the customs duty, the government halved the rate to 5% in 2020. Yet, it declined further concessions, citing the need to protect domestic newsprint manufacturers. Before the reimposed duty, India had been a target for dumped newsprint from countries like Australia and the EU, which cut into the market share of local producers. Between 2016 and 2019, such imports increased their market share from 37% to 48%, forcing many domestic players out of business.

Stabilizing the Industry

While newsprint costs have somewhat stabilized, with prices now more manageable than during the height of the pandemic, the overall recovery remains tentative. According to a recent FICCI-EY report, advertising revenue in print media is expected to grow at around 4% annually until 2026, which could help improve financial stability for some publishers.

However, the government still benefits from customs duty revenue, adding to its reluctance to make further concessions.

Despite these slight improvements, print media continues to face formidable challenges. Increased investment in digital transformation is necessary to remain competitive, but this demands both time and resources, which many smaller publications may struggle to afford.

The Future of Print Media

For now, the newspaper industry continues its fight to improve profit margins amid a challenging landscape. The rise of independent digital media and alternative news platforms also means traditional publishers must find new ways to engage readers and advertisers in a fast-changing market. The future of print may hinge on a delicate balance between adapting to digital trends and sustaining the unique strengths of physical media, such as credibility and in-depth reporting.

Whether print media will eventually convince the government to provide additional relief or successfully transition into a hybrid digital-print model remains uncertain. The next few years will likely determine whether print media can thrive in an increasingly digital world—or if it will have to further reinvent itself to stay relevant.

By Ganesh S Bhat

Update for the day #2204 | What is Big Tech's rush to nuclear power telling us?

AI is changing the world in ways we couldn't have imagined. But there's a secret it's keeping — its massive appetite for electricity.

Last year, AI alone gobbled up 4% of all electricity in the US, and by the end of the decade, that could shoot up to 9%. And with the power demand only surging, this is a problem we can't ignore.

Now if you were to trace this energy consumption, you'll find one word to blame this power surge on — data centers. Specifically, hyperscale data centers run by tech giants like Microsoft, Google, Amazon and OpenAI. These companies are the beating heart of AI but they are also responsible for 60-70% of all energy data centers use.

To understand how this works, picture a massive room filled with computers, running 24/7, storing data, analyzing it and making decisions. And to keep them from overheating, you need serious cooling. So technically, it's like running a room full of ovens which need a lot of fans and air conditioning to make sure nothing catches fire. That's the kind of power we're talking about.

But mix AI with power, and you've got two serious issues to tackle. The first one is that AI is growing at breakneck speed. And the US is leading this growth, housing half of the world's data centers — over 5,000 of them. And thanks to cloud computing which grows with AI; by 2030, the energy demand for these data centers is expected to triple.

The second problem is emissions. If Big Tech needs to stay ahead in the AI race, it needs more data centres, which means more energy consumption. And that's sort of complicating things because it has big promises to hit net-zero emissions by 2030.

So it's turning to an unexpected old friend — nuclear power.

First up, we have Microsoft which is teaming up with partners to reopen nuclear facilities and ensure a steady power supply for its data centers. Then there's Google, striking deals with startups to roll out small modular reactors. Amazon is also getting in on the action too, investing a whopping $500 million in nuclear-powered data centers. Clearly, Big Tech is betting big on nuclear energy.

But why nuclear, you ask?

Well, it all boils down to reliability. Nuclear reactors, particularly fission reactors, are workhorses of power generation. That's because they generate energy by splitting atoms into smaller parts, producing a significant amount of energy that can run continuously for years, maintaining over 90% capacity, unlike solar or wind, which are at the mercy of the weather. That makes it a dependable choice for data centres that need a steady stream of energy 24/7. Besides, when you consider the costs of batteries needed to store renewable energy for those non-sunny or calm days, nuclear energy often comes out cheaper in the long run.

So, you could think of nuclear power like a reliable old car that always starts, even on a cold morning. On the other hand, solar and wind are like flashy sports cars. They're fantastic when conditions are perfect, but you can't always count on them. And that's precisely why nuclear energy seems to be the steady, trustworthy option for tech companies that require constant power.

But if you go back in history, you might uncover a different story altogether. Nuclear energy hasn't always had the best reputation. In fact, it's often seen as a risky choice or one that can pose serious dangers and even take lives. For context, the US was once a nuclear powerhouse, leading the world in nuclear fuel exports. Over time though, it took a significant step back. The country went from mining uranium, crucial for fueling nuclear reactors, domestically to becoming the largest importer.

And fears of nuclear disasters like Chernobyl led to a halt on new nuclear projects, resulting in just 94 operational reactors today, down from a peak of 112 in 1990.

Cut to today, nuclear power contributes to about 20% of all electricity in the US. So, what changed?

Enter Small Modular Reactors (SMRs), which are giving nuclear energy a fresh new look. These smaller, supposedly safer reactors are not only easier to build but also come with a host of advantages. Imagine them as small, sturdy Lego blocks or components that can be manufactured in a factory and then assembled closer to where power is needed. This reduces safety risks compared to their larger, more complex predecessors.

And that's also why companies like Google are ramping up efforts to build these reactors to fuel their AI ambitions, while Amazon is making significant investments in Virginia to power its data centres. This renewed focus is igniting significant changes in economies, major corporations and innovations themselves.

The buzz around nuclear energy has already sent US nuclear stocks soaring. Just look at NuScale Power, a company specializing in SMRs. Its stock has skyrocketed more than five times this year. Uranium prices are also reaching 15-year highs, benefitting companies like Cameco and NexGen that mine this crucial resource.

And it's not just happening in the US. If you shift your focus to India, you'll see that it aims to triple its nuclear power capacity to 22,480 MW by 2032, with a goal of deriving 25% of its electricity from nuclear sources by 2050.

This ambitious drive is prompting significant investments, with power companies getting in on the action too. To put things in perspective, REC (Rural Electrification Corporation) plans to allocate ₹6 trillion to renewable and nuclear projects by 2030. NTPC is partnering with NPCIL (Nuclear Power Corporation of India) to form Anushakti Vidhyut Nigam, focusing on building and operating nuclear power plants. Add to this the fact that India plans to establish 10 new reactors and collaborate with private players to explore SMRs and innovate in nuclear technologies, and you'll see how SMRs are changing perceptions of nuclear energy altogether.

And that might simply paint a rosy picture and make it seem like nuclear energy is a magic bullet that could help Big Tech give their AI dreams more wings while also minimizing climate impact.

But let's be real. It's not that simple. There's only a limited number of unused or inactive nuclear plants ready for a comeback, and building new reactors, whether they're SMRs or not, comes with its own set of challenges.

You've got regulatory hurdles, engineering headaches and the tricky public perception to navigate. Plus, these new designs might still face hefty costs similar to larger units just to get the green light from regulators, especially in a field where safety is a top priority.

And here's another thing you can't ignore. Investing in SMRs could divert funds away from tried and tested options like solar, wind and battery power systems. On the flip side, SMRs are a bit of an unknown because they’re still unproven.

But what's innovation without tackling tough problems, right?

While the stakes are high, the potential is game-changing. And that could spark a simple hope for more nuclear breakthroughs rather than repeats of past disasters.

So yeah, maybe, just maybe, nuclear power can step into the spotlight without the shadow of doom and gloom headlines.

By Sourabh Jain

Update for the day #2205|Hollywood and Bollywood's carbon footprint problem!

What do you need to make a film?

Well, sure, you need a production house, a great writer, director, actors and all the other crew members who keep the wheels and reels turning. And of course, there's the camera assistant — the one who claps the film slate before every take, right after the director yells, "Lights, camera, action!"

Sidebar: In case you didn't know that black film slate is called a clapperboard.

But what if we changed that last line to something like, "Lights, camera, carbon!"?

Because the reality is that filmmaking pollutes massively. Depending on the scale of their production, a film can emit anywhere between 390 and 3,300 tonnes of CO2 equivalent.1 Big-budget blockbusters like *Oppenheimer* or *Barbie* sit right at the top of that range. And that's a big deal because those emissions could power over 650 homes in the US for an entire year. It would also take about 3,700 acres of forest to absorb that much CO2 at the same time.

So where do all these emissions come from, you ask?

If you actually circle back to the first question — what do you need to make a film? — and dig a little deeper, you'll realize that you need power, tons of it, to fuel all the generators and lights. You'll need realistic sets and props, many of which end up as waste. And of course transportation that moves the cast and crew to various locations, often across countries. In fact, over half of a film's carbon emissions come from transportation alone. Oh, and don't forget, some of those big-name actors prefer private jets!

When you think about it, the fossil fuel, fashion and transportation industries are some of the world's top polluters. And when you combine them all, you've got almost everything you need to make a film.

But does that mean you can't make a film without contributing to all these emissions?

Well, maybe not. Because here's the thing. While the film industry's carbon footprint isn't something we talk about much, it's a massive problem. But the good news is that it isn't shying away from the fact that it's been a major polluter. And it is putting in efforts to reduce, or even eliminate, the carbon emissions involved in entertaining you and me.

We could start with the basics or fuel and transportation. Look, about 30% of the fuel used in filmmaking goes into powering massive generators for lighting and heating. But things are starting to change. Some production houses are turning to recycled fuel made from used cooking oil or even battery-powered generators that run on renewable energy.3 When combined with traditional sources, these alternatives help reduce emissions. Sure, it's something many industries are doing, but there's something unique to filmmaking that could make an even bigger difference — the filming location.

According to studies by The Sustainable Production Alliance (SPA), a consortium of the world's leading film, television and streaming companies, the place where you film matters. For example, a 1-hour scripted drama filmed in Los Angeles emits around 40 tonnes of CO2. In New York, that number jumps to 70 tonnes, and in Atlanta, it soars to 140 tonnes. If you're wondering why, it's because it depends on how much fossil fuel makes up for a region's power source or energy grid. So, by just choosing and shifting to locations with greener energy grids, filmmakers can cut emissions significantly. It's like reducing the annual emissions of 30 fossil-fuel-powered cars down to just 9.

Another way to reduce emissions is by cutting down on travel. Technology plays a huge role here, with innovations like extended reality, motion capture and 3D world-building allowing filmmakers to create entire virtual worlds without leaving the studio. This approach, called virtual production, can slash carbon emissions by 20-50% compared to traditional methods.

Then there's the issue of waste. After filming wraps, most sets end up in the trash. Props may be rented or reused. But the plywood sets only get used until they're too small to be of any use, and then they're thrown away. Many sets are also coated with environmentally harmful materials like plaster of Paris. Even smaller details, like the confetti used in celebratory scenes or songs, add up. To put things in perspective, 50 kg of plastic confetti can easily end up in the ocean after filming. And that's not exactly a glamorous look for the industry.

But there are solutions. Take *The Peasants*, a 2023 Polish film, for example. It was Poland's official entry for this year's Academy Awards. Its filming began as a live-action feature, with real actors performing in front of a green screen.5 But then, over 100 oil painters hand-painted each frame, which was later animated using a stop-motion-like technique. To make it more eco-friendly, the production used cardboard instead of wood for on-site sets wherever necessary. And that was better for the environment as cardboard not only requires fewer materials, but it's also lighter and easier to recycle.

Even big productions have come on board. *The Amazing Spider-Man 2*, released a decade ago, was praised for its sustainability efforts. The production team saved 1,93,000 disposable plastic water bottles by reusing and recycling and cut waste going to landfills by more than half. The wardrobe department even started a recycling program, sourcing textiles from farmers' markets and recovering over 49 tonnes of materials for donation or reuse. All these efforts not only helped the environment but also saved the production more than $400,000!

And it's not just Hollywood taking steps to address its climate impact. Back in 2015, the Indian film *Aisa Yeh Jahaan*, directed by Biswajeet Bora, made history as India's first carbon-neutral film.

The story itself revolves around the protagonist and his family's vacation to Assam, where his daughter learns the value of trees and worries about Mumbai's future. But the film didn't just talk about nature, it also nurtured it by putting its screenplay into practice.

Bora teamed up with the Centre for Environmental Research and Education (CERE), a Mumbai-based group focused on sustainability, to ensure that his film left no carbon footprint. They calculated its greenhouse gas emissions by accounting for things like air and road travel, set construction, catering and hotel stays. Then, by using scientific emission factors, CERE estimated the film's carbon output to be around 80 tonnes of CO_2 equivalent. And to offset this, the team planted 560 indigenous trees across Mumbai and Assam.

The idea was simple — remove as much carbon from the atmosphere as the film produced.

And that sort of set an important example for the rest of the industry. If you can't completely eliminate emissions right away, you can at least offset them in some way.

But here's the catch. There's little independent oversight of how much films emit. Reporting is voluntary, and most of the data comes from production companies themselves, often in press releases or climate-impact disclosures for Hollywood at least.7 No outside watch dogs are calling out greenwashing or films lying about the carbon footprint they leave behind. And that makes it tough to verify what's true and what's just good whipped up PR (public relations).

So, maybe it's time for the Academy Awards to introduce a new Oscar category for the "Most Environmentally Responsible Film"?

Who knows, this might just be the nudge the industry needs to get production houses vying for the spotlight, not just in making great films, but in cutting down their carbon footprint too.

Until then… the lights, camera and carbon are still rolling. What do you think could set it back to lights, camera, action!?

By Anvy Susan Sabu

Update for the day #2206 | Is India 6G ready?

A few days ago, Elon Musk once again dazzled the world by unveiling some futuristic tech — driverless cars and humanoid robots that seemed straight out of a sci-fi movie. But these technologies are real, and they're coming sooner than you might think. The potential is enormous too, from cars driving themselves to robots doing human tasks, and the future looks increasingly like one where machines and humans interact seamlessly.

But let's pause for a moment. Why are we talking about Tesla's innovations here?

Because none of this futuristic tech can exist on a large scale without one crucial element - *networks*. Super-fast, reliable networks capable of handling huge amounts of data.

And that's where 6G comes in.

You're probably familiar with 5G — maybe you're even using it right now. But 6G? Well, that's about to take things to a whole new level. While 5G is still rolling out, 6G is expected to be fully deployed by 2030, promising 100 times faster speeds and near-zero lag in connection (called network latency). So, we're talking about a world where AI-driven machines and entire smart cities operate in perfect harmony.

And that brings us to India.

Turns out, India has some pretty big ambitions when it comes to 6G. We rank in the top six globally for filing 6G patents.1 And the government has set a bold target — to secure 10% of global 6G patents in the next three years.

And patents do matter a lot in this context. Think of it this way. Owning patents in 6G is like holding the keys to the future. It allows countries and companies to set global standards, charge licensing fees, and even influence how the technology develops. So, for India, securing these patents is about shaping the very infrastructure that will drive the next wave of technological innovation.

It also wants to contribute one-sixth of global 6G standards by 2027. To make this happen, the government launched the Bharat 6G Alliance, a network of stakeholders driving research and development. The vision is to create a nine-year mission (from 2022 to 2031) to fund 6G in three phases, and lead to field trials and global standard contributions in the next few years.

But the big question remains: Is India really ready to lead the 6G race?

To answer that, let's start with a simple explanation of what 6G really is.

Imagine 5G as a motorcycle — it's fast, efficient and pretty cool. But 6G? That's a jet plane. It's 100 times faster than 5G and designed to support everything from AI-powered robots to holographic communication and autonomous vehicles. So it's not just about faster internet speeds; it's about creating a world where everything is connected in real-time. Or in simple terms, a world where remote-controlled factories, self-driving cars, and smart wearables that communicate with your senses will be the norm.

But all this tech needs infrastructure, research and a highly skilled workforce to back it up.
And here's where things get tricky for India.

See, building a 6G network isn't just about flipping a switch. It requires massive investments in infrastructure. While India has made impressive strides in rolling out 5G, we're still not fully prepared for 6G. Right now, India has about 4.5 lakh 5G Base Transceiver Stations (BTSs) from over 29 lakh BTSs in total. This infrastructure connects mobile devices to cellular networks. But for 6G, we'll need a whole new level of infrastructure — fiber optics, satellites and technology that can handle higher frequencies.

Then there's the issue of research and development. For 6G, the Indian government has allocated ₹10,000 crores for 6G research over the next decade.2 That's a decent start, but when you compare it to the ₹38,000 crores ($4.5 billion) committed by Japan and the US, it seems relatively small.3 And let's not forget China, where the telecom giant Huawei started work on 6G in 2019 and spent over $22 billion on R&D in 2021 alone.4 So, India is going to need to step up its R&D game if it wants to stay competitive. Because it's not just about building infrastructure but also about developing the cutting-edge tech that will power 6G.

But perhaps the biggest hurdle is the skills gap. Building and maintaining a 6G network requires a workforce of highly trained engineers, AI specialists, and telecom experts. And right now, India's education system isn't fully equipped to produce the talent needed for this massive leap in technology. Although we have about 1.5 million engineering graduates every year, 48% of those remain unemployed.5 And that leads to the talent migrating to better tech enabled countries. That also explains the highest rate of economic migration of the workforce in the world. So, the bottom line is that we'll need to focus on upskilling our workforce. And we'll need to do it fast.

There's also the issue of sustainability. Since most of the 6G supporting communication devices will be battery-powered, they can have a huge carbon footprint. So, as India pushes for carbon neutrality by 2070, balancing the energy demands of 6G with our sustainability goals is going to be a major challenge.

And then there's cybersecurity. With faster networks come more sophisticated cyberattacks. As 6G rolls out, India will need to significantly ramp up its cybersecurity measures. Otherwise, we could face a wave of data breaches, fraud and other cyber threats that will put citizens at risk.

So, where does all of this leave us, you ask?

India's progress in 6G patents is promising, but we still have a long way to go. A 2021 study by Japan's Nikkei and Cyber Creative Institute revealed that China held 40% of 6G patents, while the US held 35%. India, meanwhile, accounted for just 1.5%. That's a big gap.

On top of that, China also leads in setting global standards for 6G technology. India, by comparison, is lagging behind. For context, if a country wants to shape the future of 6G, it can't just sit on the sidelines. It needs to be part of the technical committees and subcommittees of the International Organization for Standardization (ISO), which brings together standard bodies from 160 countries. And a Geneva Internet Platform study found that as of 2021, India was only part of 400 such committees, while China was involved in 732.7

So, does this mean that India's 6G dreams are doomed?

Not quite. Because 6G is crucial for India's future. It will power smart cities, automated industries and revolutionize sectors like healthcare and education for the world's most populous nation.

Besides, don't forget that 6G will be built on the infrastructure and capacity established by 5G networks. And India has been on fire with its 5G rollout, setting up over 4,00,000 stations in the first 15 months which is faster than any other country. The excitement is clear, with telecom giants like Bharti Airtel and Reliance Jio gearing up for the 6G era. Even new players, like Adani Network, are stepping in through telecom spectrum auctions, ready to join the action.

Public-private partnerships will also be key to accelerating 6G development, and India has already started collaborating with nations and experts on this front.

So yeah, India's ambitions for 6G are bold, but filing patents and setting targets is just one piece of the puzzle. To truly claim a seat at the global 6G table, the foundational bits — skilled labor, cutting-edge infrastructure and strong R&D, need to fall into place.

The numbers show progress. Mobile connections in India have skyrocketed from 904 million to 1.16 billion, broadband users have jumped from 60 million to 924 million and the fiber optic network has expanded from 11 million to 41 million kilometers. So India seems to be on the right track.

But it's not just about the scale. It's about how quickly we adapt.

We've still got about six years until 2030, the year when 6G is expected to roll out. And if India's rapid adoption of 4G and 5G is any indication, we just might find ourselves leading the charge when the 6G curtain rises.

And we hope to see that in reality in 2030.

By Mohana Priya E

Update for the day #2207|Why are companies rushing for buybacks before October?

The Story

Buybacks are rather straightforward. Companies with shares listed on the stock market can buy them back from investors like you and me, if we hold these shares. In exchange for the shares, investors will receive cash, often at a price higher than the market price.

In effect, the company gets the shares back and a few investors get rich.
It's simple, no?

But things start to get a bit complicated when we try to learn how buybacks are taxed.

In fact, it's been a big discussion point of late. About 16 companies have announced buyback plans following the Budget 2024 announcements. And they're doing this because there's a small change in the tax rules.
Right now, companies pay a 20% tax when they buy back their shares. But come October 1st, this tax has to be borne by shareholders or the investors and not the company. In fact, the entire proceeds received from buyback will be treated as a dividend income.

So, what's the big issue here, you ask?
Well, nothing major. But there is a key consideration here. See, companies can look for a buyback for many reasons. However, there are two big reasons in most cases –

1. Companies with excess cash can spend it to buy their shares back
2. They can reward existing shareholders for their trust in the company. After all, they are the ones who've held company shares and given a vote of confidence by investing in it, no?

But when the tax burden is shifted to shareholders from October, it would effectively reduce the returns shareholders earn from buybacks. And that could explain why companies are keen to complete their buybacks before the new tax rule takes effect.

But wait, If companies won't have to pay taxes on buybacks after October, why are they being nice and announcing them now? Can't they wait until October?

They sure can, but they don't want to.
Because here's the thing. The top shareholders in a company, think promoters, institutional investors and high net worth individuals, can opt for a buyback. Promoters are usually the founders or major stakeholders who play a key role in running the company.

These top shareholders often fall in the tax slabs where taxes are the highest. And that change a lot.

So you can see how the new buyback tax rules are unfavorable for high-income investors, increasing their tax burden by about 54% (₹233 to ₹359). On the flip side, low-tax bracket investors benefit, with their tax burden decreasing by about 36% (₹233 to ₹150), making buybacks more attractive for them.
And this effectively means that the new tax rule penalizes higher-income shareholders the most, with the top shareholders like promoters and big investors of companies getting taxed at a higher rate. And that would also make companies prepone their buy back plans, if any, before October.
It would also effectively reduce the shareholder returns for any investor that falls in the higher tax slabs.

So yeah, in order to avoid higher taxes for their most valued shareholders, and bring in more shareholder value when they can, companies are trying all they can to complete their buybacks before October.
And this doesn't necessarily mean that buybacks will lose their charm after October. Because the new tax amendment in the Budget actually offers a bit of relief for investors. It says that the cost of acquiring shares (the amount an investor initially pays to purchase them) in a buyback can be treated as a capital loss, which you can offset against any capital gains, and even carry forward for up to eight years.

Let's say, for instance, you're participating in a buyback and you'd bought those shares for ₹1,00,000. This cost would be considered a loss. You can then adjust it against your other capital gains to lower your taxable income. For example, if you have a capital gain of ₹80,000 in the same year, you won't pay any tax on that gain since it's offset by the ₹1,00,000 capital loss from the buyback. Plus, the remaining ₹20,000 loss can be carried forward and used to offset future gains for up to eight years until it's fully utilized.
This flexibility in handling capital losses could make buybacks still quite appealing, despite the new tax rules.
And hey, this new rule would also encourage companies pursuing buybacks only when they feel that their shares are genuinely undervalued. Because when a company's shares are undervalued, a buyback can boost their value. By buying back shares, the company shrinks the total number of shares in the market, and in turn the remaining shares suddenly turn more valuable. It's basic economics. When the supply of something drops, the price tends to go up. As simple as that!
And the bottom line here is that companies will look at buybacks as a strategic move to invest in their own undervalued shares, ensuring that they're making a genuine investment rather than just seeking tax benefits.

So yeah, that's why companies are excited to roll out their buybacks before October. We'll have to wait and watch how the buyback party goes on after that and how excited the shareholders will be to attend them.

By Shanu Jain

Update for the day #2208 | Should DMart sell Gold?

DMart, often compared to America's Costco for its low-price retail strategy, has seen its stock struggle since January 2022. Despite rapid growth post-IPO and weathering the COVID-19 storm, we've seen DMart now face increased competition from quick commerce players like Blinkit, Swiggy Instamart, and Zepto, as well as Tata's rapidly expanding Zudio in the apparel sector.

DMart's business model relies on owning real estate to keep costs low and sourcing products at competitive prices. By offering a limited selection of items in bulk, the company ensures discounts for consumers and fast inventory turnover. This virtuous cycle has driven sales growth and made DMart a favorite among investors, with the stock surging 600% within six years of its IPO.

However, the landscape has changed, and DMart is adapting by expanding its private label goods. These are products manufactured specifically for DMart, sold at a lower price point than established brands. While this move helps maintain their value proposition, DMart doesn't heavily advertise, relying instead on low-cost ads and word-of-mouth.

It is believed that DMart could take a cue from Costco, which recently began selling gold bars—a move that has generated significant revenue and media attention. Costco's gold bars, selling out within hours, cater to consumer concerns about inflation, reinforcing its value-oriented brand. This strategy has not only added a new revenue stream but also increased footfall and sales in other categories.

Given India's cultural affinity for gold, DMart could replicate this success by selling gold and silver coins. With their trusted brand, DMart could attract customers interested in precious metals, potentially boosting sales across other product lines and revitalizing their stock performance. While unconventional, this approach could help DMart navigate current challenges and capitalize on a new market opportunity.

By Vishnu Sankar

Update for the day #2209|Can the Indian garment sector bounce back?

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 labor 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 favorable trade deals; it's also a result of improved safety and labor 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 revolutionize 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!

By Barani Shre S S

Update for the day #2210 | Akasa Air hits a milestone. But are there reasons to celebrate?

SNV Aviation, or what you better know as Akasa Air (we'll just call it Akasa from here on), just celebrated its second birthday last week. And as it blew out its birthday candle, the airline made a wish, a big one — to turn profitable, and fast.

Now, wishing for profitability in the aviation world isn't exactly a cakewalk. But Akasa's wish, though tough, might not be unachievable. Because this young airline has been on a turbocharged growth journey over the past two years.
To break it down for you, Akasa has been racking up impressive numbers, especially when it comes to growth and passenger capacity — an achievement that many airlines struggle to pull off, even with over 120 years of aviation history behind them. And it's not us saying this. Akasa's co-founder and CEO, Vinay Dube, boasted that the airline has seen a whopping 300% growth in revenue and Available Seat Kilometres (ASKM) in FY24.
Now, if ASKM seems like a head-scratcher, it's a metric that calculates the total number of seats available across all flights, multiplied by the distance those seats are flown. Simply put, it tells you how much capacity an airline offers. And this kind of growth could come from adding more planes, opening up new routes or even flying more frequently.
Speaking of planes, Akasa has added 24 shiny new aircraft to its fleet in just 21 months since its first flight. To put things into perspective, IndiGo, the giant in Indian aviation for now, added about 20 planes in the same timeframe after its first flight back in 2006.

That's not all. Akasa also took to the skies internationally within its first 19 months, a feat no other Indian airline has managed to pull off so quickly. All thanks to a change in Civil Aviation Policy that allows airlines to go international without any domestic experience, as long as they have 20 aircraft in their fleet. Before 2016, the rules were much stricter. Airlines needed 5 years of domestic flying under their belt before they could spread their wings internationally. And this is significant for Akasa because flying international routes can be a goldmine as fuel is cheaper overseas. It makes sense too as fuel alone can make up 40% of an airline's total costs.
But wait, there's more. Akasa has also been clocking in the best on-time performance in the industry, with 77% of its flights landing on time. That's about 6% better than IndiGo, India's top airline (for now, again). And when it comes to market share, Akasa has gripped about 5%, even surpassing SpiceJet at times.
The cherry on the cake, though?
During last month's global IT outage that grounded many airlines, Akasa didn't cancel a single flight. That's right, not one. It's a testament to how well their IT operations are humming along.
So, the bottom line is that things are looking pretty bright for Akasa as it eyes another 50% growth in FY25, with even bigger plans for FY26 to hit that profitability mark as soon as possible.

But, before you get too carried away, there's something you should know. While the takeoff has been smooth, climbing to greater heights might not be so easy for Akasa. Because here's the catch. Akasa's journey in the Indian airline market actually seem great because things may have been a little easy. With the collapse of Go First last year, Akasa found itself in a prime position to snag those vacant flying slots and attract customers. Meanwhile, SpiceJet's struggles with cash flow and operational issues have only made things easier for Akasa. And that means that its main competition right now are folks like Air India (which will soon absorb Vistara) and the ever-dominant (for now) IndiGo.

But if you go back to the early days of IndiGo you'll see that the airline had to compete with established giants like Air India, Jet Airways, Go First, SpiceJet and the now-defunct Kingfisher Airlines. And despite the odds, IndiGo managed to capture around 10% of the market within two years and turned a profit in just four.

Akasa's story though isn't quite unfolding the same way.
Despite a booming market with air passenger traffic surpassing pre-pandemic levels last year, Akasa has faced mounting losses. In fact, in its first two years, Akasa has piled up a massive ₹2,400 crores in losses, despite bringing in roughly ₹3,900 crores in revenue. And if that's not alarming enough, its losses surged by 125% in FY24 compared to the previous year.
Sure, you might argue that initial losses are just part of the airline game. But Akasa's figures are raising some serious red flags when you compare them to how IndiGo fared in its early days. For context, in its first two years, IndiGo lost about ₹400 crores. Even though the revenue details before its 2015 IPO (Initial Public Offering) are a bit murky, that ₹400 crore loss was against revenue of less than ₹1,800 crores. So yeah, you can see where the trouble lies.

And it looks like things could get even trickier. Thanks to a little troublemaker named Boeing.
First off, Akasa uses a Sale and Lease Back (SLB) strategy to generate funds. Essentially, it buys aircraft, sells them at a profit and then leases them back. This helps free up cash that's tied up in aircraft purchases. However, Boeing's safety issues, which popped up about five years ago and were recently highlighted again by a door plug flying off mid-air on an Alaska Airlines' 737 MAX 9, have caused delays in delivering these MAX jets. And the real kicker here is that Akasa has over 200 of these jets on order. So, these delayed deliveries mean that Akasa won't be able to quickly rake in the cash it was counting on from selling the aircraft it buys under the SLB plan.

With that option off the table, Akasa has to look elsewhere for cash. And the only other way to get the funds it needs to keep running day-to-day, is by bringing in more revenues. This could mean increasing aircraft utilization, flying more hours each day and expanding routes. Now, Akasa could boost its flying hours, which are currently about 10-12 hours a day. And adding international routes could help too. But if they end up adding fewer flights each year than the planned 12-14 because of Boeing's delays, it's going to be tough for them to bring in enough revenue to become profitable quickly.

Besides, even though the Boeing 737 MAX planes are now deemed safe, they've left a lingering stigma. Passengers could hesitate to fly on these planes, opting instead for carriers like IndiGo, which operates Airbus planes, or Air India, with its mix of Boeing and Airbus aircraft. Heck, even Ed Pierson, who used to run Boeing's 737 Max program and now heads the Foundation for Aviation Safety, doesn't want to fly on one. So, it won't be surprising if passengers are wary of booking a flight on a 737 Max.
And that's not the end of it. With Boeing's delays, half of Akasa's 800 pilots are over-hired, leading to a shortage of training opportunities and a stagnation in their career progression. This surplus of pilots also means that Akasa is paying salaries for positions that aren't fully utilized. And since over 70% of an airline's staff costs go to pilots, this is a pretty hefty financial burden. Put all of this together and you'll see why Akasa might experience some turbulence on its flight to profitability.

By S H L Vasavi

Update for the day #2211|Why telcos hate TRAI's new rules

The Story

Picture this. It's the 18th of June 2024, and a staggering 45,000 Reliance Jio users are furiously refreshing their phones, trying to figure out why they can't connect to the internet. Massive network outages had everyone from Mumbai to Bhopal throwing up their hands in exasperation. But wait, there's more! Just when we thought it couldn't get worse, Airtel users chimed in with 9,000 complaints the very next day. Suddenly, it wasn't just a Jio problem. It was an all-India problem, with metro cities and major hubs like Indore feeling the pinch.

It was a techie's nightmare and a user's headache, as people across the country grappled with dropped calls, missed messages and the undeniable inconvenience of being offline.

This meant that users struggled to access social media, OTT platforms and other internet apps for about two days. Now, these issues aren't just minor annoyances. Connectivity blips like this can spell trouble for enterprises using cloud-based apps like Microsoft Office or Salesforce. And getting back to normal can take hours or even days, with unplanned downtime costing up to ₹1.2 lakhs per minute in India. Sounds crazy, right?

Well, TRAI (Telecom Regulatory Authority of India) has been keeping a close eye on these telecom company (telco) failures and has been wanting to improve things for customers for a long time.

That's exactly why it issued a new set of rules a few days ago, to get telcos to improve their quality of service. And these rules are pretty strict. If they get implemented, telcos might have to compensate subscribers by extending the validity of their plans for the number of days lost due to outages. This applies if the outage exceeds 24 hours. On top of that, they could face penalties of up to ₹10 lakhs for violating the rules.

And you can imagine that telcos are not thrilled about these new rules. And guess what? They're pointing fingers at the government and authorities, blaming them for their poor quality of service. It's like saying, "Unless you fix things at your end, we can't improve our services." Sounds a bit like passing the buck, doesn't it?

But what do the authorities have to do with this, you ask? Well, quite a bit actually.

You could look at the Right of Way (RoW) rules, for instance. These rules dictate how telcos can use public or private property to set up towers and other network equipment. But getting these rules actually enforced has been moving at a snail's pace. Amendments to include them in the old

Indian Telegraph Act, now replaced by the Telecommunications Act, have been ongoing since 2017. Even after being added to the law on paper, they aren't always enforced.
Local authorities often block telcos from installing small cell equipment on street furniture like traffic lights or electric poles. This equipment is crucial for boosting 5G coverage in high-density areas. Without it, 5G networks can get choppy because they use higher frequency bands with shorter ranges that are easily blocked by buildings and trees. To provide solid coverage, small cells need to be installed densely, sometimes over 200 per square kilometer. Without proper installation, 5G connections end up patchy and unreliable. And telcos have been pressing the Central government to make RoW rules a must for all authorities.

But here's the thing. Even if the Central government makes RoW rules mandatory, things might not improve right away. That's because local authorities often have their own plans for city infrastructure. And sometimes these plans clash.
Take Bengaluru, for example. The city has been struggling with a mess of unkempt overhead cables, about 25,000 km of them, to be exact. In 2021, the Karnataka High Court even told the BBMP (Bruhat Bengaluru Mahanagara Palike), Bengaluru's municipal authority, to clean up these cables.
But just when that was happening, the Central government had given telcos the green light to install new overhead cables to improve connectivity, since underground installations were causing delays. This led to a mess where authorised cables were being removed unannounced, causing network outages and frustrating customers.

So, when Central rules and local planning collide, it can lead to a lot of confusion and problems.

But it doesn't end there. Another reason for patchy networks is something that telcos really need the government's help with — theft of telecom equipment. Thieves are swiping gear that connects wireless networks because it's valuable on the black market in places like China and Bangladesh, or even on sites like eBay and Alibaba. And these thefts have been skyrocketing since October 2023, with just 4% of districts across India accounting for nearly 50% of them. Replacing stolen equipment is a major hassle for telcos and no doubt costly.

To make matters worse, local police often refuse to file FIRs (First Information Reports) for these thefts. This means that insurance companies won't cover the losses, leaving telcos with a ₹800 crore hole in their pockets so far — ₹150 crores of that just from last year. It's a huge headache that the government really needs to sort out.

So yeah, this is exactly what telcos mean when they're asking the government and authorities to fix their act, before they expect telcos to fix theirs. And unless that happens, no number of rules may help improve the quality of service from telcos.

How this tug of war will end and when it will happen is anyone's guess. For now, we'll just have to wait and see.

By Darshan N

Update for the day #2212|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 neighbor, 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 labor 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 labor 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 favorable trade deals; it's also a result of improved safety and labor 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 labor 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 emphasizes that the real challenge and opportunity lie with the Indian states, particularly those rich in labor 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 labor and regulations swiftly.
Second, liberalized labor 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 labor-rich regions into vibrant garment production hubs.
So yes, it's crucial to tackle the underlying issues and implement targeted policy changes to truly revolutionize 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!

By Chetan N

Update for the day #2213 | Monkey Business

A bizarre news report from the Hindu caught our attention recently.

It was about a Sri Lankan academic testing intrauterine devices (IUDs) on female macaques in an attempt to seemingly control their population.
We know that's a lot to process at once. So let's break that down properly.

Macaques are a species of monkeys. They are found across Asia, North Africa, and even parts of Europe. And usually, humans don't meddle with the mating habits of animals, let alone implant IUDs–contraptions that prevent pregnancies in humans.

However, Sri Lanka is giving this a shot because they are desperately trying to contain the damage from the burgeoning population of Macaques.

To give you more context, in 2010, a local from Sri Lanka wrote to the editor of the Lankan Times saying this- "Residents in and around Ambalangoda are plagued by the monkey menace. The monkeys invade the gardens during the fruit-bearing season. They do not spare any edible fruit or even flowers when fruits are out of season. These creatures jump from roof to roof in the town, breaking tiles. They also perform acrobatics along the electric mains and telecom cables."

Sure, you could argue that this report from over a decade ago may be a bit dated. But, believe us, the problem hasn't gone away; it has, in fact, been exacerbated. From destroying crops to barging into homes and even attacking people, these monkeys continue to cause serious harm to humans. And at the centre of this chaos are the notorious Toque Macaques, native to Sri Lanka.

But how did it come to this point, you ask?

Well, the roots of this escalating conflict lie in Sri Lanka's 26-year-long war between the government and the Liberation Tigers of Tamil Eelam (LTTE). The war led to widespread deforestation for military use. Fast forward to 2009, rapid post-war development further fragmented forests, pushing monkeys into human settlements. They were simply searching for more food.

By 2015, these encounters had turned into widespread conflicts throughout the nation.

Experts also believe that locals' and tourists' feeding of monkeys, coupled with poor garbage management, has transformed their habits entirely.

And guess what?

The conflict is costing the country millions of dollars in lost coconuts and agricultural damage. According to the Agriculture Minister of Sri Lanka, these pesky wild macaques and giant squirrels destroy almost 100 million coconuts every year, resulting in a staggering loss of $19.3 million.

This significant damage is a primary concern as the country's agricultural backbone is firmly rooted in the coconut industry, contributing around 12% to the nation's total agricultural output. Moreover, Sri Lanka is the world's fourth-largest exporter of coconut products, and this contributes substantially to the government's tax revenues.

So yes, this is a wild situation (pun intended) that needs some serious attention.

Consider for instance the race against time to develop a COVID-19 vaccine. These monkeys played a pivotal role during this period with countries like China paying top dollar for these animals.

But it's not just a China thing. India, too, employs monkeys in research. In his book, the then ICMR (Indian Council of Medical Research) chief, Dr Balram Bhargava, quoted how 20 Rhesus macaques were used for Covaxin trials in 2020.

Yet, the global trade in monkeys remains robust.

The U.S. National Association for Biological Research highlights how crucial non-human primates are to scientific progress. For instance, around 70,000 monkeys from various parts of the world are brought to the USA every year to study everything from infectious diseases to brain function and drug development. The value of a single long-tailed macaque has shot up to an astonishing $20,000.

We started this story by saying that the use of IUDs in monkeys is a bizarre proposition. But the reality is that it's a very humane solution to a very real problem. The global monkey trade is booming and countries have some very strong incentives to shoot, kill and export these animals for research. But there are good people still trying to find alternatives. They are trying to strike a balance between human needs and animal welfare.
We can only hope that the researchers' efforts bear fruit.

By Dhruv Bajoria

Update for the day #2214|The search engine wars are intensifying!

The Story

In 2020, the US Department of Justice sent shockwaves across the world by filing a case against Google!

The allegation?

Google, which controls about 90% of global internet searches, was accused of unfairly monopolizing online search and advertising. In simpler terms, the case questioned how Google was using its power to block competition and keep other search engines from catching up.

Fast forward to today, the drama has only intensified. And it seems like Google might be in serious trouble.

A recent 276-page ruling by the US Federal Judge Amit Mehta highlights that Google broke the law by exploiting its market dominance in the search industry through unfair practices. And the kicker in this document is the extent of these practices.

You see, Google has been throwing around billions of dollars to strike deals with mobile device companies and internet browsers to ensure that its search engine remains the default choice. This basically means that competitors don't stand a chance at becoming the default search engine on any of these devices. For instance, in 2022 alone, Google paid Apple $20 billion — about 17% of Apple's operating profits, to remain the default search engine on Apple's web browser, Safari.
Let's call this 'default distribution'.

And Google's default distribution doesn't stop with Apple. It has extended these payments to major players like Samsung, Motorola, Mozilla, AT&T, Opera and UC Web. This ensured that it controlled most of the shelf space by being the default search engine on these devices and browsers. In 2021, these payments totalled over $26 billion.

Economists like to call this market domination strategy of blocking competitors by controlling access and distribution as "monopoly maintenance"

And this monopoly maintenance has significantly impacted competition in the search industry.
Take Microsoft's Bing, for example. Despite investing over $100 billion into it over two decades, Bing has only managed to grab a tiny slice of the market compared to Google.

Then there's Apple. They've been pouring money into developing their own search engine. And Google itself has admitted that Apple's search engine could threaten 65% of its revenue. Yet, Apple hasn't launched it. That's because competing with Google would mean spending around $6 billion a year to run their search engine and losing a significant chunk of revenue from their current deal with Google. For context, separating from Google could cost Apple a whopping $12 billion each year for the first five years. And these costs add up to a good 15% of their 2022 operating profits.

It's no wonder that Google's monopoly maintenance practice has upset competitors in the search industry, and has cranked up the search engine wars. The fallout from this ruling could shake things up across the internet, set new legal standards, impact big businesses and even change how

we search the web for years to come.
But this ruling is just the first step or the liability phase, which determines if Google broke the law. The next phase now is the remedy phase, where the court will figure out what actions to take to restore fair competition.

The court might order Google to end its exclusive default contracts, share data with rivals or even spin off its search engine business. It's anyone's guess. But well, if any of this happens and Google loses its default status… BOOM! Things could change in a big way. How, you ask?

You see, search engines are more than just tools. They're the heart and soul of our digital lives. In India for instance, people spend about 31% of their waking hours on devices, checking them 80 times a day, with half that time spent streaming. So, this heavy reliance on search engines shows the risks of having one player dominate the market.

Also, in the digital world, monopolies can have wild consequences. That's because when a search engine dominates, it sees how users interact with it and learns from this behavior to fine-tune its results and make them more relevant. Now imagine that this major player keeps all that data to itself, blocking others from competing. This means that rival companies won't have enough information to offer a service that's truly competitive.

And let's not forget the money. The search engine business is a goldmine for businesses and advertisers. They make big bucks from the ads you see along your searches. To put things into perspective, in 2014, Google made around $47 billion in ad revenue. By 2021, that number had skyrocketed to over $146 billion!

Now you'd think that this would lead to fierce competition, right? Not really. Thanks to Google's monopoly maintenance. But you might wonder "Hey Finshots, what if Google's default distribution deals are just smart business tactics rather than an attempt to monopolies the market? And what if people use Google because it's the best?" After all, Google claims that its dominance comes from offering a superior service.

Well, Judge Mehta wrestled with this question too. But he pointed out Google's "unseen advantage" — default distribution. It's what we told you earlier. Google is the best because the more people use it, the better it gets. It collects more data, refines its results and then attracts even more users. This creates a loop where its dominance in search feels like a natural monopoly. And with Google set as the default search engine on most devices, it becomes the easiest option for users to stick with, rather than choosing it over something else.

In fact, Mehta went on to quote Google's behavioral economics team discussing how default distribution matters. The team wrote in 2021: "Inertia is the path of the least resistance. People tend to stick with the status quo, as it takes more effort to make changes." It essentially says how people are likely to stick with Google as their default search engine in the purchased devices because switching to a different one requires more effort.

Now, you could assume that this study and the default distribution of Google's search engine on devices could be a fair business play. But here's the catch. Because of this setup, only 30% of searches in the US happen through a search engine that isn't Google by default. And that means a large chunk of the search engine market is locked out for Google's competitors, effectively stifling competition. We'll leave it to you to think if this looks like an acquired monopoly by the tech behemoth.

But the bottom line for now is that if the ruling stands and Google loses its default status, the search industry could be turned upside down. Competitors might finally get a chance to shine, and the way we use the web could change. And it's not us saying this. Recently, the US Federal Trade Commission shared a vision for a web that isn't dominated by Google. They hinted that the internet didn't have to end up as messy as the cesspool it is today. Instead, they painted a picture of a better future — a space where the internet is well regulated, with real privacy, where things don't feel like a casino and where AI truly benefits us.

And this ruling could be a step toward making that vision a reality.

That's also why big players like Microsoft, Apple, Amazon and Meta are watching closely. If Google's dominance wavers, they'll be ready to jump in.

Also, don't forget the impact on advertising, the real cash cow of the search industry. If this ruling goes through, it could curb Google's power to charge sky-high rates to advertisers. With competitors like Microsoft's Bing possibly grabbing more market share, advertisers might have more choices and better rates. This shift could mean lower advertising costs for businesses and hopefully, lower prices for consumers!

Besides, this battle isn't just confined to the US. Google's under scrutiny worldwide including India. And the outcome could set a global precedent for how tech giants operate.

So yeah, the search engine wars are heating up, and the stakes have never been higher. Will this lead to a better online experience? Only time will tell.

By Sudarshan Raju

Update for the day #2215|How McDonald's Took Over The World (With Property, Not Burgers)

What would you guess is McDonald's biggest source of income?
a) Burgers
b) French fries
c) Milkshakes
d) None of the above

If you've already figured out where this article is going, then you know that the correct answer is D – McDonald's earns mere pennies from the beloved food items it sells.

The real money is in real estate. And McDonald's has one of the biggest property portfolios in the world. With a $30 billion real estate empire, the McDonald's strategy merits a closer look.

Ronald McDonald's Real Business Model

Most franchises work by licensing out the right to use a company's trademark, the right to run a business as an extension of a larger corporation.

Franchisees pay royalties to the franchisor as a fee for the right to operate. Some support for the facility comes from corporate and the franchisee must operate the business according to the corporation's strategy.

But McDonald's started doing things a little differently almost from the beginning.

The company started franchising in 1956 with a clear vision of using property to accrue wealth, not just burger sales. Ever since then, the method has remained virtually unchanged.

McDonald's purchases property and finances it with long-term fixed rates. In turn, the company leases the property to franchisees at a considerable markup, basically renting out their own properties to run their own business.

The sale of all those burgers and fries by the franchisee-operated restaurants goes towards rent of the property.

Why It's Worked

This rent is paid in addition to royalties and other fees such as for advertising. Keep in mind, however, that the royalties are rather negligible compared to other franchising methods.

McDonald's doesn't need to charge exorbitant fees for others to sell burgers under their Golden Arches. All their income comes from rent.

As prices inflate, so does the amount paid in rent to corporate while corporate's fixed payments on a property stay the same.

The result is a long-term reliable positive cash flow.

An average of 20% of income from sales goes to rent. Lease clauses often stipulate a minimum amount so that there is always something coming in. Even when sales slow down, that rental income remains constant.

It also works out well that the franchisees bear all the operating costs. Corporate doesn't feel any of that bite.

In fact, company-run McDonald's restaurants bring in a lot in sales, but around 85% of that income goes right back into the operating costs. So it makes sense to have thousands of other franchisee locations taking care of their own expenses and sending back to corporate a portion of profits in rent.

With some 36,000 locations around the world and only a handful of them being directly owned and operated by corporate, McDonald's is essentially running a 30,000+ unit apartment complex.

And their classic burgers simply help their tenants to afford the rent!

Lessons From Mickey Dee's

There are a few good takeaway points from Macca's methods.

<u>Diversifying reduces financial risk</u>

McDonald's is both a real estate giant and a fast-food tycoon. They franchise a popular brand, sell a beloved product and earn rental income all in one package deal.

<u>Investing in rental property is great additional income</u>

So what if burgers don't sell very well for a time? Or competition increases? That rent money is still pouring in.

<u>Take advantage of tax advantages</u>

Their property depreciates (but technically it doesn't) and they take advantage of that.Mickey Dee's is a United States-based company in which the country's tax laws allow depreciation tax breaks to apply to property despite the fact that real estate usually grows in value over time. No one knows for sure exactly how much this may have saved McDonald's but one can guess it's quite a bit!

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 Aniket R Patil

Update for the day #2216|Unlocking the Power of Personal Brand Development

In today's hyper-connected world, personal branding isn't just a buzzword—it's a necessity. Whether you're an entrepreneur, a freelancer, or climbing the corporate ladder, how you present yourself to the world can make or break your career. But what exactly is a personal brand, and how do you develop one that's authentic and impactful?

What is Personal Branding?

At its core, personal branding is the practice of marketing yourself and your career as a brand. It's how you communicate your unique value proposition to the world—what sets you apart from others in your field. Unlike traditional branding, personal branding is about you, your values, your passions, and your skills. It's the story you tell about who you are and what you bring to the table.

Why Personal Branding Matters

In a competitive job market, a strong personal brand can be your most valuable asset. It's what makes you memorable and gives you a competitive edge. When done right, personal branding can open doors to new opportunities, attract like-minded professionals, and establish you as a thought leader in your industry.

Consider the rise of influencers on social media. These individuals have mastered the art of personal branding, creating personas that resonate with millions of followers. While not everyone aims to become an influencer, the principles they use—authenticity, consistency, and engagement—are applicable to anyone looking to build a personal brand.

Steps to Building Your Personal Brand

1. **Self-Discovery:** The first step in building your personal brand is understanding yourself. What are your strengths and weaknesses? What are your core values? What are you passionate about? This self-reflection will help you identify what makes you unique.

2. **Define Your Audience:** Just as companies target specific demographics, you need to identify who your audience is. Are you trying to attract potential employers, clients, or collaborators? Understanding your audience will help you tailor your message and choose the right platforms to reach them.

3. **Craft Your Personal Story:** People connect with stories, not just facts. Your personal brand should tell a compelling story about who you are, where you've been, and where you're going. This narrative should be woven into your online profiles, resumes, and even in how you present yourself in person.

4. **Build Your Online Presence:** In today's digital age, your online presence is often the first impression you make. Ensure your LinkedIn profile, social media accounts, and personal website (if you have one) reflect your personal brand. Consistency across these platforms is key to building trust and recognition

5. **Network and Engage:** Building a personal brand isn't just about self-promotion; it's about building relationships. Engage with others in your industry, share valuable content, and participate in discussions. Networking, both online and offline, can amplify your brand and introduce you to new opportunities.

6. **Be Authentic:** Authenticity is the cornerstone of a strong personal brand. Don’t try to be someone you’re not. People are drawn to genuineness, and trying to maintain a facade will only lead to burnout. Be true to who you are, and let your personal brand reflect that.

7. **Evolve Over Time:** Your personal brand isn’t static. As you grow and evolve, so should your brand. Regularly reassess your brand to ensure it aligns with your current goals and values.

The Power of Personal Branding

When done correctly, personal branding can transform your career. It’s not just about getting noticed; it’s about being remembered. Your personal brand is your legacy—it’s how people will remember you long after you’ve moved on from a job or a project.

In a world where your digital footprint is permanent, taking control of your personal brand is more important than ever. It’s about proactively shaping your narrative rather than letting others define it for you. So take the time to invest in your personal brand—it's an investment in your future.

By Charvika Rathore

Update for the day #2217|Olympic Hopes Hang in the Balance as CAS Delays Verdict Again

Indian wrestler Vinesh Phogat's appeal for a shared silver medal at the Paris 2024 Olympics has faced another delay, with the Court of Arbitration for Sport (CAS) postponing the verdict date yet again. Vinesh was disqualified from the 50kg wrestling final due to being 100 grams overweight. Her legal team believes the repeated deferrals indicate that the CAS is seriously considering the case, which could be a positive sign. However, they acknowledge that success at CAS is rare.
The new verdict date is set for August 16.

Vinesh Phogat is the story Indians need to hear. Phogat's story, of course, is a sad, inspirational journey of blood, sweat, and tears but an exceptional one.
The Indian wrestler Vinesh Phogat, who created history by becoming the first Indian female wrestler to reach the finals of a wrestling event at the Olympics was hours away from clinching a medal at the Paris Olympics 2024 when the news of her disqualification shattered the hearts of 1.4 billion Indians. The athlete was disqualified for being 100 gm overweight in the women's 50 kg category on the morning of her gold medal bout on Thursday. Devasted by the cruel turn of fate and having suffered a lot she appealed to the CAS, demanding a joint silver medal alongside Guzman Lopez, who replaced her for the final bout following the disqualification.

Vinesh was reportedly 2 kg above the weight limit, but despite her best efforts, she was unable to reach the permissible limit in time. She had a period of 12 hours from her last match on Tuesday to her weigh-in on Wednesday, during which she, along with the team management, left no stone unturned to keep her Olympic medal dream alive.

Phogat had fought three bouts and was given small amounts of water to prevent dehydration. Her post-participation weight was found to have increased. The coach initiated the normal process of weight cut that he has employed with Vinesh and felt confident that it would be achieved. The athlete, alongside her coaches and support staff, spent a sleepless night without food or water. Vinesh went to the sauna around midnight to reduce the water weight from her body. She attempted to shed the excess weight by jogging, skipping, and cycling the whole night. She then tried cutting her hair to drop her weight but saw no positive result. IV fluids were being administered to Phogat to prevent dehydration but she is physically and medically perfectly normal. Vinesh gave it her all, but the scales refused to tip in her Favor.

Notably, India's chef de mission, Gagan Narang, tried asking for some leeway or extra time, but the organizers refused any extra help and ultimately announced her disqualification. As soon as Vinesh's disqualification news was made public, the wrestler received warm support from the entire nation.

Earlier on Tuesday, the wrestler laid down at the Champ-de-Mars Arena in Paris, bursting into tears and screams after defeating the reigning Olympic Champion and four-time World Champion legend Yui Susaki of Japan in the opening round at the Paris Olympics 2024. She had claimed two more victories on the same day by defeating former European champion Oksana Livach of Ukraine in the quarterfinals and scoring a 5-0 win over Cuba's Yusneylis Guzman Lopez.

She became the first Indian woman wrestler to reach the final of the Olympic Games. Before the Olympics, Phogat faced an 18-month-long struggle while spearheading a protest against the alleged sexual harassment of women wrestlers by the Wrestlers' Federation of India's former President, Brij Bhushan Sharan Singh. After months of protest and delays, Sanjay Singh, who is said to be a close associate of Brij Bhushan, was elected as the new president of the WFI. Post the announcement Olympic bronze-medalist wrestler Sakshi Malik announced her retirement while

Vinesh and Bajrang Punia returned their Khel Ratna and Arjuna Awards to the government. However, Phogat did not waver in her determination to win an Olympic gold.

Coming from a family of wrestlers, the athlete was introduced to the sport at a very young age by her uncle, Mahavir Singh Phogat. Following the footsteps of her cousins, Geeta Phogat and Babita Kumari, the athlete knew her heart was into wrestling. However, her journey was not a bed of roses. Phogat faced opposition from villagers who believed wrestling was a man’s sport. Tragically, she lost her father when she was just nine years old and her uncle became her guiding force.

Phogat won her first major international title at the 2014 Commonwealth Games, claiming gold in the 48 kg category. She secured her quota place for Rio 2016 but her quest for an Olympic gold came crashing after she dislocated her right knee while facing China's Sun Yanan in the quarterfinals. But she sprung back with gold medals at both the 2018 Commonwealth Games and 2018 Asian Games. For the 2019 season, Phogat switched to the 53 kg category and won a bronze at the 2019 Asian Wrestling Championships. She also won a maiden World Championships medal at Nur-Sultan, Kazakhastan, which secured a place for Tokyo 2020. However, during the Tokyo Olympics, the athlete failed to make the cut in the quarter-final bout. Phogat later won a bronze medal at the World Wrestling Championships 2022 in Belgrade and a gold medal at the Commonwealth Games in Birmingham.

Despite this ongoing battle, Vinesh has announced her retirement from the Olympics, marking the end of her storied career on the global stage. Vinesh Phogat may or may not fall short of her Olympic dream, but her journey is far from over. Olympic medal would have been her reply to those who hounded her and tried to silence her. But for a technicality, she has already proved her point. She is a dedicated sportsperson who has gone through a lot. But precisely because stories of triumph are so rare, she will always be more than the sum of her parts. We need her story — it is, after all, one of inspiration in the land of a million tragedies. Her legacy is one of perseverance, strength, and hard-fought victories. She has inspired millions, not just as an athlete but as a symbol of resilience and courage. As she continues to strive for excellence, Vinesh's story serves as a powerful reminder that the true essence of victory lies not just in medals but in the indomitable spirit to rise, time and again, in the face of adversity.

By Shreelakshmi Nair

Update for the day #2218|The contrasting lives of Khadi: A Post Independence Day Special

In FY 2024, Khadi achieved a remarkable milestone. ₹1.5 lakh crores worth of Khadi products were sold across the world. That's a jaw-dropping 400% increase compared to a decade ago. But it's not just sales that have skyrocketed. Production has surged by 300%, hitting ₹1 lakh crores. And employment in the industry has jumped by an impressive 80%, creating 10 lakh new jobs.
This is precisely what 'Make in India' stands for — producing more within the country, creating jobs and becoming self-sufficient. It's the kind of progress that Mahatma Gandhi would likely be proud of if he were alive today. And to do it with Khadi, well, that's extra special. Because Khadi isn't just a fabric that helped us fight for freedom; it has evolved over the years, modernising and becoming a fashion icon. Khadi has even graced the runways at Lakme Fashion Week. Designers like Sabyasachi Mukherjee and Abu Jani-Sandeep Khosla are creating magic with it for the celebrity elite.

But it's not just celebrities. Young folks are embracing Khadi too. It's a fabric that's stood the test of time, keeping you cool in summer and warm in winter. And now, new-age companies are tapping into their creative side to make Khadi even more appealing to the younger generation. The industry's turnover is so impressive that it can rival big players like FMCG giants or PSU banks. For context, banks like Bank of Baroda and Canara Bank only crossed the ₹1 lakh crore income mark last year. So, Khadi's achievement is nothing short of extraordinary.
That might make you think that the Khadi revolution is bettering lives of the artisans and weavers. After all, job creation and increased sales should mean higher incomes and greater self-sufficiency, right? It sounds a lot like Gandhian economics coming to life — minimising wants, fostering self-reliance and promoting a homemade culture.

But the reality is a bit more complicated.
While Khadi's popularity is on the rise, the benefits of this growth aren't trickling down to the people who actually make Khadi. Despite the support artisans and weavers receive, there are still challenges that hinder their progress.
Let's break it down. Khadi became a symbol of self-sufficiency and a weapon in the fight for freedom during colonial rule as we already noted. Before the British arrived, India produced 25% of the world's textiles. This is one of the reasons why Europeans were so interested to trade with India.

But trade was just a pretext. They saw India's hardworking hands and cheap labour and made colonisation their primary goal. This was at a time when Europe was industrialising, and machine-made textiles (with Indian prints like Calico) began showing up on the market. Britain saw an opportunity here and began shipping raw cotton from India. They used cotton to make finished goods and export them back to India with relaxed duties. Meanwhile, they imposed draconian taxes on Indian clothing exports, essentially decimating our textiles industry. All this allowed British-made goods to dominate the market.
This exploitation sparked Gandhian economics. Gandhi spun his own dhoti on the charkha and inspired Indians to spin their own clothes, adopt Indian-made textiles and become self-sufficient. These efforts, along with other non-violent and non-cooperation measures, eventually led to India's independence. However, by the time India was free, its share in global textile exports had plummeted to just 2%.

Post-independence, India was economically drained. To revive the nation, industrialisation and mechanisation had to be prioritised, with the government promoting powerloom-made cloth to boost Indian textiles. Sure, the Khadi and Village Industries Commission (KVIC) was established in 1956 to promote Khadi and other village industries. But it took a long while for Khadi to gain prominence and even though it's witnessing a resurgence of sorts, there is a duality here that hasn't gone unnoticed. The growth and glamour we see in the headlines don't reflect the reality for many Khadi weavers. Despite the increased sales and job creation, their lives haven't improved much.

For instance, spinners make up about 78% of the artisans in the Khadi sector, but their wages are barely enough to survive. And Khadi, by definition, is handwoven, labour-intensive textile, leading to slow production. Now, traditional charkhas produce only 2 hanks (a unit of measurement for yarn length) of cloth per day. And the New Model Charkha (NMC) increases productivity to 20 hanks per day. While the KVIC's minimum wage rate of ₹7.5 per hank translates to a meagre ₹150 per day for NMC users, traditional spinners, however, earn just ₹15 a day! To make a sustainable income, these artisans often take their work home, putting in long hours beyond the average eight-hour workday. Given the financial strain, many are forced to seek better-paying jobs in agriculture or construction.

Their situation could improve if they could work directly with private companies that are revitalising Khadi. But artisans face hurdles here too. To sell their products directly to customers, they need a Khadi mark certificate from the KVIC. This requirement discourages entrepreneurship, as it could potentially reduce the KVIC's influence over the Khadi industry.

Moreover, there's a significant disconnect between the industry's growth and the reality faced by the Departmental Trading Units (DTUs) established by KVIC to manage production and sales. A recent audit by the Comptroller and Auditor General (CAG) revealed that of the 92 DTUs created over the years, only 18 were operational as of 2021, with 74 becoming defunct. And KVIC doesn't seem to have a clear understanding of why this happened.

Marketing is another area where KVIC could improve. About a decade ago, KVIC took Fab India to court for using the Khadi tag on its clothes without the proper certification. Fab India was allegedly passing off mill-made textiles as Khadi. Instead of dragging this dispute to court, KVIC could have explored a partnership with Fab India, leveraging its potential to elevate Khadi further. Connecting KVIC's artisans with companies like FabIndia could transform the landscape for Khadi weavers.

The challenges don't end there. The Khadi industry also faces a new battle with the National Flag Code. To support the 'Har Ghar Tiranga' campaign in 2021, the government amended the Flag Code of India to allow the national flag to be made from machine-made cotton, polyester, wool, silk, handspun, handwoven or Khadi bunting flags. This amendment suggests that despite promoting Khadi, the government isn't fully helping support hand-spun cloth. Imagine the boost to the Khadi industry if the government had planned ahead and pre-ordered Khadi flags for the campaign. This could have revitalized the industry without amending the Flag Code and given Gandhian economics the respect it deserves.

Now, we aren't saying that we should abandon mechanized industries entirely. But we have to remember that a significant portion of India's workforce still relies on age-old Gandhian principles. Neglecting them means denying Khadi the true recognition it deserves, even as models strut down runways wearing this fabric of freedom.

By Bhavana B V

Update for the day #2219|Can new battery tech boost silver's fortunes?

The Story

The race to dominate the electric vehicle (EV) market has been nothing short of thrilling. Just a few years ago, charging an EV meant twiddling your thumbs at a station for what felt like forever. But today, you can top up your battery in about 30 minutes and hit the road again.

But what if that time could be slashed to just 9 minutes?
Well, we didn't pull that number out of a magic hat. It's what Samsung's latest battery promises. And that might seem like a big win for anyone tired of range anxiety and long charging times.

But here's the twist. One of the key ingredients in this tech drop is silver! Yup, the same shiny metal we've all seen in jewelry. And investors holding silver are already buzzing with excitement.

That made us wonder — Will this EV battery adoption send silver prices soaring?

Let's take it from the top.

You see, silver isn't just shiny and valuable like gold, it's a true tech superstar. Not only does it boast the best electrical and thermal conductivity of any metal, but it's also incredibly durable. This makes it perfect for everything from your phone and laptop to medical devices and solar panels. It's a real multitasking marvel!

And now, silver is about to shine in the world of 9-minute battery tech! These new "solid-state" batteries ditch the liquid or gel electrolytes found in today's lithium-ion batteries for a solid material. This makes them safer, more efficient and packs more energy.

Here's the logic behind it. Inside a battery the anode acts as an energy reservoir. During charging, it stores energy, which then powers your car when you're on the move. In traditional batteries, a gel helps transfer this energy. However, solid-state batteries use a solid material instead of the usual gel, making them both safer and more efficient.

And Samsung has taken things up a notch by adding a silver-carbon (Ag-C) composite to the anode. That's because it's a great conductor of electricity and super stable. Besides, having silver in the mix means that the battery is not only more efficient but also more durable. This clever combo is what powers the 9-minute charge and a 20-year lifespan, marking a major leap from today's batteries!

But here's where things get interesting. If suddenly, everyone needed a lot more silver — like, say, for millions of new EV batteries. The demand for silver could shoot up and prices might rise, right?

Now, Samsung hasn't spilled the beans on the exact amount of silver in their solid-state EV batteries just yet. But we could dive into some numbers that analysts have crunched to get a sense of what's coming.

Look, there are 80 million electric cars produced each year. And if just 20% of those cars start using the new solid-state batteries, that's around 16 million cars.

Estimates suggest these batteries could require as much as 5 grams of silver per cell in Samsung's solid-state batteries. And a typical EV battery pack that has around 200 cells for a 100 kWh capacity will require about 1 kg of silver per vehicle.

If you do the math (16 million cars x 1 kg of silver per car), that comes to 16 million kg or 16,000 metric tonnes of silver just for these cars.

To put that in perspective, the entire world currently produces about 25,000 metric tonnes of silver a year. So, these new batteries could end up using around 60% of all the silver that's mined annually.

That's massive! Silver's already in high demand for solar panels, electronics and jewelry. And with limited mining supply, we're not exactly swimming in extra silver. So when analysts say that these batteries will change the game for silver, they really mean it.

But hold on. These numbers are just estimates. So things might not turn out exactly as predicted. But hey, even if just 10% of EVs used these new batteries instead of 20%, it could still mean around 8,000 metric tonnes of silver or a third of the world's annual production, which is still a big deal.

So, where does all of this leave us, you ask?

Well, we've seen silver's starring role in big stories before. Remember the early 2000s when solar panels started taking off? Silver was a key player in solar photovoltaic (PV) panels, helping convert sunlight into electricity. As demand for solar energy grew, silver usage soared, pushing prices from around $5 an ounce (1 ounce = about 28 grams) in 2001 to nearly $50 by 2011. That's a massive leap!

But here's the thing. Despite today's strong demand for silver in solar panels, prices are hovering around $28 per ounce — just $10 higher than a decade ago. So, why didn't prices skyrocket?

Actually, they did. When silver started being used in solar panels, prices surged. Research shows that silver prices climbed alongside the demand for solar panels, especially after the 2008 global recession. And in 2011, when oil prices spiked, the shift to renewable energy pushed silver prices even higher.

But as the solar industry evolved, it got smarter about using silver more efficiently and even began exploring alternatives. This cooled the rally and prices eventually levelled out.

Also, you have to understand that silver prices are driven by a whole mix of factors like monetary policies, inflation, industrial demand, mining costs and more. Take the silver boom of 2010, for instance. Industrial demand skyrocketed, and silver prices shot up from $20 to $50 per ounce in less than a year. Clearly, the supply-demand relationship isn't always as simple as it seems.

Fast forward to today, and analysts warn that the solar industry could put a serious strain on global silver supplies. In fact, the solar PV sector could deplete over 85% of the world's silver reserves by 2050. Even India, the largest consumer of silver, is making record purchases for solar panels, keeping prices near their highest level in over a decade.

So yeah, it's crucial to watch how silver reacts when demand surges, along with everything else influencing the market.

That said, solid-state EV battery tech could be a real game-changer in the long run and might even spark a new wave of demand and send silver prices soaring.

But here's what all this tells us. Silver has a knack for making big moves when it's part of a hot story. And with primary silver mines only producing less than a third of the metal (the rest comes from mining lead, zinc, copper and gold), and no major new mines on the horizon, the excitement is real.

This could undoubtedly be the next chapter in silver's journey. But let's not forget that Samsung plans to mass-produce these batteries by 2027. By then, we'll have to see if the demand for solid-state batteries truly takes off. Also, there's always a chance that newer, better technologies could pop up and reduce the demand for silver.

So, if you've got your money invested in silver, it's worth keeping an eye on these exciting developments.

The only thing we don't have answers to is, how long will it take for solid-state battery tech to really catch on? Could it be 10 years? 20 years? And more importantly, will silver still be a star player by then, or will something new steal the spotlight?

By Namratha D V

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Update for the day #2220|The jewellery retail market has a new competitor

Last week, the Aditya Birla Group made a dazzling entry into the Indian jewellery market with the launch of its new brand, Indriya. This shiny new venture will be part of the Novel Jewels family. And it's not holding back. It's investing a whopping ₹5,000 crores to tap into India's sparkling jewellery market, which is valued at over ₹6 lakh crores.

And here's the ambitious twist. It aims to be one of the top three jewellery retailers in the country within the next five years.But can it really pull this off?
To understand that we'll have to peek behind the curtain a bit and see why the Aditya Birla Group is diving into the jewellery business, in the first place.

For starters (and there's no prize for guessing this one), jewellery is a "natural extension" for a group that's been in the fashion retail and lifestyle industry for over two decades. The Aditya Birla Group already rakes in about 20% of its revenue from consumer businesses, which include everything from lifestyle retail to financial services and telecom. In FY24 alone, these sectors brought in a hefty ₹1 lakh crore ($13 billion). And they want to double this number over the next five years. That's also why they dipped their toes into the decorative paints market a few months back. So, stepping into the jewellery business is just another piece of the puzzle. And why not?
A big part of this shift is thanks to Tanishq, Titan's crown jewel, which entered the scene in the early 2000s and revolutionised how people shopped for jewellery by building trust.

Tanishq noticed that India's jewellery market was mostly unorganised — about 95%, to be exact. Local jewellers were seen as the go-to experts, and customers relied heavily on their knowledge and taste. However, there was no easy way for customers to compare products, prices or quality standards. Tanishq aimed to change that by introducing the Karatmeter in its stores. This nifty device allowed customers to verify if the jewellery they bought from their local jeweller was truly 22-carat gold or not. For context, the karat rating indicates gold's purity, with 24 karats being the purest at 99.99% purity. And since pure gold is too soft to be used in jewellery on its own, it's mixed with other metals like copper to create a more durable alloy. That's why 22 karats is the go-to standard for high-quality jewellery pieces.
This move by Tanishq, subtly pointed out that not all local jewellers could be trusted to deliver on quality. The strategy worked, and more people began trusting organised jewellers.

Fast forward two decades, and the organised market now accounts for over 35% of the total jewellery market. This growth has been impressive especially over the last five years, climbing from about 20% in FY19 to 35% today. Plus, the jewellery market's revenue has been growing at a compounded annual growth rate of 8% over the same period.
And these revenues are only expected to shine brighter, with a projected growth of nearly 20% in FY25.

There are a couple of reasons for this. First, jewellery storefronts in malls are becoming quite the crowd-pullers, boosting revenues. These stores now take up nearly 5% of total mall space, a significant jump from just 1% two years ago. But they account for a fifth of the mall revenues. This trend has organised players like Tanishq, Reliance Jewels, Kalyan Jewellers and others expanding their presence in malls.
Then there's the government's recent cut in import duty on gold, making it cheaper.
With the festive season around the corner, this price drop could lead to a surge in demand for gold, further driving up revenues.
And the Aditya Birla Group is pulling out all the stops to dazzle its way into the jewellery market.

It's got a grand plan to open stores in over 10 cities within the next six months, each sprawling over 7,000 square feet. That's about 30%-35% larger than your average national brand store! This extra space will let them showcase an impressive array of 15,000 curated pieces, including over 5,000 exclusive designs, with new collections dropping every 45 days.
But it's not just banking on size. It's also taking a page out of a Motilal Oswal report on the jewellery sector, which highlights the importance of effective inventory management and enhancing customer experiences. And that's exactly what Indriya plans to do. It'll offer customisation services with in-store stylists and expert jewellery consultants to create a top-notch customer experience.
But of course, it's not all glitter and gold. There are challenges ahead.

Jewellery buying is all about trust. Once you've started buying from a jeweller you trust, switching to someone else isn't easy. It's not like the QSR (Quick Service Restaurant) sector where you can hop around and try new things, thanks to deals or discounts. This concept, known as substitution risk, doesn't really apply here. In the jewellery sector, customers tend to stick with their trusted brands, making it tough for new players like Indriya to break in and build a loyal customer base.

Then there's the part about Aditya Birla Group's somewhat rocky history in retail. Nearly two decades ago, it went all-in on Trinethra, a supermarket chain it rebranded as More. It quickly expanded, opening more stores than Reliance had at the time. But this growth came at a cost. It was fuelled by heavy borrowing and wasn't turning a profit. And we all know how that story ended. More was eventually sold to Amazon and Samara Capital, a private equity firm.

And it's not just grocery stores we're talking about. Take Pantaloons, for instance. The group acquired it from Future Group, which was also struggling with debt. A few years later, it merged Pantaloons with its other apparel brands like Louis Philippe, Allen Solly and Van Heusen, creating Aditya Birla Fashion and Retail (ABFRL)*.

But ABFRL hasn't quite made the splash in the retail world like Tata-owned Trent's Zudio has.
And there's a real risk that this fast-paced growth, at the expense of profitability, could repeat itself with Aditya Birla's jewellery venture. That's because jewellery businesses typically have a payback period of 3-5 years. This means that Aditya Birla Group might only be able to recoup its ₹5,000 crore investment within the next five years — the same period it aims to become one of the top three jewellery retailers in the organised space. So, capturing a significant market share and turning a profit will take more time.

Even Tanishq, which is one of the top jewellery brands in the organised sector, took two decades to capture just about 7% of the entire jewellery market and a fifth of the organised market, all while building trust.
How the Aditya Birla Group will defy that trend is anyone's guess.

By Sakshi G Mudigoudar

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