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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.

"Each new month is a blank canvas, a fresh chapter in the story we are writing. It's an opportunity to reflect on the lessons of yesterday, embrace the challenges of today, and dream about the possibilities of tomorrow."

Let us use this month as a chance to ignite our passions, nurture our dreams, and spread positivity to those around us. Every act of kindness, every goal we pursue, and every effort we make adds meaning to our journey. The future begins with what we do today—let's make it extraordinary.

Update for the day #2221 | The glittering allure — Why gold smugglers like India

Last year, an unbelievable heist known as Project 24 Karat went down at Canada's Pearson International Airport. Some very clever thieves targeted a massive 400 kg shipment of gold coming in from Switzerland. With a little help from some airline employees and forged documents, they waltzed right into the Air Canada Cargo terminal where the gold was being kept. And then made off with the entire consignment, worth about $20 million, vanishing without a trace. Authorities only realised what happened when the gold was reported missing.
Despite several arrests, tracking down the missing gold is proving to be a real challenge. That's because smuggled gold bars and coins often get melted down, wiping out any identifying marks that could trace it back to its original source.
And now, investigators believe that some of this stolen gold has likely been smuggled into India. Why do they think so?

You see, India has a deep love affair with gold. No Indian wedding, celebration or festivity is complete without it. And this passion for gold means that India's average annual demand is about 8 lakh kg.
But here's the catch. India doesn't produce nearly enough gold to meet this huge demand. In fact, the country only produces a little over 1,000 kg of gold each year, all of it from the Hutti Gold Mines. And so we end up importing a lot of gold to make up for the shortfall.
This is the starting point that makes India a gold smugglers' paradise. The reason is simple. Importing such vast quantities of gold each year means that the government has to spend a lot of foreign currency. This puts extra pressure on the Current Account Deficit, which happens when a country's total imports exceed its exports. To manage this, the government adjusts the import duty on gold. Meaning, when they see gold imports soaring, they hike the duties to discourage buying.
But this move actually encourages smugglers because people's love for gold never fades. Higher demand and lower supply push up gold prices. And smugglers jump at the chance to bypass legal channels and avoid paying duties. This means that smuggled gold comes in cheaper and can be sold at higher prices. Eventually, this smuggled gold mixes with legally imported gold and finds its way to jewellers.
How's that, you ask?

For starters, smugglers cleverly use SEZs (Special Economic Zones) to sneak gold into India. They know that SEZs offer exemptions from customs duties and taxes on goods meant for use within the zone or for export. This means that gold imported into an SEZ can bypass the usual hefty import duties, making it an attractive loophole for smugglers.
And here's how they do it. First, they'll overreport the amount of gold they're bringing into the SEZ. For instance, if they're actually importing 5 kg of gold, they'll declare it as 20 kg, simply because it gives them permission to trade in a higher amount of gold duty-free. The authorities are less likely to question the shipment's weight if it's mixed with imitation jewellery and other metals alongside the real gold.

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

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

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

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

The root cause?

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

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

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

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

How long until that happens? Only time will tell.

By Vishnu Bhushan B D

Update for the day #2222 | Will Trump take Bitcoin to the moon?

The Story

The world's top cryptocurrency Bitcoin is up over 100% since the start of 2024, but most of those gains have come in the past few months. Zoom in even further, and you'll notice that following Donald Trump's US presidential win, Bitcoin jumped by over 20% in just a week! From hovering around the $60,000 mark, it's now sitting at around $90,000, and many predict that $100,000 is just around the corner.

That sure begs the question — What's behind this sudden spike?
Let's take it from the top. "I am not a fan of Bitcoin and other Cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air. Unregulated Crypto Assets can facilitate unlawful behavior, including drug trade and other illegal activity."
That was Donald Trump in 2019.

But today? He has pledged to turn the US into "the crypto capital of the planet." Quite a shift, right? Unlike his predecessors, Trump's administration is supportive of cryptocurrencies, putting the wind in Bitcoin's sails. That boost likely plays a part in Bitcoin's surge, beyond just the positive crypto vibes. And if you take a closer look, you'll see other reasons too.

First up we have Bitcoin mining. See, crypto mining is notoriously energy-intensive, but Trump wants it to be mined, minted and made in the US. Think about it. If the US becomes the top miner, it could boost its role in the crypto world and strengthen Bitcoin's infrastructure. Plus, it fits right into Trump's energy strategy.

How? Well, he plans to deregulate the energy sector, making energy more accessible and affordable.
Now, it's important to understand that the US is already a net oil exporter, and more deregulation could make energy even cheaper. Since energy makes up 60-70% of Bitcoin mining costs, cheaper energy means more profitable mining. That's why crypto holders are excited — lower energy costs could boost miners margins and strengthen Bitcoin's network. It's a win-win.
The second reason is Trump's friendlier approach to digital assets.
He has hinted at working with crypto advocates like Elon Musk, who's backed Dogecoin (which also saw a post-election surge). This is a big shift from previous administrations and boosts market confidence. Plus, Trump plans to replace SEC Chair Gary Gensler, who pushed for tighter crypto rules under Biden. This shake-up could mean less regulation, which Bitcoin fans are celebrating.

But perhaps the most eye-catching promise from Trump is the idea of a US Bitcoin Strategic Reserve. What's that, you ask?
Think of it as a national oil or currency reserve — but instead of those assets, it's filled with Bitcoin. The idea was drafted by US Senator Cynthia Lummis, and she called it the Strategic Bitcoin Reserve Bill. It proposes establishing a network of decentralized storage facilities across the US to securely hold Bitcoin reserves. Then it mandates the US Treasury to purchase 200,000 Bitcoins annually over five years. That's 1 million BTC in total! The government would hold these reserves for at least 20 years and implement a proof-of-reserves system to verify holdings. In case you're wondering, this system lets the government show that it's securely holding the Bitcoin without revealing details that could put Bitcoin security at risk. Public audits would then

confirm that the government actually has the Bitcoin it claims to.

Because at Bitcoin's current price of about $90,000, this would cost the US over $90 billion. Sure, you could argue that the buying period would span five years, and Bitcoin's price could fluctuate. But the idea of a government entity buying up 5% of Bitcoin's total supply is bound to push prices up, right? And because it's the US, investors are taking note.
Plus, this isn't just about Bitcoin. As Lummis puts it, *"Our aim was to establish it as a modern parallel to our gold stockpile, serving as a digital-age hedge against economic uncertainty while maintaining the Treasury's historical role in safeguarding critical national reserves."*

Historically, when government debt grows out of control, investors look for hedges or protection against weakening currencies. And Bitcoin, with its fixed supply of 21 million coins, is seen as that hedge because it can't be inflated like traditional money. So, all of this seems like the perfect storm for Bitcoin. But does this mean that Bitcoin is only going up? Well, we don't have an answer to that. Because Bitcoin's history is peppered with volatility and it could see wild swings in no time. And there's no easy way to value it as an asset.
Sure, the fundamentals and buying interest seem strong right now, but market corrections are a natural part of any asset's journey, especially for something as speculative as Bitcoin. Following the 2017 bull run, for example, Bitcoin lost nearly 80% of its value by the end of 2018 before recovering. And similar drawdowns have occurred after each previous rally.

Geopolitical events, regulatory crackdowns, or even technological issues can impact Bitcoin prices, like the 2021 Chinese crypto mining ban, which triggered a major slump. And while Trump's policies might be favorable now, there's always the risk of unforeseen reversals or regulatory pressures, especially those concerned about cryptocurrencies' impact on financial stability.
Bitcoin's upcoming halving event is another potential driver of volatility. So here's the thing. Bitcoin miners validate transactions and get rewarded with new coins. But every four years, this reward halves. For instance, when Bitcoin started in 2009, miners earned 50 Bitcoins per block. By 2020, it dropped to 6.25 Bitcoins. And this year it halved again to 3.125 BTC. And historically, halving events have led to rapid price surges, followed by corrections. Maybe it's these wild swings that make Bitcoin thrilling, yet nerve-wracking, for investors.

Whatever it is, another interesting bit you can't ignore here is how companies that are providing power for Bitcoin mining have seen their stock prices surge too. This simply means that anywhere Bitcoin intersects with Trump's policies, investors are eyeing big gains. And for those not into Bitcoin or its price swings, companies like these could be a solid bet.
So yeah, that's exactly why Bitcoin prices are on the rise and why it's one of the hottest topics in finance, again. And we'll just have to wait and see where prices go from here.

By Khushi Jain

Update for the day #2223 | Can India avoid the middle-income trap?

India is a middle-income country. But don't just take our word for it, the World Bank agrees.

You see, back in 2006, India was in the low-income bracket. But thanks to some solid economic growth, averaging 6-7% annually, the country's per capita income (average income per person) started climbing. This prompted the World Bank to upgrade India to the lower-middle-income club in 2007. And we've been cruising in that lane ever since. But India's government doesn't want to settle for just cruising along. It's now keen to break out of this status quo. And it has set a rather ambitious target for itself. It wants to turn India into a fully developed nation by 2047, the 100th year of independence. That's right, it's dreaming big. And to make this a reality, NITI (National Institution for Transforming India) Aayog recently rolled out a paper titled 'Vision for Viksit Bharat @ 2047'. It's a roadmap for transforming India into a tech-savvy, economically robust and inclusive society. The goal is to boost India's GDP (Gross Domestic Product) or the value of all the goods and services the country produces from the current $3 trillion to a whopping nine times that. And raise the per capita income per annum from about $2,400 today to $19,000. But the real kicker in the document isn't just these ambitious targets.

The big highlight is that India must dodge the dreaded 'middle-income trap' to hit these growth goals. Hasn't India's GDP been on a roll? I mean, we've climbed up to the 5th largest economy globally from the 17th spot in the early 1990s. So, doesn't that mean our GDP per capita should be skyrocketing too? How can you say that it's been stagnant? The culprit here is income inequality. For context, as per an Oxfam India report, between 2012 and 2021, over 40% of the wealth generated in India ended up in the pockets of just 1% of the population.

Meanwhile, only 3% of that wealth trickled down to the bottom 50%. And this uneven distribution has actually been a dampener for GDP per capita growth, even though India's overall GDP has been steadily climbing. To get a grip on this, let's dive into Thomas Piketty's ideas from his book Capital in the 21st Century. Piketty talks about two key variables — the rate of return on capital (r) and the rate of economic growth (g). Basically, r is what you earn from investments. Think stuff like stocks, real estate and savings. And g is how fast the overall economy is growing, usually tracked by GDP. And here's the crux of his idea.
When $r > g$, the rich get richer faster than the economy grows. Because the returns on their investments are growing quicker than most people's wages.

In developed countries like the US, where the economy is stable and resources are fully used, wealthy folks see their investments soar while wages lag behind, widening the wealth gap. Take Brazil, for instance. Back in the early 2000s, Brazil seemed poised for greatness. Booming commodity prices and successful social programs lifted millions out of poverty.
It looked like Brazil might swiftly transition from middle-income to high-income status.

Rathin Roy, a former economic advisor to the Finance Commission, has a solution or rather some practical recommendations to prevent India from a situation like that. And here's pretty much a gist of what he said. Even if India seems to be growing right now, this growth might be more illusion than reality. That's because India's current growth isn't based on what all Indians consume. It's more about what a few million or the small wealthy segment of Indians want to buy. Just think about it. While some Indians splurge on air conditioners, cars and fancy gadgets, the essentials for most are nutritious food, decent housing, clothing, healthcare and education.

So, Dr. Roy suggests that India needs to focus on making these essentials affordable without relying heavily on subsidies. Subsidies are essentially a way of shifting money from the rich to the poor. Instead, India could look to produce these goods more cost-effectively over time, possibly reducing subsidies gradually. You could take textiles as an example. India is less competitive compared to countries like Bangladesh and Vietnam in this segment because of higher wages. And that's a product of shirts being made in west Gujarat or Tirupur, but with labour from UP, Bihar and West Bengal. So, it's obviously going to be expensive because wages here are higher.

But why not produce these textiles in states like Bihar, UP, West Bengal, Chhattisgarh and Orissa or places from where people often migrate to the south or west for jobs? Right now, India's growth is more about what a few wealthy people consume rather than what everyone needs. While exports are starting to play a bigger role, our economy is still largely driven by consumption. And if we don't start producing the essentials that the majority of Indians need, we might just end up stuck in the middle-income trap. So yeah, inclusive growth is the secret sauce for moving forward and making the leap to a high-income country while sidestepping that pesky middle-income trap. And with India making strides through things like PLI (Production Linked Incentives) schemes and a push for local manufacturing and jobs, here's hoping we can pull it off! Godspeed.

By Vismitha V

Update for the day #2224 | NSE cracks down on shady SME IPOs

If you've seen *The Wolf of Wall Street*, you'll probably remember that iconic scene where Leonardo DiCaprio's character, Jordan Belfort, spins a slick pitch over the phone, selling a questionable penny stock. But if you haven't watched the movie, here's what the scene looks like. The investor, sceptical at first, gets completely swept away by Belfort's smooth talk and ends up investing more than they initially planned. It's a masterclass in persuasion, and a cautionary tale for anyone thinking of jumping into the stock market.

Now, if you think that this kind of pitch belongs only in the '90s; believe it or not, something similar is playing out in the Indian markets today. But instead of Belfort's phone calls, we've got small Indian companies asking for massive sums from the public. And investors aren't shying away from showing up in droves.

You could look at Resourceful Automobiles Ltd., for example. It's a bike dealership with just 2 showrooms and 8 employees. In FY23, the company recorded close to ₹20 crores in sales and made a profit of about ₹40 lakhs. Yet, it wanted ₹12 crores from its IPO. Sure, that might seem reasonable when you look at the sales-to-valuation figure. But here's the kicker. The company was clearly running on negative operating cash flows. And nearly 40% of the IPO funds were intended to repay loans, not fuel business growth. Despite this, investors flooded the bike dealership with offers totalling a staggering ₹4,769 crores. And although the stock remained flat at ₹122 per share on its first day of trading, it never dipped below its issue price of ₹117.

Or consider Broach Lifecare Hospital, a tiny 25-bed facility. It set out to raise ₹4 crores but ended up with offers exceeding ₹640 crores from eager investors.

These are just a couple of handpicked examples, but they're far from isolated cases. So far in 2024, over 140 SMEs (small and medium enterprises) have launched IPOs, raising a jaw-dropping ₹4,800 crores.

Sounds like a win-win for the company and the investors, right? Well, not quite.

Unless you've been living under a rock, you've probably heard SEBI Chairperson Madhabi Puri Buch raise concerns about this trend, pointing out that the market regulator has spotted signs of manipulation in the SME segment.

And when we talk about SME IPOs, we're referring to small Indian companies with ₹25 crores or less in paid-up capital that are looking to raise money through IPOs, just like the big players. But they've got a different path. Instead of listing on the regular exchanges, they go public on platforms like BSE SME or NSE Emerge where investors can bid for shares. The idea is simple. SMEs need funds to grow before they can become big, listed companies.

Well, on paper, it's a brilliant move. It offers growth opportunities for these companies, new investment avenues for investors and boosts the economy too. Plus, it's often a cheaper way for these businesses to raise money compared to taking on high-interest bank loans.

But there's a catch. When companies with shaky foundations start asking for, and also get huge sums of money, it stops being something to smile about. The National Stock Exchange (NSE) certainly isn't amused. And that's why it's stepping in with strict rules for listing SME IPOs on its NSE Emerge platform.

One of these new regulations, in fact, have already kicked in for companies filing their IPO documents from yesterday (September 1st).

But how do these new rules work, you ask?

First up, the NSE is saying, "Show me the money". Simply put, it wants companies to have positive Free Cash Flow to Equity (FCFE) for at least two of the last three years. This means that after paying off all its debts, the company should still have some cash left — money that could be returned to shareholders. This ensures that only companies with real financial stability can make it to the market.

Sounds solid, we know. But, like most rules, this one has its downsides too.

For instance, a company could show positive cash flow while still being weighed down by high debt or declining revenues. Imagine a startup that reports positive FCFE after a temporary sales spike. If those sales aren't sustainable or consistent, the company could find itself in trouble soon after, despite passing this rule.

Moreover, this requirement might sideline promising SMEs that are in a growth phase. Let's say a manufacturing firm invests in new machinery to boost production. That investment could lead to significant future profits, but it might also result in negative cash flow in the short term, disqualifying them from an IPO under the current rules.

And let's not forget the investors. Some of them might want to back high-risk, high-reward opportunities or innovative, fast-growing businesses. This rule could limit their options too.

Then there's the rule about a 90% cap on the opening share price compared to the issue price. And if that sounds confusing, here's what it means.

See, SME IPOs often face lower demand and supply, which can lead to a lot of stock price swings. That's where this new rule comes in. It's designed to keep those crazy fluctuations in check. For example, if a company issues shares at ₹100, they can't trade at more than 90% above that issue price. In this case, it means no higher than ₹190 on the first day. The goal here is to create a fairer pricing environment and protect investors from extreme volatility.

But even this rule has its challenges. Once trading begins, stock prices can still swing wildly based on market sentiment and news, no matter the initial 90% cap. Plus, some high-potential SMEs might hesitate to go public if they feel that their true market value won't be reflected.

And that's not the only problem. This price cap could also open the door to more manipulation. Investors with large share holdings might inflate demand during the pre-open market session by placing big orders at inflated prices. This could end up pushing the share price closer to the 90% cap. For the uninitiated, the pre-open market session runs from 9:00 a.m. to 9:15 a.m. and helps set the IPO listing price. Once trading begins, these investors could then sell off their shares at a profit, leaving smaller investors stuck with the losses.

By Kishore R

Update for the day #2225 | Why are SGBs giving the government second thoughts?

Indians have quite a few ways to invest in gold. The classic choice is buying physical gold like shiny coins, bars or jewelry. Then there's digital gold. And then you've also got Gold ETFs (Exchange Traded Funds), which let you invest in gold without actually owning it. They just track gold prices and can be traded on the stock exchange like regular shares. And finally, there are Sovereign Gold Bonds (SGBs) — the protagonist of our story today and a safe, government-backed option.

But these SGBs might be heading toward the exit door because the government is getting a bit anxious about them and is even considering putting the brakes on issuing new ones.

Back in 2015, the Reserve Bank of India (RBI) teamed up with the government to launch SGBs. The idea was simple — curb India's gold obsession by cutting down on gold imports and help control the growing current account deficit (the thing that happens when a country sends more money out of India than it brings in). And it was supposed to give the economy a little boost.

Instead of buying physical gold, you'd buy a bond that's tied to gold prices. On top of that, you'd earn a fixed interest (called a coupon) every year. Hold onto the bond for eight years, and any returns you made would be completely tax-exempt.

These bonds also moved in sync with the price of gold, just like the gold jewellery you'd buy. And their issue price was based on the average closing price of the highest purity (999) gold for the last three business days before the subscription. This way, SGBs always reflected current market prices, making them a strong alternative to stashing gold in your locker.

Naturally, SGBs were a hit. Investors loved them because they could get exposure to gold without worrying about storage or security. Plus, they earned a steady 2.5% interest each year. And the fact that they were tax-exempt at maturity made SGBs a pretty solid investment vehicle.

The government was all smiles too. By issuing SGBs, it could borrow money at a lower interest rate compared to other government bonds. Investors accepted a lower return because SGBs were low-risk, backed by the government itself.

And while this cheap borrowing helped fund government initiatives, for the first few years, it also helped cut down gold imports, which had been hurting the economy by widening the current account deficit. So, with everyone on board, SGBs became the talk of the town. The government kept issuing new bonds while the price of gold kept going up. Between 2015 and August 2024, gold prices in India surged by a whopping 180%. This meant that investors weren't just pocketing the annual interest but were also seeing the value of their SGBs skyrocket, thanks to rising gold prices.

SGBs are great when gold prices stay flat or rise slowly. But if gold prices shoot up, the government will have to pay out way more than it expected. And that's exactly what happened.

Take the first tranche (batch) of SGBs from 2015, where the government raised ₹245 crores, for instance. At the time, gold was priced at ₹2,684 per gram. But by the time the bond matured, gold prices had climbed to ₹6,132 per gram. That's a 128% increase!

The RBI had to pay you the higher amount, plus the interest you earned along the way. In fact, for that first batch of SGBs, the government ended up paying out 148% more than what it had raised, once you factor in both interest and the bond redemption value. Ouch!

To put this into perspective, you could compare SGBs to a regular government bond issued around the same time. Imagine a bond with a 7% interest rate and a 10-year maturity. If the

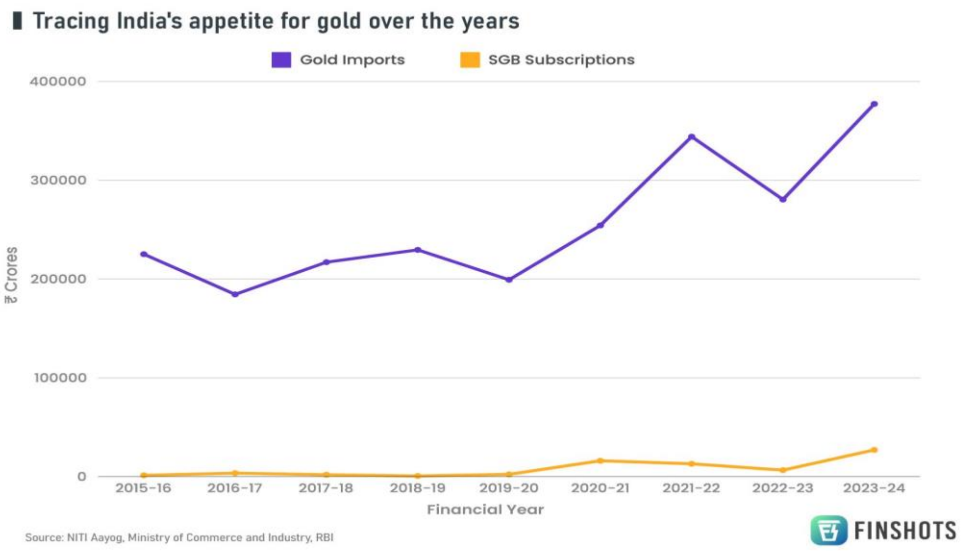
government raised the same ₹245 crores with this bond as it did with SGBs, the traditional bond would result in a total payout of ₹416 crores.
But for SGBs? The total payout was a whopping ₹609 crores at maturity, thanks to the soaring price of gold. That's a difference of about ₹193 crores, which is the extra cash the RBI had to cough up.

Particulars	Sovereign Gold Bonds (SGBs)	Traditional Government Bond
Initial Investment	₹245.20 crore (at ₹2,684 per gram)	₹245.20 crore
Interest Rate	2.5% per annum	7% per annum
Maturity Period	8 Years	10 Years
Total Interest Paid	₹49.04 crore (over 8 years)	₹171.24 crore (over 10 years)
Total Redemption Amount	₹560.20 crore (at ₹6,132 per gram)	₹245.20 crore (fixed)
Total Payout to Investors	₹609.24 crore	₹416.44 crore
Difference in Payout	Extra ₹192.80 crore	

FINSHOTS

The government and RBI thought they could tackle India's love affair with gold by offering SGBs on a silver platter. They hoped to distract people from physical gold, but it didn't quite work.

And it's easy to see why. Indians don't just buy gold for investment. They buy it as a symbol of value and prestige.



So, what started as a clever way to curb gold imports and borrow money cheaply turned into a pretty expensive proposition for the government. And that might make you wonder, "Why did the government even launch SGBs if they were going to cost so much?"

Well, back in 2015, things looked very different. The government was battling a ballooning current account deficit, largely due to high gold imports. Plus, gold prices had been on a downward slide, falling by 15% between 2012 and 2015. The RBI saw SGBs as a way to solve these issues while offering Indians a safe and profitable investment.

The bet was that gold prices would stay stable or even drop further, letting the government raise money cheaply at a 2.5% interest rate—much lower than the 7% it paid on traditional bonds.

But no one could have predicted the surge in gold prices that followed. What started as a cost-effective plan turned into an expensive headache, with SGB values more than doubling in less than eight years. It's safe to say that back in 2015, even then-Finance Minister Arun Jaitley couldn't have imagined this scenario.

Out of the 67 tranches of SGBs issued, only four have matured so far. That means the government is staring down 63 more tranches that will mature over the next few years, with the last one set to expire in 2032. And if gold prices keep rising, thanks to global uncertainties, conflicts and central banks buying gold for its safety and liquidity, the government will have to dig deeper into its pockets to cover these SGB payouts.

But that doesn't mean it's the end of the road for SGBs because the government still has a couple of options. It could stop issuing new SGBs until gold prices calm down. Or it could tweak the bond structure — maybe change how the returns are taxed. But changes like these could make SGBs less attractive to investors, and that's a tricky balance to strike.

For now, the RBI seems to be hitting pause. No new SGBs have been issued recently. In fact, the government is now aiming for a gross issuance of ₹18,500 crores of SGBs in FY25, which is a big drop from the ₹29,600 crores initially projected in the Interim Budget. We'll have to wait until the upcoming September meeting to see if the government decides to continue the SGB program in its current form or make some changes.

But one thing is clear. The SGB scheme may have turned into a bigger challenge than the government originally planned.

By Shriya G B

Update for the day #2226 | Can the Care Economy boost women's workforce participation?

India's care economy, which includes both paid and unpaid care work, is a critical yet underutilized sector that could significantly enhance women's participation in the workforce and drive economic growth. The care economy encompasses activities such as child-rearing, elderly care, and domestic work—essential tasks that often go unrecognized in the formal economy. Despite their importance, these activities are overwhelmingly performed by women, with Indian women spending an average of 5.6 hours daily on unpaid care work, compared to just 30 minutes for men. This significant disparity leaves many women with little time or energy to pursue paid employment, contributing to India's low female labor force participation rate (FLFPR).

Currently, India's FLFPR stands at around 37%, a marked improvement from 23.3% in 2017-18, yet still far below the global average of 47.8%. This low participation rate is a significant missed opportunity, as closing the gender gap in the workforce could boost India's GDP by up to 35%, according to the World Economic Forum. Moreover, nearly 37.5% of women counted in the FLFPR are involved in "unpaid help in household enterprises," reflecting the substantial portion of female labor that remains outside the formal economy.

The care economy offers a promising solution to this challenge. With the right investments, this sector could create millions of jobs and bring more women into the workforce. According to the International Labour Organisation (ILO), India could generate 11 million new jobs by 2030 through strategic investment in the care economy, with nearly 70% of these jobs likely to be filled by women. Formalizing care work—by recognizing it as legitimate employment and providing fair wages and benefits—would not only improve the livelihoods of millions of women but also enhance the quality of care services across the board.

Scandinavian countries provide valuable lessons in how to effectively support the care economy. For example, Finland has implemented policies that allow families with young children to receive financial support for at-home care, and it offers paid paternity leave to encourage shared caregiving responsibilities. Finland also provides stipends to those caring for elderly or disabled relatives, demonstrating that a well-supported care infrastructure benefits everyone. These policies have helped Scandinavian countries achieve high levels of female workforce participation while ensuring quality care for all citizens.

In India, public spending on the care economy is currently less than 1% of GDP. Increasing this investment could help bridge gender gaps and unlock new economic opportunities.

Organizations like the Federation of Indian Chambers of Commerce and Industry Ladies Organisation (FICCI FLO) are already advocating for a comprehensive approach to support the care economy. Their proposals include better parental leave policies, subsidies for caregivers, flexible work arrangements, and greater investment in care infrastructure through Public-Private Partnerships (PPPs).

In conclusion, the care economy presents a powerful avenue for enhancing women's workforce participation in India. With appropriate investments, formalization, and policy support, India could create millions of jobs, reduce gender inequality, and stimulate economic growth. The care economy is not just a social imperative but also a critical economic strategy for India's future.

By Raki Saha

Update for the day #2227 | Why did SEBI bar Anil Ambani from stock markets?

Let's take it from where it all started…

It's 2017, and you're a young up-and-coming investor having parked some money in an Indian housing finance company. Housing finance companies are all the rage at the time. So you think you've made a sound investment.

But a year passes by and the stock doesn't perform as expected. Then, troubling news begins to surface.

First, you hear about fund diversion. And then you see reports about the company's top management, especially the chairman. It seems he has been approving loans worth thousands of crores of rupees without following due process. And these loans were improperly categorized as general-purpose working capital loans (GPCL) and were being used to pay off earlier loans in a circular funding scheme, or what accountants call "evergreening of funds". Worse still, the companies receiving these loans seem dubious—with close ties to the chairman and little to no real assets backing them.

Then in June 2019, the company's statutory auditor abruptly resigns. The reason? Several irregularities, and a shocking revelation – loans disbursed by the company for general corporate purposes spiked from ₹900 crores in March 2018 to ₹7,900 crores in March 2019.

₹7,000 crores in general loans in just one year? That looked bad and it gets worse for your investment. As the fraud becomes apparent, the share price collapses to just ₹0.75 by March 2020.

Come 2021, and you realise that SEBI has found further irregularities in the company's operations and has barred the chairman from the markets. Panic spreads, and investors like yourself finally begin to sell what little shares they hold.

Now it's 2024, and the market regulator drops another bombshell. ₹8,470 crores in loans were disbursed from the housing finance company to 45 related companies, all without proper due diligence. In fact, most of the loans were disbursed on the same day, and of those 45 companies, 41 companies shared a common email address.

Unfortunately, you missed the bus on the whole saga and you couldn't sell your stocks. Your once-valuable shares worth ₹100 seven years ago, are just worth ₹4 today. And it's not just you. Close to 9 lakh investors are now staring at massive losses.

It's a nightmare no investor would wish for!

And as you may have guessed already. The company here is Reliance Home Finance Limited (RHFL) and the chairman is Anil Ambani.

And last week, i.e. on August 23, 2024, SEBI took decisive action against Anil Ambani, chairman of the Reliance ADA Group. It slapped Anil Ambani with a Rs 25 crore fine and banned him from the securities market for five years for diverting funds from RHFL, a company promoted by Reliance Capital Ltd (RCL). SEBI didn't stop there. Amit Bapna, the CFO, was fined ₹27 crore; CEO Ravindra Sudhalkar faced a ₹26 crore penalty; and senior executive Pinkesh Shah was hit with a ₹21 crore fine. Additionally, the 45 companies that facilitated the fraudulent loan disbursements were penalised ₹25 crore each.

Now you may look at all this and say - Justice finally served.

But –this case isn't as straightforward as it looks.

Why? Well, because Ambani might have a legal trick up his sleeve! And here's where it gets tricky.

You see, Ambani's legal team has invoked something called the moratorium provision under the Indian Insolvency and Bankruptcy Code (IBC) to challenge SEBI's ruling.

Wait – moratorium? What's that?!

It's somewhat like a game of freeze tag. Just as you're about to get tagged, you shout "Pause!" and everyone has to stop moving until you're ready to play again. Similarly, when a company's financial troubles catch up with it, they go for a legal "pause" or 'moratorium' which can temporarily halt all consequences and gives the company time to sort out its finances without the threat of legal action.

So Anil Ambani is now hitting a legal "pause" to halt all consequences temporarily. Clever, right? But here's the catch.

The moratorium is supposed to give a struggling company some breathing room to fix its finances and, ideally, bounce back stronger. But when it's used to stall regulatory action, it creates a problem. It sets up a legal tug-of-war between two powerful forces: the IBC, which aims to help companies resurrect from the dead (sometimes), and SEBI, which focuses on protecting investors and ensuring fair market practices.

And moratoriums are rarely a win for investors.

Take the saga of Essar Steel, one of India's largest steel producers, for example. In 2015, with debts of over ₹50,000 crores, the company invoked a moratorium. This paused legal actions and dragged the process out for more than two years. During this time, shareholders watched their investments shrink, banks faced delayed recoveries, and employees and suppliers dealt with uncertainty. While the moratorium offered Essar Steel temporary relief, it left creditors and investors in limbo.

In fact, moratoriums can often extend much longer than intended because as of 2024, 67% of corporate insolvency cases exceeded the 270-day resolution timeline.

So, what did SEBI have to say when Anil Ambani's legal team argued that no further action should be taken because a moratorium was in place?

Well, the market watchdog didn't mince words…

It rejected Ambani's defence, stating that the moratorium under the Insolvency and Bankruptcy Code (IBC) does not bar SEBI from exercising its regulatory powers to safeguard the interests of investors.

In other words, SEBI made it clear that its actions aren't about recovering debt—they're about protecting the market from fraudulent activities.

The ruling was crystal clear too: Allowing a moratorium to block regulatory action would undermine the very foundation of securities law, which is built on transparency, fairness, and investor confidence.

So, SEBI's final message? A moratorium cannot be used as a shield to evade accountability.

And the regulator has ruled that the fines, amounting to hundreds of crores, must be deposited. It has effectively sidelined all those involved in the fraud from the markets for 5 years.

But what does this mean for the 9 lakh investors still holding RHFL shares? Can they hope to sell their stuck investment and recoup losses?

Much depends on how this all unfolds. Because while the penalties may restore some market confidence, the damage to the company's reputation and financial health is severe. Moreover, Anil Ambani is still reviewing the SEBI orders.

Shareholders could face a long uncertain road ahead. For the banks associated with RHFL, their ability to recover the outstanding debts hinges on how effectively RHFL restructures and regains financial stability. The Supreme Court also approved a resolution plan for RHFL, which involves a takeover by Authum Investment and Infrastructure Ltd., but the transition is still ongoing here.

So, in the meantime, all eyes will be on how Reliance Home Finance Limited navigates this crisis and what next steps Anil Ambani takes in his defence.

The stakes are high, and the path forward is anything but clear.

Let's hope it ends well for the investors and stakeholders in the company. Godspeed!

By Arun Nagarajan

Update for the day #2228 | Why is SEBI after the Embassy REIT CEO?

Until this week, Aravind Maiya was the CEO of India's first publicly listed Real Estate Investment Trust (REIT) — Embassy REIT.
For the uninitiated, REITs are companies that own, operate or finance income-generating commercial properties. And just like stocks, REITs can be listed on stock exchanges. Investors can buy shares in the REIT, letting them invest in real estate without actually having to buy or manage properties themselves.
And Embassy REIT, in particular, is backed by Embassy Group, a well-known real estate developer with a solid portfolio of commercial properties.
But just when everything seemed on track, market regulator SEBI (Securities and Exchange Board of India) threw in a curveball. A few days ago, it told the Embassy Office Parks Management Services (EOPMS), which manages Embassy REIT, to suspend Maiya immediately. EOPMS followed through, and by the next day, he had resigned.
Here's the thing, though. Maiya had only been in the role since July 2023. His stint was short, and his exit was abrupt. So, what made SEBI step in and suspend him out of the blue, you ask?
Well, this actually has roots in his previous role as an auditor for Coffee Day Enterprises Ltd. (CDEL), the parent company behind Café Coffee Day, the OG of coffee chains. Maiya is a Chartered Accountant and, at the time, was a partner at BSR & Associates LLP, the firm responsible for auditing CDEL's finances. As an engagement partner, his job was to ensure the quality of the audit. He had to make sure that the audit team reviewed the company's books so that everything was accurate, fair and in order.
Now, things took a tragic turn in 2019 when V.G. Siddhartha, the founder of CDEL, passed away by suicide. His death revealed significant financial mismanagement and mounting debts within the company. This triggered not one but two parallel investigations, one initiated by CDEL's board and another by SEBI.
And what did they find? Let's just say it was massive — around ₹3,500 crores worth of mismanagement.

As SEBI's investigation went on, the National Financial Reporting Authority (NFRA) also got involved to look into the auditors' role in the scam. NFRA steps in when it comes to making sure companies like listed corporations, unlisted public companies and even banks or insurance companies follow the right accounting and auditing standards

And as it dug deeper, more skeletons came out of the closet.
It turned out that CDEL's subsidiaries had been lending huge sums to a company called Mysore Amalgamated Coffee Estate Limited (MACEL), which was owned by the promoters of CDEL (majorly by V. G. Siddhartha). More than ₹3,500 crores flowed to MACEL. But here's the catch. MACEL wasn't a regular customer or vendor. So, what was CDEL doing with this money?
According to NFRA, the audit team, led by Maiya, barely looked into these highly suspicious transactions. And the situation only gets murkier from here. Coffee Day's financial statements listed loans as "repaid", but they weren't actually repaid.

Instead of actual cash exchanges, the loans were cleared through book entries. Imagine someone writing you a cheque that's never cashed but marking the debt as paid. NFRA said this showed a severe lack of professional scepticism from the auditors.

Then, there's a trick called "evergreening". It's when a company moves the same money around within its subsidiaries, giving the illusion that loans are being repaid. In Coffee Day's case, money flowed between various subsidiaries to make it seem like the company's debt was under control. And yet again, the auditors didn't raise any questions.
Now, if you looked at Coffee Day's books, you'd see that they reported a modest profit of ₹28 crores for FY19. But NFRA discovered that they should've actually posted a loss of ₹47 crores. And this was due to one major inconsistency. Coffee Day recorded ₹75 crores of interest income from MACEL that wasn't even in MACEL's books! The auditors just accepted this, which left Coffee Day's true financial health looking way rosier than it actually was.

In short, NFRA found that the auditors either missed, ignored or failed to challenge some glaring inconsistencies. Instead of verifying key documents or questioning what they saw in bank statements, they seemed to rely heavily on the management's word.
In August 2024, NFRA finally closed its probe and came down hard on the auditors with serious penalties. They slapped BSR & Associates LLP with a ₹10 crore fine, Maiya ₹50 lakhs, and banned him from audits for ten years. Another senior auditor involved, Amit Somani, was fined ₹25 lakhs and banned for five years.
But the fallout didn't end there.

With NFRA's order in hand, SEBI began to question whether Maiya was still fit to serve as the CEO of Embassy REIT, one of India's largest real estate investment trusts. SEBI's concern came from the "fit and proper person" criteria. These standards are meant to make sure that leaders in financial institutions have the integrity, skills and professionalism needed to protect investors' interests.

And when you're managing close to ₹36,000 crores in assets, like Maiya was at Embassy REIT, there can be no room for error. SEBI believes that a leader in such a high-stakes role must have an impeccable record — no lapses, no doubts, no excuses.
So when SEBI looked back at Maiya's track record, especially his failure to catch red flags at Coffee Day, it saw a clear issue. For SEBI, those missed warning signs meant Maiya didn't meet the 'fit and proper person' standard that's essential for handling public funds. And in the world of finance, that's a line you just can't cross.
With Maiya suspended, SEBI's intervention serves as a clear reminder that in finance, reputation is not just everything; it's the only thing. And SEBI's swift action sends a strong message — public trust is paramount, and even a single, serious lapse can end a career.

By Manojkumar Y N

Update for the day #2229 | Global Trends and Macroeconomic Data to Influence Stock Movements

Equity benchmark indices have been on a strong upward trajectory, with analysts predicting that this week's market movement will be influenced by global trends, macroeconomic data, and foreign investor activities.

The market will closely watch U.S. economic data releases, including the manufacturing PMI, non-farm payrolls, and unemployment rate, as these could significantly impact sentiment ahead of the Federal Open Market Committee (FOMC) meeting in mid-September.

"The primary driver of the bullish momentum is anticipation of a U.S. rate cut and strong domestic investor support," noted Santosh Meena, Head of Research at Swastika Investmart Ltd. Auto stocks are also expected to remain in focus, driven by upcoming sales data.

Last week, the BSE Sensex rose by 1,279.56 points (1.57%), while the Nifty gained 412.75 points (1.66%), reaching record highs. Despite the optimism, experts caution that profit-taking could emerge after the market's recent extended rally.

"Nifty's twelve-day winning streak is its best since its launch in 1996," observed Deepak Jasani, Head of Retail Research at HDFC Securities. As the market continues its upward trend, investors are advised to stay cautious.

Global Trends Set to Shape Equity Movements
Equity benchmark indices have shown remarkable strength, with analysts forecasting that this week's market movement will be shaped by global trends, macroeconomic data, and the activities of foreign institutional investors. As markets remain buoyant, the release of critical U.S. economic data—such as the manufacturing PMI, non-farm payrolls, and unemployment rate—will be pivotal in determining global sentiment ahead of the Federal Open Market Committee (FOMC) meeting slated for mid-September. The outcomes of these data releases are expected to influence investor decisions, potentially steering the direction of the markets.

Anticipation of Rate Cuts Bolsters Sentiment
Market optimism has been significantly fueled by expectations of a potential U.S. interest rate cut, alongside robust domestic investor participation. "The primary driver of the bullish momentum is anticipation of a U.S. rate cut and strong domestic investor support," explained Santosh Meena, Head of Research at Swastika Investmart Ltd. In addition, the Indian markets have benefited from steady inflows from foreign investors, which have complemented the positive sentiment. This backdrop has created a fertile ground for equities to continue their upward trajectory, particularly in sectors like automobiles, which are under the spotlight with upcoming sales data.

Record-Breaking Performances in Indian Markets
Indian equity markets have been on a record-breaking spree, with benchmark indices achieving significant milestones. The BSE Sensex surged by 1,279.56 points (1.57%) last week, while the Nifty gained 412.75 points (1.66%), reaching new highs. Analysts attribute this rally to strong domestic investor confidence and favorable macroeconomic cues. Notably, the Nifty has achieved a twelve-day winning streak, marking its best performance since its inception in 1996. However, the sustained rally also raises concerns about market overheating and potential profit-taking in the coming sessions.

Focus on Auto Stocks Amid Sales Data
Auto stocks are expected to remain in focus this week as the sector awaits key sales figures. The strong performance of the automobile industry has been a cornerstone of the recent market rally, with investors keeping a close eye on sales trends and growth potential. Analysts believe that a robust demand outlook for the auto sector, coupled with favorable macroeconomic conditions, could further boost stock prices. However, any deviation in sales data from market expectations might trigger volatility in the sector.

By Akhilesh Mandavilli

Update for the day #2230 | How Meerut brothers built India's 4th largest pharma firm

India's fourth largest pharma company is taking a big leap with a costly acquisition which many think needs to be watched. But Ramesh C Juneja and Rajeev Juneja, who cofounded Mankind, think the partly debt-funded Rs 13,630 crore acquisition of Bharat Serums and Vaccines Ltd (BSV), announced in late July, will add powerful muscle to the company.
Mankind is set to raise more than Rs 9,000 crore through a mix of non-convertible debentures and short-term commercial paper to finance the acquisition, ET has reported based on information from sources.
The average blended cost of the debt is likely to be around 8.50% with the firm seeking borrow money over one-to-five years.

BSV is a leading branded specialty pharma platform in women's health and critical care with sales in India as well as abroad. The company earned revenues of ₹1,723 crore in FY24 with adjusted ebitda margin of 28%. Revenues have grown at a CAGR of 21% over the last three years. BSV's portfolio complements Mankind, which is a leader in the Indian gynecology market, providing access to high entry-barrier specialty products along with complex R&D tech platforms. Founded in 1971, biopharmaceutical company BSV has a research and development center in Mumbai with over 100 scientists and operations that cover more than 70 countries, as well as subsidiaries in Germany, the Philippines and the US, according to its website.

This acquisition positions Mankind as a leader in the Indian women's health and fertility drug market, addressing the rising demand for fertility treatments and other specialized therapies. It also opens opportunities in critical care, leveraging BSV's expertise in complex biologics and innovative treatments. With over 2,500 employees transitioning to Mankind, the integration promises to enhance operational synergies, expand market reach, and bolster R&D efforts

Rajeev Juneja, Vice-Chairman and Managing Director of Mankind Pharma, emphasized that this deal marks a pivotal milestone for the company. It aligns with their vision of addressing unmet healthcare needs while creating long-term growth opportunities in niche, high-barrier segments. Additionally, the acquisition reflects a growing focus on addressing infertility and women's health issues, which affect millions globally, including 20 million couples in India

The strategic acquisition of BSV is expected to significantly strengthen Mankind's brand, foster innovation, and drive revenue growth. It underscores Mankind's commitment to leveraging acquisitions for market leadership while meeting pressing healthcare challenges. As the integration unfolds, this move is poised to reshape the dynamics of the pharmaceutical landscape in India.

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

Mankind Pharma's leadership views this deal as pivotal for its future. Vice-Chairman Rajeev Juneja emphasized the growth potential in addressing fertility and women's health globally, while CEO Sheetal Arora highlighted the synergistic benefits in expanding Mankind's innovative product portfolio. Additionally, this acquisition reflects Mankind's strategy of entering high-value therapeutic areas while leveraging its strength in chronic and acute care markets.

Beyond financial growth, this deal underscores a shift in India's pharmaceutical sector, where acquisitions are increasingly focused on innovation and specialized healthcare solutions. It positions Mankind Pharma as not just a market leader but a contributor to addressing global healthcare challenges, solidifying its role as a key player in the evolving pharma landscape.

By Bhuvana S Bharadwaj

Update for the day #2231 | Are e-commerce giants really the boon they seem to be?

Union Commerce Minister Piyush Goyal didn't hold back last week. He called out e-commerce companies and his question was simple: Is Amazon playing fair, or is it slowly squeezing the life out of India's small businesses? But this isn't the first time we've heard concerns about e-commerce giants since they entered the Indian market back in the early 2010s. So why call them out today, all of a sudden?

Well, it seems Amazon is planning to invest a whopping $26 billion into India by 2030. And there's a troubling inconsistency that Goyal can't ignore—how can Amazon justify this massive investment while its Indian arm, Amazon Seller Services, reported a 33% rise in net losses last year? It's not just about the money because Goyal is also questioning how a company that claims to merely connect buyers and sellers is racking up billions in losses while pushing deep discounts.

It all sounds too twisted, right? To understand the impact, let's take a step back.

Say you're eyeing the latest smartphone. You've got two options: head to a local store and haggle a bit, or shop online, where irresistible offers—10% off with a credit card, extra discounts for trading in your old phone, and cashback deals – lure you in. It's no wonder millions, like you and me, click 'buy' from the comfort of their couch. But while you're scoring those deals, local shops are fighting to stay open. They can't compete with the rock-bottom prices offered by online giants.

And this isn't just bad news for your neighbourhood retailers, it's a serious issue for India's economy too. Back in 2013, 10% of smartphones in India were being sold online. By 2016 that figure jumped to 30%. By 2019, 44% of all smartphones were sold online. And of these online sales, Amazon and Flipkart were already dominating roughly 90% of all smartphone sales.

It doesn't stop at smartphones – whether its clothing, footwear, or kitchen appliances, folks are turning to online marketplaces for the best possible deals they can find.

And here's where it gets interesting. Because as per Indian foreign direct investment (FDI) regulations, e-commerce marketplaces are supposed to function strictly as business-to-business (B2B) platforms, simply connecting buyers and sellers. If a company wants to own and sell its inventory directly to consumers—a business-to-consumer (B2C) model, like Walmart and Amazon do in the U.S.—that's a strict no-go in India. This rule protects India's brick-and-mortar stores from being overshadowed by international giants with deep pockets.

And that brings us to the big question - How does Amazon India accumulate such significant losses if its role is merely to connect buyers and sellers?
First off, deep discounts. The company slashes prices by as much as 70% during festive seasons. While this drives massive sales, it also contributes to the heavy losses. Amazon's strategy here is clear: to capture market share, even if it means taking a financial hit in the short term.Next, there are infrastructure and tech costs. Amazon has invested billions in building fulfilment centers, warehouses, and a vast delivery network across India. With over 60 fulfilment centers covering 20 million cubic feet of storage space, the costs add up quickly and significantly.

But if taking losses is part of Amazon's and Flipkart's way to grow, why's that an issue?
Well, because the aggressive expansion comes at a cost to trade and commerce.There have been allegations that e-commerce giants manipulate sales in favour of specific sellers on their platforms. A Reuters report revealed that in 2019, of Amazon's 400,000 sellers in India, a measly 35 were responsible for about two-thirds of its online sales. And Amazon held equity stakes in several of these sellers, blurring the lines between being a middleman and acting as a direct seller.

So, what's the silver lining here?
Globally, Amazon's direct sales model, which deals directly with manufacturers, has been highly profitable. In 2018, 58% of Amazon's physical goods sales came from third-party merchants, with the rest from direct sales. This model gives Amazon greater control over its product range and pricing – and it's a strategy the giant is keen to replicate in India despite regulatory barriers. After all, Amazon cannot ignore the revenue opportunity in the world's most populous country. It made nearly $10 billion in sales in India in 2019. Therefore, it keeps trying to bypass the legal regulations which are impacting local retailers nationwide. But now, it seems the Indian government is gearing up to go after these e-commerce giants by taking inspiration from Europe's regulatory approach.

What does the report suggest?
First, e-commerce giants trying to push their private-label products ahead of other local sellers' offerings would be a big no-no. This will ensure that these platforms won't be able to use their dominance to stifle competition unfairly. Second, e-commerce giants should not restrict third-party apps. For instance, if Flipkart has its own payment service, it wouldn't be allowed to block alternative payment options from being used on its platform. So, this is about giving consumers more choice and ensuring that no single company can monopolize the digital marketplace.

By Dhanush M

Update for the day #2232| Exploring Timeless wisdom: Basavanna Vachana

India is a land rich in timeless spiritual wisdom, often encapsulated in scriptures traditionally accessible only to great seers. However, the beauty of the Vachana movement lies in its ability to convey the profound wisdom of these scriptures in simple, relatable language, often enriched with analogies. The poetic structure of the vachanas further enhances their beauty, transforming them into immortal nectars of knowledge and devotion. Here is one such drop from the ocean of nectar, written by Basavanna. Before we begin to savour its essence, let us take a moment to thank these compassionate souls for gifting us with such a priceless treasure.

Vachana

ತನಗೆ ಮುನಿವರಿಗೆ ತಾ ಮುನಿಯಲೇಕಯ್ಯ ?

ತನಗಾದ ಆಗೇನು ? ಅವರಿಗಾದ ಚೇಗೇನು ?

ತನುವಿನ ಕೋಪ ತನ್ನ ಹಿರಿಯತನದ ಕೇಡು.

ಮನದ ಕೋಪ ತನ್ನ ಅರಿವಿನ ಕೇಡು.

ಮನೆಯೊಳಗಣ ಕಿಚ್ಚು ಮನೆಯ ಸುಟ್ಟಲ್ಲದೆ

ನೆರೆಮನೆಯ ಸುಡದು ಕೂಡಲಸಂಗಮದೇವ.

Transliteration

tanage munivarige tA muniyalEkayya ?

tanagAda AgEnu ? avarigAda cEgEnu ?

tanuvina kOpa tanna hiriyatanada kEDu.

manada kOpa tanna arivina kEDu.

maneyoLagaNa kiccu maneya suTTallade

neremaneya suDadu kUDalasaMgamadEva.

Explanation

In this vachana, Basavanna is addressing the most common weakness of all humans, the anger. In fact, several of our great sages and gods and goddesses were also not free from anger. Our first reaction towards someone who is angry with us is to exhibit a much stronger anger with an attempt "to teach them a lesson and show that we are superior to them". The first two statements of the vachana advocate not confronting anger with anger. Responding with anger to an individual who is angry with you, brings no advantage to either of you. Neither you gain anything, nor does the other party lose anything. There are major consequences of anger as portrayed by the next two sentences of the vachana. Exhibition of anger will only bring your stature down among your fellow beings. In addition, it brings the turmoil within you, causes loss of senses, and creates the everlasting ill feeling of not being able to control your own emotions. Finally, the vachana says, anger is equivalent to the fire started in your own house. It first burns your house down, before spreading to the house next door.

Have a great day folks!

By Divya N Y

Update for the day #2233| The secret behind Shaktikanta Das' unmatched RBI streak

The Story

Every three years, a selection committee led by the Prime Minister picks the next RBI Governor. There's no detailed rulebook for eligibility or any fixed checklist. Just that the folks on the committee are experts in economics, banking, finance or public administration.
This year, though, something's off. The government hasn't even formed a selection committee yet. And with current RBI Governor, Shaktikanta Das, set to finish his term in December — less than a month away — there's no buzz about a potential successor.
Naturally, this has sparked chatter that Das might just stick around for another term.

It's not far-fetched either. Das took the helm in 2018, got reappointed three years later, and is now the second-longest-serving RBI Governor, only behind Benegal Rama Rau, who held the position for 7.5 years starting in 1949.*2* And another reappointment could cement Das as the longest-serving Governor in RBI's history, provided he completes the extended term.
Which brings us to the real question — What makes Das so special that the government hasn't lined up a successor yet?
Well, there aren't any official reasons for this explicitly out there. So we'll speculate a bit. And we have a couple of theories.
Maybe the government doesn't want to shake things up too much?

You see, there are quite a few unfinished regulations the RBI has introduced for banks and financial institutions. These need to be fully implemented or, in some cases, revisited. And keeping Das at the helm could make this process a whole lot smoother. The goal is to ensure that banks have stronger reserves to weather defaults.

Now, here's where Das comes in. The RBI already rolled out this framework for NBFCs back in 2020, and Das was the one steering the ship then. He knows the drill — the challenges, the hiccups and the solutions. So, having him oversee the rollout for banks might just make the whole transition a lot easier. After all, he's been there, done that.

Then there's the bit about the RBI looking to tighten rules on loans for infrastructure projects. Because, let's face it, they're risky. These projects take years to complete before earning a single rupee. So, banks need to make calculated guesses about when they'll start generating income and how much. Only then can they decide the loan amount and interest rate. But if a project stalls or gets scrapped, banks are left high and dry. That's why these loans, called project finance loans, are structured so that repayments only start once operations begin.
And given the risks, the RBI is asking banks to set aside more funds as a buffer — upping provisions from 0.4% to 5% of the loan value. It's a move to keep bank balance sheets stronger and resilient.

Of course, this is just one piece of the puzzle. The RBI also juggles things like keeping the Rupee stable, controlling inflation, tweaking interest rates and managing the delicate balance between bank loans and deposits.
Sure, a new Governor could handle and manage all of this. But Das brings the weight of experience. Under his watch, the Rupee has stayed stable, core inflation (not considering food and energy prices) hit a 4-year low of 4.3% in FY24 (even lower for core services) and India's

foreign exchange reserves soared to $700 billion, making it the fourth-largest in the world.
So maybe the government doesn't want to risk handing over the reins to someone new at such a critical time, with delicate regulatory changes in progress.

Or maybe it's the trust Das has earned from the government over the years?
Just think about it. A new RBI Governor would need time to get up to speed on everything that's already in the works. And if disagreements crop up between the new Governor and the government, it's a situation no one wants to be in.
But the chances of that happening with Shaktikanta Das are minimal, because ever since he took charge, such conflicts have significantly reduced.

To put things in perspective, you could look at how the RBI shares its profits with the government. Every year the RBI sets aside some of its profits as reserves and transfers the rest to the government. This money comes from lending, commissions and profits on foreign currency assets, after paying for expenses like printing currency and salaries.
This year, the RBI transferred a record ₹2.1 lakh crores to the government without a hitch. But six years ago, it was a different story.
Das, however, has taken a different route.[5] He seems to have found a way to balance the RBI's autonomy while maintaining a collaborative relationship with the government. Perhaps that's why he's been their go-to choice for two consecutive terms, and who knows, maybe even a third.
The only potential conflict?
Interest rates.
Das has been a strong advocate against cutting rates to make borrowing cheaper, arguing that it's crucial to control the flow of money and tackle inflation — especially until it hits the RBI's target of 4%. Right now, overall inflation is just over 6%, which is actually the upper limit for tolerance, mainly due to rising food prices.[6] So, the RBI will have to decide whether to cut rates or hold off, all while Das' current term is winding down.
So yeah, whether that happens or not, the odds are largely in favour of Shaktikanta Das getting another term at the RBI. We'll just have to wait and see if he ends up making history in the process.

By Muskan Jamadar

Update for the day #2234 | The Coldplay and BookMyShow Ticketing Frenzy!

The Story

You're out for brunch on a peaceful Sunday, when suddenly, you notice people seated around, all doing the same thing — heads down, fingers racing across their phones. You wonder what's going on, until someone excitedly shouts, "I got them!"
That's when it hits you. It's Coldplay ticket booking day, and it's 12 noon — the exact moment tickets for their concert went live on BookMyShow (BMS).
By 12:15 p.m., social media was ablaze with stories of waiting lists, app crashes and disappointed fans lamenting their missed chance at the concert of the decade.
For the uninitiated, Coldplay's *Music of the Spheres* World Tour has been a phenomenon, grossing over $1 billion, becoming the first tour to hit that milestone. Naturally, the excitement was palpable, especially for those who've grown up with their music. But with great excitement comes even greater chaos. And the BMS app didn't stand a chance. It crashed almost immediately. And if you were one of the lucky few who managed to stay logged in, the tickets vanished faster than you could say "Viva La Vida".

But let's be honest. The odds were never in our favour.
Just think about it. The D Y Patil Stadium, where Coldplay will perform in January 2025, can accommodate around 50,000 people. Add another 10,000 for standing room, and that's 1.8 lakh tickets across three shows. But with 1.3 crore people vying for those tickets, each of us had just a measly 1.3% chance of snagging one. It's no wonder that Instagram was flooded with waitlist screenshots stretching into the lakhs.
And when demand skyrockets like this, a black market is almost inevitable.
Tickets originally priced between ₹3,500 and ₹35,000 were soon popping up on resale platforms like Viagogo, with some going for as much as ₹10 lakhs. This trick, called scalping, is the digital age's version of those touts outside theatres selling 'black' tickets at sky-high prices.
But, why is this happening?

You see, India's concert scene is booming, especially post-pandemic. For context, just last year, the organised live events sector grew by 20%, generating a whopping ₹8,800 crores in revenue, even surpassing pre-pandemic numbers. And it's only getting bigger! An EY report says that the number of concerts with over 5,000 attendees each, is expected to hit 300 by 2025. That's 50% more than in 2018! Besides, concert revenues are expected to jump to ₹1,000 crore, up 25% from where we are now.

And if you look at Coldplay, the three shows alone are set to bring in over ₹100 crores in ticket sales. Throw in the surge in hotel bookings, flights and dining expenses, and the economic impact skyrockets. Nearby hotels are already quoting ₹5 lakhs for a three-night stay, with most rooms booked solid. It's classic supply and demand.

Clearly, the industry is maturing, and the appetite for live events has never been stronger. But with this surge in enthusiasm, the flaws in our ticketing systems have become glaringly obvious. So, how do we put an end to this frenzy, you ask?

One possible solution is to adopt a model like airports use — requiring tickets to be linked to barcodes and verified with Aadhaar. But checking Aadhaar cards for 1.5 lakh people would be a logistical and privacy nightmare, right?
Another approach could be inspired by Zomato's 'book now, sell anytime' feature, which allows users to resell their tickets through the platform. You list your ticket at a fixed price, pay a small fee, and when it sells, you get your money back. But this system isn't foolproof either, as scalpers could still take advantage of this, buying tickets only to flip them for profit.
This leaves us with a potential fix that everyone's buzzing about — NFTs or non-fungible tokens.

Imagine you draw a picture and give it to your friend. It's one of a kind, and no one else can claim ownership. That's essentially what an NFT is, except it's digital. It represents ownership of a unique item. So, if Coldplay tickets were NFTs, each ticket would have a unique identity, like a fingerprint. This would make it much harder for scalpers to resell tickets at inflated prices, as event organisers would know exactly who owns each ticket and who's trying to sell it.
And there's already proof that NFTs can work for ticketing.
You could look at Thailand's Wonderfruit festival. They switched to NFT ticketing and managed to reward concertgoers. Or even Coachella, one of the biggest music festivals in the US. It adopted NFT tickets to protect fans from the inflated resale market as well as pass on numerous benefits.

Plus, NFT tickets could offer extra perks — exclusive merchandise, backstage passes or even lifetime event access. Few of Coachella's NFT ticket holders were granted lifetime festival access, benefiting both the festival and original buyers as prices soared.
So, exploring NFTs to solve India's ticketing troubles is definitely worth a shot.
It could make scalping a thing of the past, give event organisers more control and ensure tickets go to genuine fans instead of opportunistic resellers.

After all, with India's concert economy growing so rapidly, the ticketing system needs to evolve to keep pace. And NFTs might be a way to address this challenge, alongside other innovations in this developing market. As the music and ticketing market in India continues to expand too, we could see new solutions emerge. And who knows, maybe even virtual events on the horizon. For now, many of us will have to settle for watching Chris Martin from our living rooms. But with better technology and fairer practices, perhaps next time we'll have a better chance at being there?

By Lohith M

Update for the day #2235|DIIs vs FIIs

The FII and DII are widely recognized terms in the investment domain. The "FII", short for "Foreign Institutional Investor", refers to investment funds or investors who invest in the assets of a country while being based outside it. In India, this term is commonly used to denote international entities participating in the country's financial markets. In contrast, "DII", which stands for "Domestic Institutional Investor", represents investors or entities residing in India who invest in the nation's financial instruments and securities.
Political and economic developments influence both FII and DII investment decisions. These investors are crucial in determining the economy's net investment flows.

Below is a detailed explanation and comparison of FII and DII:

#What Are FII and DII?

FII (Foreign Institutional Investors)
Foreign Institutional Investors, or FIIs, are non-Indian entities or individuals investing in Indian markets. These include international mutual funds, insurance companies, or other financial institutions contributing to India's economic growth. FIIs are required to register with SEBI (Securities and Exchange Board of India) and comply with its regulations. They are also referred to as **FPIs (Foreign Portfolio Investors)**. Currency fluctuations can significantly impact FIIs, leading to either substantial profits or losses.

DII (Domestic Institutional Investors)
Domestic Institutional Investors, or DIIs, are entities or individuals based in India who invest in the Indian stock market. DIIs may also invest in mutual funds, insurance companies, liquid funds, and other financial instruments. Political and economic conditions also influence DII investment strategies. Like FIIs, DIIs significantly impact the economy's net investment flows. Furthermore, DIIs often stabilise the Indian stock market, particularly when FIIs act as net sellers.
Both FIIs and DIIs are key players in shaping the financial and economic landscape of India.
The Interplay Between FIIs and DIIs
While DIIs act as stabilizers, their influence may be overshadowed during periods of sustained FII activity. For instance, large FII inflows can drive markets to overvaluation, while massive outflows can overwhelm DII efforts, resulting in significant volatility. Investors should monitor both FII and DII trends, as their combined actions shape the stock market's direction and risk environment. Understanding this dynamic is key to navigating market volatility effectively.

By Suhan Bammigatti

Update for the day #2236| The fastest, cheapest, best path to Central Asia and beyond

On Monday, India signed a historic agreement with Iran to develop the Chabahar port. But here's the thing... they had signed a formal agreement to do the same thing way back in 2016. So why is this news? And what on earth is Chabahar port?
Well, before we answer that question there is a minor detour.
Imagine you're an Indian trader seeking access to the untold riches of Central Asia. Uranium from Kazakhstan. Gold and rare earth metals from Uzbekistan and natural gas from Turkmenistan. If you were so bold to make the arduous journey, you could engage with these countries and forge a partnership—for trade. You could also send them some of your wares in the process—tea, coffee, spices, textiles and even pharmaceuticals. If it works well, you could look beyond Central Asia and even reach Russia.

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

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

Also relying on China to facilitate any kind of trade is a terrible proposition to begin with. It gives our neighbour economic and diplomatic leverage and that's not a smart thing to do. This is why we will also have to rule out any shipping routes that involve China.
China will not work.
This leaves us with one other option—a slightly more practical route that involves Iran. And here's how it works. First, you ship your goods to Iranian ports through the sea. And then use the road or rail network to reach Afghanistan. From here on in, you make the onward journey to Central Asia and until about a decade ago, you did all this through an Iranian port called Bandar Abbas.

The port is still operational by the way. But it does have a few problems. For starters, it's located along the southern coast of Iran. This may not mean much to you. However, the geographical positioning means that any goods shipped to Central Asia from Bandar Abbas must travel a greater distance through challenging terrain to make it to the destination. This increases transit time, and costs and could lead to potential delays if there's a breakdown somewhere along the way. Also, Bandar Abbas is located in the Strait of Hormuz—a strategically critical and geopolitically sensitive waterway, facilitating approximately 20% of the world's petroleum trade. It is a hotspot for military confrontations. The US even went to war in the Strait of Hormuz back in 1988. So yeah, it's not a particularly enticing route.
But that doesn't mean we are out of options yet. If you have an iron will, you can forge a path yourself. And that's what we have been trying to do with the Chabahar port. It solves most of

our problems. It's not located in the Strait of Hormuz i.e. the Persian Gulf. So we can avoid the geopolitical flashpoints entirely. Instead, it's located in the southeastern region of Iran with direct access to the Indian Ocean. This is a faster shipping route and with proper rail and road links, you can also cut down on transit time on land.

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

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

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

This created even more uncertainty.

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

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

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

The only challenge?

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

By Rakshith Bharadwaj Y

Update for the day #2237| France is in a debt dilemma

There are plenty of ways to measure a country's economic health. One of them is the debt-to-GDP ratio. Simply put, this ratio compares a nation's public debt to its gross domestic product (GDP) or the total value of all the goods and services it produces. Think of it as a measure of how well a country can manage and repay its debt. The higher the ratio, the harder it becomes for a country to manage its debt because it signals a greater risk of defaulting on that debt, which can lead to financial panic at home and abroad. And this is exactly the kind of situation unfolding in France.

France's debt-to-GDP ratio recently soared to about 110%. This means that the country owes roughly €3.2 trillion (around $3.5 trillion) to banks and investors. And that's quite a problem because the World Population Review suggests that a debt-to-GDP ratio of over 77% for long periods isn't great for economic growth. Every percentage point of debt above this level could stifle economic growth by about 1.7%.

Now, not every country is in the same boat. Take Japan, for instance. Its debt-to-GDP ratio is over 250%. But Japan's risk of default is low because it owes most of its debt to its own citizens.

France, however, is dealing with a different beast as nearly half of its debt is owed to foreign investors. And given its sluggish economic growth, confidence in France's ability to repay its debt is waning. That's a pretty precarious situation, and it's clear that France needs a plan.

But before we jump into how France aims to tackle its debt problem, let's rewind a bit and see how it got here.

The story begins with the global financial crisis of 2008, which popped the overly hyped property market bubble. During the boom, everyone was building homes left and right, fuelled by cheap debt. People and construction companies borrowed money, even when their credit histories were shaky or they couldn't really afford it. But when the bubble burst, property values tanked, and countries around the world, including France, felt the impact. As revenue from real estate dried up, the French government had to step in and inject funds to support the struggling economy.

Fast forward about a decade, and the pandemic hit. Just like many other nations, France pumped money into its economy for social protection. In 2022, the French government spent more than 58% of its GDP on rescue packages, which was 9% more than the European Union's (EU) average. And that included reducing taxes too. Naturally, revenues declined and debt increased.

Season this with some of the tax cuts implemented by Emmanuel Macron's government to win votes since he became president in 2017, and you've got the perfect recipe for disaster resulting in a €15 billion loss in revenue.

The end result was that France's budget deficit — the gap between what the government spends and what it earns — ballooned to nearly 6% of its GDP, way above the EU's 3% target. This has raised red flags for investors, who are now demanding higher premiums to lend money to France due to the increased risk. At the same time, France's sovereign credit rating, essentially the trust that credit rating agencies have in the country's ability to repay its debt, is slipping. All of this means higher interest costs for France, putting immense pressure on the government to restore its finances and aim for that 3% target by 2027.

That's a tricky situation because it leaves France with just two tough choices.

One, it could significantly reduce public spending by about €50 billion. But since massive spending cuts seem nearly impossible, the government's focus has also turned to increasing taxes.

And that's what France's new Prime Minister Michel Barnier seems to be going with for now. He sort of has a new budget plan to save €40 billion and possibly raise €20 billion more in revenues through new temporary taxes. These taxes would include a tax on superprofits of companies with a turnover of more than €1 billion and increase taxes on wealthy individuals. And with this he thinks that France could get back on track by 2029.

But there's a problem with this solution. At 45%, France already has one of the highest combined tax rates in the world, including income taxes and mandatory contributions towards social security schemes. While the global average hovers around 40%. It's almost like French citizens cannot afford to pay any more taxes.

But that's not all. As part of its plan to tax the wealthy, France is considering raising taxes on air passengers. This could make travelling to and within France more expensive, potentially dampening tourism. Plus, higher taxes on flights could hit the aviation industry hard, which is already working to shift from fossil fuels to sustainable aviation fuels.

So, while France is scrambling for solutions, the proposed fixes come with their own set of challenges.

Does that leave France with really no way to tackle this dilemma, you ask?

Actually, there might be a solution. Instead of hiking taxes, France could broaden its tax base by closing loopholes in its tax system. Take short-term rentals like Airbnb, for example. They currently benefit from a tax loophole that allows them to pay lower taxes, treating them like bed-and-breakfast services. This means that they save nearly 70% of the taxes they pay on their rental income — something hotels can't do. Plus, this situation is contributing to a housing shortage in France, which has drawn a lot of criticism.

Reducing those tax savings from 70% to just 30% for short-term rentals and addressing other similar tax loopholes could create a fairer tax system and boost France's revenue.

So yeah, France is walking a tightrope. And we'll have to wait until the country's final 2025 budget, scheduled for tomorrow, to see if it can really balance its shaky debt.
Until then, it looks like France has its work cut out.

By Pooja Sandeep Naik

Update for the day #2238| Is India the perfect home for Global Capability Centres?

Remember the days when India was the call center capital of the world? 'BPO' or Business Process Outsourcing was the buzzword, and customer service calls from across the globe landed in bustling rooms filled with headsets and scripted responses. Well, BPOs are old news. And today we're talking about something way bigger — Global Capability Centres (GCCs).
What's that, you ask?

Well, think of it like this. Instead of just answering calls, you're now sitting in an office developing software for a Fortune 500 giant or building AI models for healthcare innovations in Chicago or driving financial strategies for a global bank. That's how India's BPOs have evolved into GCCs. They're no longer in the back office but at the forefront of global business strategy and innovation.

Originally called 'captive centres', these facilities came to be known as Global In-House Centres (GICs) and later as Global Capability Centres (GCCs). The growth has been phenomenal. In 2012, there were about 760 GCCs operating in India. By 2016, that number surpassed 1,000, and today, India is home to over 1,800 of them. By 2030, we're poised to have over 2,000 such centres, with the market size projected to reach $100 billion.
More than 65% of the GCCs in India are headquartered in the US, and these centres have moved from being mere "support roles" to leading global operations. They currently employ between 1.3 to 1.9 million people, a number expected to rise to about 2.5 million by 2030. Meaning, if India's GCCs were a city, it would be bigger than Vienna.

If you're wondering how they work, imagine that a big company wants to expand its presence in another country. But instead of managing everything themselves, they set up a Global Capability Centre (GCC). Think of it as their one-stop solution hub. The GCC takes care of all the heavy lifting — planning operations, hiring talent, finding office space and making sure that everything runs like clockwork. It's like building a new office far away but outsourcing the groundwork for a fixed fee.
And why has India become the go-to destination for GCCs?
Well, two words — talent and cost.

Companies love that India has a large, skilled workforce at much lower costs than places like the US or UK. Salaries, office rents and exchange rates are all more affordable. Just look at Goldman Sachs' Bengaluru GCC. It's no longer just a support centre. It's a key global hub, developing advanced risk management algorithms used globally.
GCCs in India aren't just about saving money, though. They're also transforming fields like AI, data analytics, cloud computing and R&D.

And the demand for skilled talent is so high that GCCs are pouring millions into partnerships with edtech firms and universities — almost like building their own "education factories".
Many companies are even embracing something called the "10/30/50 approach", where 10% of the company's leaders, like senior managers and decision makers, come from its GCC arm, 30% of the total workforce works there, and the GCC focuses on developing 50% of the company's new and innovative skills, such as AI and data analytics. This shows how GCCs aren't just small branches but have become critical parts of companies, driving growth and success.

Then there's the Indian government's support. With schemes like production linked incentives (PLIs), relaxed FDI (foreign direct investment) rules, investments in R&D and the China-plus-one strategy (investors finding alternatives to China), setting up a GCC in India has never been easier. Karnataka, for example, is aiming to establish 1,000 new GCCs by 2029, cementing India's position as a tech and services hub.

Take, for example, a Bengaluru-based startup creating smart tools for farming. They could team up with a GCC helping a big company improve farming tools for farmers worldwide, solving major challenges and making life easier for farmers.

But India needs to keep moving fast because countries like Malaysia, Indonesia and Vietnam are also ramping up their efforts to set up more GCCs.

By Bhumika Pareek

Update for the day #2239| Why is HDFC Bank selling its loan portfolios?

HDFC Bank's loan growth has been nothing short of spectacular, consistently rising around 20% year-on-year until Q1FY25. But the growth came to a screeching halt, dropping to a mere 7% in the second quarter.

Now we don't need to tell you that loans are the bread and butter of a bank's business. And HDFC Bank being the private sector market leader, faltering here could have sent shivers down stakeholders' spines.

Yet, no one seemed to be losing sleep over it. Investors were pleased, the management had a plan, and HDFC Bank's stock even rose after it announced its results.

The reason?

Well, you might have guessed it — the bank's merger with HDFC Ltd. in July last year, which changed how HDFC Bank's balance sheet looked.

For context, before the merger, HDFC Bank's liabilities were primarily made up of deposits from customers like you and me. In fact, just 8% of its liabilities came from other borrowings. But post-merger, that 8% figure shot up to over 20%. It's quite the shift because for every ₹100 the bank owed, ₹21 came from borrowed money, compared to just ₹8 earlier.

And this increased reliance on borrowings, had a ripple effect.

For starters, it raised HDFC Bank's cost of funds from about 4% to 4.9%. Meaning, the costs of its borrowed money increased. Its credit-to-deposit ratio (C/D ratio) shot up too, from a comfortable 85% before the merger to a hefty 110%. In simple terms, HDFC Bank was lending out ₹110 for every ₹100 in deposits. This meant that it was relying heavily on more expensive borrowings with higher interest costs than customer deposits.

Now, a C/D ratio above 100% isn't ideal in the banking industry. It means that the bank's lending is outpacing its deposit growth. And that's risky business, especially if the economy turns sour.

So, HDFC Bank needed a game plan to tackle this. And boy, did they have one!

HDFC Bank's MD and CEO, Sashidhar Jagdishan, outlined it pretty clearly in the latest annual report:

The Bank will continue to focus on granular deposit mobilisation…

It is our endeavour to bring down the credit to deposit ratio to pre-merger levels…

During this time of adjustment, the Bank would grow its advances a little slower than the deposit growth.

In short, the focus was on growing cheaper deposits, slowing down loan growth and offloading some loans. And here's where things get interesting. Because one of the big ways HDFC Bank is managing its C/D ratio is by selling off chunks of its loan portfolios or simply loan securitization.

What's that, you ask?

Imagine HDFC Bank has given out a batch of car loans. Now, instead of keeping all these loans on its books, the bank bundles them and slices it up to sell to investors — mutual funds, insurance companies, etc., who are hungry for steady returns.

You could think of HDFC Bank as a baker, who's baked a car loan cake with just the right ingredients — high-quality loans with an internal rate of return of 8.9%. Instead of eating the whole cake, it sells slices to eager investors who want a taste of these steady returns. HDFC Bank still services these loans, collecting payments from borrowers. And just like that, HDFC Bank offloads the piping-hot liabilities, keeps the kitchen clean (their balance sheet) and collects a tidy sum upfront, all while continuing to serve slices to investors as their loan payments come in.

In September 2024, HDFC Bank securitized over ₹9,000 crores worth of car loans. And now, they're at it again, securitizing another ₹12,300 crores in car loans. These loans are rated AAA by India Ratings & Research, meaning they're of top quality. Plus, a default guarantee of about ₹330 crores is bundled in to give investors extra assurance. Simply put, it's a guarantee or a safety net of sorts to reassure investors that they won't lose their money if something goes wrong with the loan repayments.

So has this strategy worked for the bank?

Well, you see, selling loans like this does a few things.

First, it improves liquidity or frees up cash for the bank, which it can use for other purposes, like expanding its branch network or pursuing new growth opportunities.

Further, since the loans are now off the books, the bank's credit figure drops, which helps bring the C/D ratio closer to its pre-merger levels. In fact, after the September securitization, HDFC Bank's C/D ratio has already improved from 110% to 100%. And that means the bank is moving towards bringing this to pre-merger levels of about 80%.

Offloading these loans also means that HDFC Bank isn't stretching itself too thin. It's focused on a more sustainable and profitable growth. So essentially, the sale of these loans helps it avoid taking on too much risk and instead concentrate on controlled, consistent expansion.

And the results are starting to show. As of September 2024, HDFC Bank's total deposits grew by 15% year-on-year, its C/D ratio dropped (as mentioned earlier) and the bank has been expanding rapidly, adding new branches across India.

But before we all cheer, let's take a step back and ask — Are securitizations always a good thing? Because if they were, wouldn't every other lender be securitizing their loans?

Look, selling loans means that HDFC Bank also gives up future interest income from these loans. So instead of earning regular interest payments over the years, it gets a one-time payment from investors. This could impact profitability in the long run if the bank doesn't effectively redeploy that cash into other profitable areas.

For instance, the car loans being securitized have maturities extending to as far as November 2030. This means that HDFC Bank has essentially swapped future cash flows for immediate liquidity. Sure, that gives flexibility now. But it also means that the bank will need to work harder to generate income from new sources to repay the securitized loans.

Moreover, loan securitization only works well when there's enough demand from investors for these assets. If investor appetite dries up, the bank could find it harder to offload loans, especially if those loans are riskier or have a higher chance of default.

But at least for now, it looks like HDFC Bank's approach seems to be working. Investors are pleased with the bank's careful balancing act which is slowing down loan growth, ramping up deposits and strategically selling loans. The bank's shares even jumped after announcing the second car loan securitization. So maybe that reflects the market confidence in its strategy.

In the latest earnings call, the bank's management also mentioned that the cash it generated from securitization could be used for growth purposes, like branch expansion. Just last year, the bank added around 900 new branches, and plans to open another 1,000 branches by the end of this (calendar) year.

So yeah, now you know why HDFC Bank is selling its loan portfolios — to stay nimble, keep growing and make sure that it's always ready for whatever comes next.

By Gaurav Y

Update for the day #2240| China is the leader in producing and exporting solar equipment.

While that might be unsurprising, here's something you might not expect: Pakistan, our neighbor, is the third-largest buyer of Chinese solar panels. It's also the sixth-largest solar market in the world!
And this solar boom isn't just an elitist trend. Factories are covering their rooftops with solar panels. Farmers are using solar power for irrigation pumps. And middle-class households are joining the fray, too, thanks to affordable imports from China.
To put it in perspective, in the first nine months of 2024, Pakistan imported a whopping 17 gigawatts (GW) of solar modules from China. This capacity could generate over a third of Pakistan's total power capacity if fully utilized.
That's impressive, right?

This rapid solarization is reducing the government's fuel import bills. It's also nudging the country closer to its ambitious goal of doubling renewables to make up to 60% of the total energy mix by the end of this decade.
All this sudden transition to solar energy happened without government advocacy or subsidies. Sounds like a dream scenario worth replicating, doesn't it?
Except, this solar power boom is not as sunny as it seems.
Let's take it from the top. And we'll start with Pakistan's shaky power grid, which is in shambles. Many areas face up to 12 hours of daily load shedding, and for many regions, electricity access is either nonexistent or limited to a few hours a day. And this isn't a recent phenomenon either; Pakistani citizens have been grappling with erratic power supply for decades. Grid electricity supplied by the government is prohibitively costly, which again pushes households and industries alike to make the solar switch.

However, this solar frenzy is also causing new challenges for Pakistan's economy.
Look, people switching to solar power are either using very little of the state-supplied electricity or abandoning it altogether. This cuts into the revenues of national power grid suppliers, which are already about $8 billion in debt. The government hikes electricity tariffs to stay afloat, which again drives more people away from the grid and towards solar.

Then, we have the independent power producers (IPPs). These are private companies selling power to Pakistan's grid, and the government must pay them for their pre-decided capacity, even if they generate less electricity due to low demand. So, as more people go off-grid, demand for grid electricity drops. However, the government still has to pay IPPs their dues, further raising electricity costs for the remaining grid users. And the problem compounds. Rising tariffs push more people to solar, leaving the grid teetering on financial collapse.
So, it all seems like a vicious cycle!

Adding to the complexity is China's dual role.
You see, under the China-Pakistan Economic Corridor (CPEC), China invested heavily in Pakistan's power infrastructure—mainly in coal-based IPPs that operate on the same fixed-payment models we just spoke about. And Pakistan is drowning in dues here, too. It owes these China-controlled plants over $2 billion in unpaid operational costs.
At the same time, China profits as the world's largest supplier of solar tech, cashing in on Pakistan's transition to renewables. It's a double-edged sword for Pakistan.

Also, amid all this is the government's net-metering scheme introduced in 2017, which allows solar users to sell excess electricity back to the grid. While this incentivised solar adoption, it also reduced grid revenues, exacerbating the financial strain.
So, currently, amidst all this unfolding, the government is in a muddle. A few experts argue that Pakistan must continue to invest heavily in solar parks, thanks to its abundantly available sunshine, to prepare for future energy needs. But again, incentivising or supporting solar energy usage would undermine its grid electricity consumption and, more so, the ability to repay its debts.

So, what's the way out for Pakistan?
The World Economic Forum (WEF) offers a blueprint: modernise the grid to be more flexible and sustainable.
This means adopting advanced AI-driven monitoring to predict energy demand more accurately and optimise power flow. Additionally, upgrading the grid with digital metering can help track energy use in real time and reduce inefficiencies as well as wastage.
Sure, it sounds great and the perfect solution on paper. But modernising the grid requires massive investments and political consensus, both of which seem challenging for Pakistan, given its economic struggles.

So yeah, dealing with rising debts is a lurching question facing the Pakistani government. And it seems the government is stepping up. It recently revised contracts with the IPPs and also announced that it will stop buying electricity from some of them to bring reforms to its debt-laden power sector. Nevertheless, there's still a long way to go before the nation could see significant results.

And there's a lesson here for emerging economies, including ours. Transitioning to clean energy requires balancing innovation with practicality. Deregulating energy markets, encouraging competition, and creating alternative revenue streams could make energy more affordable while keeping grids sustainable.

By Harshini M

Update for the day #2241 | Will the space economy drive global growth?

There's a place that makes three times more money than it budgets. And that place is none other than the space giant NASA which did the exact thing last year by driving innovation, creating high-paying jobs, and generating new technologies that benefit many industries. It helped the U.S. make over $75 billion.[1] The kind of money that could buy you a huge company like Spotify or even be enough to pay for all of India's annual defence budget.

But why talk about NASA today? Well, NASA is just part of this big interesting story brewing in the space economy. Because experts project that the global space economy could grow to $1.8 trillion by 2035—which is almost three times what it is today.

So, with such huge amounts and growth rate on the talks, could space be the next big thing for the world?

Let's make it simple.

See, the "space economy" is not just about rockets and satellites flying in space. Sure, those are important, but the real magic happens right here on Earth. Take GPS, if you want to know how. It helps us use apps like Uber and know the weather. It helps us make plans for fun weekends and hikes, too. And we're quite dependent on it. Because in 2023, about half of the space economy was used for things like this, and by 2035, it could rise to two-thirds.

Countries and companies are noticing this well enough. The U.S. and China are spending billions on satellites, mostly for national security, monitoring, and disaster response. By 2035, lots of government money across the globe is said to go to satellite tech. And since the early 2000s, space agencies have grown from 40 to 75. Even the UAE, which started its space program not long ago, has already sent an astronaut to space and a probe to Mars. That's also the reason why more countries today want to be part of this space exploration.

So yeah, space is no longer an exclusive club. And as things seem today, it could very well be the next big thing for the globe as more and more nations get involved.

Plus, one exciting bit of this popularity is satellite communications. Because companies like SpaceX and Amazon want to bring internet to remote areas using satellites. And by 2035, this part of the space economy could be worth $218 billion, up from about $140 billion today. And yes, more satellites could also mean cheaper and better internet for you and me.

So yes, GPS helps keep things like trade, money, and a lot of today's world running smoothly.

And when we turn our focus to India, we see we're growing in the space economy. In the last ten years, space activities added $24 billion to India's economy through satellite launches, exploration missions, and advances in communications. And looking ahead, ISRO, India's space agency, wants to increase India's share of the world's space economy to 10% by 2040.

So, again – the space economy and its growth are for the win! But let's also look at some problems before we call it a day.

See, more satellites mean more traffic in space, and that can increase the risk of crashes. If satellites crash, they could make dangerous debris that might threaten other satellites, making space even riskier. Initiatives like active debris removal technologies, automated collision avoidance systems, and improved tracking of space objects are being developed, and the European Space Agency and private companies are already working on missions to actively remove space debris. Nevertheless, much more needs to be done. Currently, there are over 34,000 pieces of space debris larger than 10 cm and an estimated 128 million pieces smaller than 1 cm, all posing significant collision risks.

The regulatory landscape is also lagging. Because space is getting busier, but the rules are not evolving quickly enough to handle this rapid growth. There's a need for robust regulations for space debris management, launch coordination, and international collaboration to ensure a safe and sustainable space environment. And without proper frameworks, new companies may struggle to compete if regulations favour established giants.

Moreover, the rise in satellite usage means cybersecurity is a critical concern. Satellites are central to our communication, financial systems, and even defence, which also makes them attractive targets for cyberattacks. And a single breach could have disastrous consequences—disrupting the internet, banking, or even national security. Then there's the issue of equity. As more countries and companies enter space, it's important to ensure that the benefits of space technology are accessible to all, not just the wealthiest nations or corporations. This requires fair policies and collaborative efforts to share knowledge, resources, and opportunities.

The bottom line? Space could be the next big thing for global growth. But it won't be easy. There are things to be addressed, rules to be formed, and things that need to change to make sure the world has a space policy that ensures a safer world – on the ground and in space – for today and tomorrow.

Still, as people keep working together, space tech could make the world better. Who knows, we'll see industries and tech in the coming years for space debris management, launch coordination, and rules for international collaboration that help the entire space economy run efficiently.

Do you think space could be the key to the future?

By Vijay Sathyanarayan

Update for the day #2242| Can we avoid another WazirX-style hack?

Understanding cryptocurrencies can feel like trying to juggle maths, science, tech and investing all at once. Confusing, right? So, let's simplify things and break it down like we're five. Sounds good?

Alright, so you know how we use money — like the cash in your wallet or the funds in your bank account? Well, cryptocurrencies (cryptos) are like money too, but they only exist online. You can't hold them like a coin or note.

The cool thing about cryptos, like Bitcoin, is that they work 24/7, without any bank, government or individual controlling them. They're powered by something called Blockchain.

Think of blockchain as a giant notebook that everyone can see and write in. But no one can erase or edit what's written. This notebook is shared across millions of computers (called nodes). So every time you buy or sell crypto, it gets recorded in this notebook. And if anyone tries to mess with it, the other computers (nodes) immediately reject those changes, making it incredibly difficult to alter past transactions.

That's exactly why blockchain is seen as super secure, and why people place so much value on crypto. Amazing, right?

But here's the kicker. While the blockchain itself is tough to crack, the wallets and platforms where you store or trade your crypto aren't always as foolproof.

Just look at what happened at WazirX. It's one of India's largest crypto exchanges, an online platform or market where you can buy, sell or trade cryptocurrencies. And it recently made headlines when hackers managed to swipe around $230 million worth of cryptocurrency from one of its wallets, where investors' crypto were stored.

To put this in perspective, imagine that you bought Bitcoin (BTC) on WazirX, and your investment was doing great. But then, on July 18, 2024, hackers hit WazirX, and overnight, you could have lost up to ₹50 for every ₹100 you invested.

Now, imagine that it wasn't just you. Millions of Indians felt the sting too. Ouch!

That's what happened at WazirX. At the time of the hack, WazirX had over 16 million users and held $570 million in customer balances. About 4.2 million users, or 25% of the total, were affected and saw their crypto balances drop by nearly half. WazirX had to freeze all trades and halt withdrawals temporarily. When withdrawals did start again, you could only take out two-thirds of your balance, but in phases. Things took a turn when WazirX struggled to sort out the mess. And now, it's all tangled up in the High Court of Singapore, where its parent company, Zettai Pte, is based.

And this begs the question — If hackers can steal crypto, how is it even safe??

Well, remember what we told you earlier? Blockchain itself may be rock-solid secure, but crypto wallets and platforms? Not so much.

The WazirX hack didn't occur on the blockchain. What got compromised was the exchange's wallet, not the cryptocurrency or the underlying tech. It's a bit like banks getting hacked and leaving your money in limbo. The only difference is that banks in India are protected by the government, but crypto isn't officially recognised by any authority here. So, when something goes wrong, investors find themselves without any legal protection.

So what's the way out, you ask?

Well, cold wallets!

See, cryptocurrencies were created to be decentralised, meaning no single entity controls them. But when you use exchanges, you're basically trusting them to keep your crypto safe. And that kind of goes against the whole idea of decentralisation.
So, when it comes to securing your crypto, it really boils down to two key things:
1. Who controls the private keys (the secret passcode that gives access to your crypto)?, and
2. Whether your wallet is connected to the internet.

Most exchanges actually hold the private keys to your crypto, meaning you only get a login password. This is known as a custodial wallet, and it means that the exchange has control over your crypto. So, if something happens to the exchange — like a hack — you could be at risk of losing your assets. That's a big fail on the security front.

Enter the cold wallet — a physical device, kind of like a super-secure USB drive, where you can store your private key offline. These wallets aren't connected to the internet (hence the term "cold"), making them much safer from hackers. You set it up with your private key, and when you need to make a transaction, you connect it to your computer or phone. And this setup passes the security test with flying colours.

But here's the thing. Cold wallets are perfect for long-term investors who don't need to trade often. If you're someone who buys and sells crypto frequently, you might need the quick access that exchanges offer. Plus, not everyone knows about cold wallets or feels comfortable using them. They can be a bit pricey and technical to set up, which makes exchanges the easier option for a lot of people.
And the proof is in the pudding. In January 2024, the total Bitcoin balance on exchanges was about 2.7 million BTC. Today, it's down to 2.4 million BTC. That's 300,000 Bitcoins pulled from exchanges and moved into cold wallets in less than a year.
But in India, the story is different. Indian crypto exchanges have seen a surge in user registrations and deposits. Thanks to the Finance Ministry which blocked access to foreign crypto exchanges in December last year. This pushed Indian platforms to swoop in with massive discounts and cashback offers, sparking a boom in user growth. Deposits increased anywhere between 100% to 2,000%. Plus, about $4 billion worth of Indian crypto assets were sitting in foreign exchange wallets as well.

If you look at WazirX itself, in 2023, 600,000 new users signed up on the platform, with BTC leading the charge as the most traded crypto. Between October 2023 and March 2024, WazirX saw a 122% spike in sign-ups and a 217% jump in trading volumes.
This just goes to show how much Indians rely on exchanges to manage their crypto, making them outliers in the global crypto space. While investors worldwide are pulling their assets off exchanges, Indians seem to be sticking with them.
Maybe it's because India's crypto market is still developing, or perhaps it's because we have a large number of traders who need fast access for frequent trading.
Could this trend change now that crypto users are losing trust in exchanges and wallets after the WazirX hack? That's anyone's guess.

By Aastha Jain

Update for the day #2243| Climate change

Climate change is accelerating, manifesting in extreme weather events, rising sea levels, and melting ice sheets. These phenomena bring us dangerously close to climate tipping points — thresholds that, once crossed, could trigger irreversible environmental changes. For instance, melting permafrost releases carbon dioxide and methane, fueling further warming. Similarly, the disappearance of coral reefs threatens marine ecosystems and coastal protection. If global warming exceeds 1.5°C to 2°C, as outlined in the Paris Agreement, we risk triggering multiple tipping points simultaneously, with dire consequences for the planet.

One such tipping point is the disruption of the Atlantic Meridional Overturning Circulation (AMOC), the ocean's heat redistribution system. Freshwater from melting glaciers interferes with AMOC's flow, causing drastic weather changes worldwide. Greenland and Antarctica's melting ice sheets further contribute to rising sea levels and flooding risks. These interconnected challenges underscore the urgent need to not only reduce greenhouse gases but also explore innovative strategies to mitigate global warming.

One such strategy is stratospheric aerosol injection (SAI), inspired by the cooling effect of volcanic eruptions like Mount Pinatubo in 1991. Scientists are investigating various materials, including diamond dust, to replicate this effect by reflecting sunlight away from Earth. Unlike sulfur dioxide, which risks acid rain and ozone damage, diamond dust is chemically inert and reflects light effectively. This safer option could theoretically lower the planet's temperature by 1.6°C over 45 years.

However, implementing this idea faces practical challenges. Synthetic diamonds, necessary for the process, are expensive and energy-intensive to produce. At $500,000 per tonne, the cost of using diamond dust could reach an astronomical $200 trillion. While synthetic diamonds are more eco-friendly than mined ones, their environmental impact depends on production methods and energy sources. Unless renewable energy powers their creation, the solution risks being counterproductive.

As climate tipping points loom, solutions like SAI highlight the lengths humanity may need to go to counteract warming. While technologies like diamond dust injection remain experimental, they underscore the need for innovation alongside global policy and sustainable practices. Balancing feasibility, cost, and environmental impact will be crucial as we navigate these complex challenges.

By Mukesh Gehlot

Update for the day #2244| GDP shocker: How it may impact Indian stock market

A hiccup in India's world-beating economic growth may exacerbate near-term weakness in stocks, according to strategists.

The economy expanded at the slowest pace in almost two years in the September quarter, data Friday showed. Market participants expect a pickup in growth in the second half of the fiscal year, especially if the Reserve Bank of India cuts interest rates or slashes the share of deposits lenders must set aside.

Concerns about the economy and valuations have India's NSE Nifty 50 Index about 8% down from a September record. Foreign investors pulled out $2.6 billion from equities last month after a record monthly withdrawal in October. Meanwhile, India's index-eligible bonds have seen their first monthly outflow since getting added to a key JPMorgan Chase & Co. index.

India's Stock Gauge Fell Into Correction Last Month.

Here's a selection of comments on what India's slowing growth means for its assets.

Emkay Global Financial Services Ltd. analysts including Seshadri Sen, in a note Sunday:

"This should trigger some near-term weakness in the markets, but some of this was already known and partially priced in."

"We do not see the case for a major market selloff but reiterate that near-term upside is also limited due to earnings weakness and valuations."

The year-end Nifty target remains 25,000, and "an incremental correction over 5% in the Nifty is an entry opportunity."

"A silver lining is that the weak growth opens the door for an RBI rate cut" this month.

Vikas Pershad, Asian equities portfolio manager at M&G Investments, in a Bloomberg TV interview:

India "might be the longest-tail growth story in the world today among major markets."
"I know we had a hiccup," but "there will be GDP multiplier here. Economy will continue to grow."

Jefferies Financial Group Inc analysts including Mahesh Nandurkar wrote in a note Saturday:

A weak GDP print was already getting reflected in corporate earnings and "we believe that the worst of earnings cuts is likely behind."

Still, a much tighter fiscal 2025 is on the cards, driving yields lower. The possibility of a cut in cash reserve ratio, or a reduction in the share of deposits lenders must set aside, increases.

Michael Wan, a currency strategist at MUFG Bank in Singapore, wrote in a note:

From an FX perspective, the key question is whether this growth blip proves to be short-lived or something more pernicious. The growth slowdown is likely to have been driven also by restrictive monetary policy and the RBI's moves to tighten macroprudential measures and these factors could continue to weigh on portfolio flows

From a rates perspective, this week's rate meeting is likely to be a close one, with possible increasing dissent out of some members. There may also be moves to cut the cash reserve ratio requirements to help boost banking system liquidity

Brian Tan, Shreya Sodhani and colleagues at Barclays wrote in a note:

"RBI Governor Das has repeatedly argued the primacy of price stability to support sustained high growth in the medium term."

"Despite some pullback in food prices in early November, we now expect the RBI MPC to stay on hold in the December policy meeting next week and keep the repo rate at 6.5% and the policy stance neutral."

Consumer inflation breaching the upper limit of RBI's tolerance band in October isn't not a favorable backdrop to start an easing cycle, even though this recent growth reading disappointed expectations "by a wide margin."

Sonal Varma, chief economist for India and Asia ex Japan at Nomura, said in an interview:

The GDP reading "is a game-changer" for the RBI's meeting on Friday. "On the face of it, policy tradeoffs may appear stark, but looking at the nuances, we don't see any tradeoffs and believe easing is long overdue."

"We now expect a 25 basis point repo rate cut" and are "penciling in a 50 basis point cut in the Cash Reserve Ratio to counter tight banking sector liquidity. We stick to our out-of-consensus view of a deeper easing cycle of 100 basis points cumulatively by mid-2025."

By Sailesh Gandhi

Update for the day #2245| What happened to Netflix's gaming ambitions?

A few years ago, Netflix decided to dip its toes into the gaming world. This was a completely uncharted territory for the streaming giant. But with streaming wars heating up and subscriber growth slowing, Netflix needed a fresh way to attract more users.
So, it turned to gaming. Instead of offering just movies and shows, subscribers could now play games, without paying anything extra.
And things moved quickly. Netflix rolled out a whole catalogue of games by setting up its own gaming studios across the globe. It even went on a bit of a shopping spree, acquiring companies like Finland's Next Games, Texas-based Boss Fight Entertainment and Seattle's Spry Fox.
Then, Netflix didn't just stop at games which were based on its hit shows like *Stranger Things*. It also teamed up with big players like Rockstar Games — the folks behind *Grand Theft Auto (GTA)*, and Hardlight Studios' *Sonic Dash* series.
Things seemed promising. In 2021, Netflix games had over 5 million downloads. By 2022, that jumped to 28 million. And last year it hit a whopping 81 million downloads, which was a massive 180% year-over-year growth!
Riding high on this success, Netflix set its sights even higher. It wanted to create brand new, multiplatform games that could be enjoyed on consoles, computers and mobile devices. These games wouldn't be based on any of its existing shows or concepts, but something fresh and original.

But fast forward to today, and Netflix just pulled the plug on Team Blue, its AAA (Triple-A) gaming studio in Southern California, without ever releasing a single title. In simple terms, Netflix won't be making any original blockbuster games anytime soon.
So, if Netflix wanted to go big on gaming, why would it hit the brakes like this, you ask?
Well, the truth is that Netflix's gaming ambitions are still alive and kicking.
In fact, shutting down Team Blue might have been a wise decision after all.

You see, creating AAA games is no small feat. These are the big-budget titles produced or distributed by major publishers. And the term 'AAA' isn't an acronym, it's just a label for top-tier games. Developing them can get pricey. You need a standout game idea, a huge team of skilled developers and another army of people behind the scenes. Plus, there's serious investments in graphics, visual effects and tech to make these games immersive and lifelike.
But here's the thing. There's no guarantee that they'll be a hit. For these games to truly succeed, they need to resonate with gamers and be embraced as favourites.

Take *GTA*, for instance. It's the poster child for AAA games or a blockbuster franchise that raked in over $9 billion from just its last two versions — *GTA IV* and *GTA V*.[3] That's around 25 times what Rockstar Games, the developers, spent on producing it! And that's also why the *GTA* franchise was a key factor in Netflix gaming's early success, accounting for about 17% of the platform's gaming downloads in 2023.

But here's the thing again. If Netflix's AAA gaming experiment flopped, all that money spent on creating something fresh would go down the drain, especially considering the star-studded team it assembled. For context, it lured in heavyweights like Chacko Sonny, former executive producer of *Overwatch*, Joseph Staten from Microsoft's *Halo* franchise and Rafael Grassetti, who was the art director at Santa Monica Studio, best known for *God of War*.

However, with all these high-profile employees now having left the streaming giant, Netflix may have realised something important. Pouring more money into replacing these key people and expanding the team to develop expensive games just doesn't fit with its current strategy.
That's because Netflix isn't exactly going all out on producing new content right now.[4] Sure, it has set aside about $17 billion for new projects in 2024, which is a solid one-third more than what it spent last year. But that's still quite near or less than its peak spending of $17.5 billion back in 2021, during the pandemic's heyday.

A big reason for this is the Hollywood Writers' Strike. Writers felt that studios were cashing in big time on shows by distributing them to OTT platforms and other distributors, while they weren't getting a fair share of these profits. This dispute slowed down content production across the board, impacting major players like Amazon, Disney, Fox, Warner Bros. Discovery and yes, Netflix too. As a result, Netflix released around 130 fewer original programs in 2023 compared to 2022 — a drop of about 16%.

But by slowly and gradually increasing its content budget, Netflix is probably embracing the "less is more" philosophy. That way instead of pouring money into a flood of average shows, it could create high-quality content that really makes an impact.

This approach also allows it to shift focus from simply adding subscribers to keeping viewers engaged. Think about it. When people find shows they love, they'll stick around longer, recommend Netflix to their friends and see greater value in its service.
That's also why Netflix has decided to stop publicly reporting its subscriber growth starting in 2025, and instead focus on metrics that highlight engagement. It's all about creating a lineup of exceptional content that keeps audiences coming back for more.

And maybe Netflix wants to apply this same strategy to gaming as well. After all, it's often cheaper to licence popular franchise games that gamers already adore than to gamble on developing original titles in-house. This way, Netflix can keep gamers engaged on its platform without a massive budget risk.

And who knows? This could translate into more subscribers and increased revenue, especially since only about 1% of Netflix's subscribers currently play games.
So no, Netflix isn't throwing in the towel on its gaming ambitions. If anything, it's taking a slow and steady approach to growth. And we'll only have to wait and see how it all pans out.

By Rachana N

Update for the day #2246| What does LIC do with its money?

LIC is India's largest financial institution. It manages close to ₹30 lakh crore in assets (out of India's ₹40 lakh crore insurance industry). It sells 3 out of 4 life insurance policies sold in the country. It's much bigger than the 23 private sector life insurance companies put together. And it is a profitable entity which has consistently delivered value to its only shareholder—the Government of India. We wrote all of this when we covered how the government could IPO LIC. It was a fairly complicated piece talking about the policy and financial challenges involved in taking the company public. But the thing is, we never really talked about the elephant in the room—LIC's investments. So today we thought we'd look into this subject and see how LIC manages its money.

For starters, as we already noted, LIC manages a lot of it. Like close to ₹30 lakh crores. Most of these investments are attributable to LIC's non-linked policies. Think life insurance and pension funds—where the company pays out fixed returns to policyholders. Meaning it's crucial for LIC to protect this capital irrespective of what happens outside. And so LIC has parked close to ₹20 lakh crores in government securities. These investments are highly unlikely to come undone since you can always count on the government to pay back in full. So technically, it's the safest option out there.

Then there is the slightly risky stuff. Investments in publicly listed companies i.e. the stocks they own. The company held shares worth ₹4.3 lakh crores at the end of March 2020. By the end of July, it was worth ₹5.8 lakh crores—a 34% rise in a matter of a few months. LIC's chairman, Mr. Kumar would tell you this is a by-product of their investment philosophy—*"We buy when the market is down, we are contrarians that way but then we make sure that the policyholder interest is kept at heart."*

However, most of LIC's investments are in blue-chip companies—the best stocks out there. For instance, LIC holds a 5.8% stake in Reliance Industries. And the value of their stake grew by ~₹40,000 crores during March and July. So technically most of their gains were attributable to the likes of Reliance. The point here is that these bets aren't exactly contrarian in nature. In fact, LIC has so much money, that they couldn't possibly be contrarians even if they wanted to. The only time you see the company make a contrarian bet is when it's nudged to rescue a failing company.

Think IDBI bank. The company was bleeding money. More than a quarter of its loan book had gone bad. And LIC walked in with ₹ 21,600 crores and bought a 51% stake in the company. At the time, LIC said this was a "strategic investment" in a large bancassurance i.e. a bank selling insurance. The hope was that IDBI's 800 branches would help LIC sell insurance policies. However, insiders believe LIC had to walk in because the government wanted somebody to rescue the bank.

So maybe the real question we ought to be asking here is—what about LIC's dodgy investments? After all, there is always a lot of chatter about how LIC has massive amounts of money invested in companies that are plain struggling or on the verge of bankruptcy. Think DHFL, Reliance Capital, Yes Bank, Reliance Home Finance, IL&FS and Jaypee Infratech. All of these big-name firms have defaulted on their payment obligations and it's quite possible that LIC's investments in these companies might not pay off.
How much you ask? Well, at least ₹32,000 crores as of December 2019. These investments have

gone bad. The chance of recovering these funds are slim to none. For all practical reasons, LIC assumes this money won't come back. And while the figure might seem massive in absolute terms, bear in mind, this is roughly 1% of LIC's entire portfolio (worth ₹30 lakh crore). So despite all the talk about the company's shoddy investment decisions, LIC is so big, that even ₹32,000 crore is only a drop in the ocean.

Moral of the story—There is big, bigger, biggest. And then there is LIC.

By Kavya Hebbar

Update for the day #2247| Falling rupee, rising dollar - Who benefits and who loses?

First, a story to understand how the rupee falls, the dollar rises, and how currency rates are determined.

Mr. Nomad, an avid traveller, wants to convert his rupees to US dollars. He finds a currency exchange rate of $1 = ₹83, which changes to $1 = ₹84 the next day.

This fluctuation is due to supply and demand, and the comparison of rupee to dollar is called the USD/INR currency pair. A rising exchange rate means the rupee is weakening, while a falling rate means it's appreciating.
Today, the dollar is rising, influenced by the Trump presidency, which is bad news for India. India imports 87% of its oil, and since oil is priced in dollars, a stronger dollar makes these imports costlier.

In FY24, India spent almost $134 billion on oil imports, and a rising dollar will inflate this bill, worsening the trade deficit. Crude oil is part of many goods and services, so when oil prices rise, it triggers a domino effect, raising costs across various goods, leading to imported inflation.

India is a net importer, meaning imports exceed exports, and a stronger dollar makes most imports more expensive. Even if the volume of imports remains the same, a rising dollar means a higher bill for the same goods, increasing inflationary pressures. Companies that have borrowed funds in dollars also take a hit, as they need more rupees to repay the same dollar debt. India's external debt increased by $13 billion in three months, reaching $682 billion by June 2024, and a rising dollar makes this debt heavier.

A rising dollar could spark a currency war. If the US imposes trade tariffs on China, the Chinese renminbi could weaken, impacting other Asian markets, including India.

A similar scenario played out in 2018 when US tariffs on China led to a sharp fall in the renminbi versus the dollar, shaking Asian markets. IMF research found that a 10% rise in the value of the dollar reduces output in emerging economies by 1.9% after one year, with negative effects lingering for years.

However, a rising dollar is not always bad for India. The Indian IT sector benefits as most of its revenue comes from overseas clients, especially in the US, and a stronger dollar means higher revenue when converted to rupees.

The pharmaceutical sector benefits similarly, as many Indian pharma companies export a large share of their products to the US and Europe, earning in dollars. The textile sector gains due to the "China+1" strategy, where global companies look for suppliers beyond China, making Indian textile products more competitive globally.

While some sectors benefit from a rising dollar, not all businesses see the same impact. Businesses that rely heavily on crude oil-related imports for their raw materials face higher costs due to expensive imported components.

The reasons for the dollar's rise include Trump's presidency, increased government spending, relaxed financial rules, potential Federal Reserve interest rate hikes, and tax cuts, attracting more investment to the US. The RBI is keeping a close watch and will step in if things get out of hand. Exchange rates shape our economy and have wider implications. The next time you see headlines about a weakening rupee, you'll know what to look for in the markets and who stands to win or lose.

By Sujith Sai

Update for the day #2248| "Is Elon Musk's Starlink risky for India"?

Imagine having super-fast, uninterrupted internet no matter where you are. Deep in the ocean, on remote islands, across deserts, on top of mountains, flying in aeroplanes, or even in places hit by disasters or wars. Basically, anywhere with a clear sky can get a satellite signal.
That's Starlink for you—Elon Musk's satellite internet service.

Now, Starlink wants to set up shop in India. But the Indian government isn't rolling out the red carpet just yet. It has a laundry list of regulations that Starlink must follow before it can begin.
What are these must-follow rules?
First, the government is laser-focused on where Indian users' data is stored. If you use Starlink's services, your data – like personal details, browsing habits, or streaming preferences – must stay within India's borders. Simply put, it needs to be processed on servers within India and not sent to another country.

There's another layer to this, too. Imagine you're using Starlink's internet while enjoying your cruise holiday in Indian waters. Your data gets sent to a satellite. If that data is processed through a gateway outside India, the government has no control over it. And that's a big problem, especially when critical communications or sensitive information are involved.
So, the government has put its foot down and said that any internet traffic passing through Indian airspace or waters must also go through a local gateway.
And that's not all.

The Department of Telecommunications has laid down another rule: Starlink can't have investors or stakeholders from countries that share a land border with India—like China or Pakistan. Why? Because having investors from these countries could give them access to data or influence over company decisions. And since internet connectivity is linked to everything from defence systems to communication networks, that's a risk India isn't willing to take. Remember Huawei? The Chinese tech company was blocked from India's 5G rollout because of its ties with the Chinese government. The same logic applies here.

And guess what? Musk's Starlink has agreed to play by all of these rules!
So does that mean everything's fine, and we could soon subscribe to Starlink internet plans in India?
Not really.

A Delhi-based think tank has raised another big concern: Starlink's close ties with the U.S. government.2 For instance, SpaceX, Starlink's parent company, has a $1.8 billion contract with the National Reconnaissance Office to make spy satellites under the Starshield program. These satellites don't just monitor and watch – they also help the U.S. military's operational capabilities.
So, here's the worry: could Starlink give U.S. agencies access to Indian users' data without the Indian government even knowing? And given America's history with surveillance programs like the Foreign Intelligence Surveillance Act (FISA), this isn't just a wild fear; it's a real concern.
And lastly there's also a risk to local players. India has spent years building a robust satellite communication ecosystem through the Indian Space Research Organisation (ISRO), Antrix, and NewSpace India Limited (NSIL). If Starlink takes over the market, it could sideline local innovations and companies like Jio, Airtel, and BSNL.

The financial angle to all of this? Well, think of it like this: even if Starlink captures just 10% of the untapped market, it could make $34 billion a year in India at its current data price in the U.S.5 That's a lot of money leaving India rather than helping local growth.

Countries like Taiwan are already being careful about this. Even though Taiwan relies on the U.S., it has refused to grant Starlink a licence. Why? Because of Musk's business ties with China—he has the biggest Tesla factory there. Instead, Taiwan is spending $1.3 billion to build its own satellite network, which is completely controlled by its government.6
But here's the thing: developing a satellite network isn't easy.

Look, it's not like Starlink was the first to offer satellite internet connectivity. Companies like Viasat, HughesNet, and Amazon have been doing it for years. But Starlink has a smart strategy in its arsenal.7 Instead of relying on a handful of large satellites, it uses thousands of smaller ones equipped with lasers to communicate with one another up in the sky itself. And this reduces its dependency on ground-based satellite stations.

This setup helps Starlink provide fast internet without the delay (or so-called latency) issues that traditional satellite providers often face.
How does it work, you ask?

Today, over half of the LEO satellites in space belong to Starlink. This gives Starlink a massive head start over competitors. Of course, building this isn't easy. It's expensive, technically demanding, and it takes a lot of time. And Starlink is already miles ahead.

Of course, there's a good side to all of this. If Starlink succeeds in India, we could have cheaper, high-speed internet across the country. That means better connectivity for people in remote areas, more opportunities for education, and even improved communication during disasters. But these benefits come with risks that we can't ignore—especially when it comes to something as crucial, sensitive, and intricate as the internet, right?

In conclusion, while Starlink offers the potential for faster, more widespread internet access in India, the risks related to data security, foreign influence, and the impact on local industries cannot be ignored. India must carefully weigh the benefits of this technology against these concerns, ensuring robust regulations are in place to protect national interests and local innovation. Balancing progress with security will be key to Starlink's successful integration into India.

By Anusha M

Update for the day #2249 | The secret behind India's luxury watch boom

India's growing faster than most other economies, and that growth is driving big changes. Rising incomes are leading to bigger spending, and more people are splurging on high-end luxury items and collectibles. Think stuff like fine art, rare wines, whiskey, sneakers, and yes, luxury watches.

Interestingly, luxury watches are quickly becoming a new obsession for the wealthy, including millennials and Gen Z. For younger buyers, these timepieces represent a blend of fun, status and a touch of exclusivity. While for high-net-worth individuals (HNIs), they are emerging as prized investment assets. In fact, collectibles are evolving from mere keepsakes to serious investment opportunities. And luxury watches are among the hottest picks in this trend.

A recent report from Knight Frank ranked luxury watches as the top investment choice for super-rich Indians in 2023, even surpassing art. The Trade and Economic Partnership Agreement (TEPA) between India and Switzerland has a big role to play in this growth. This deal is set to shake up India's luxury watch market. Over the next seven years, it will gradually slash customs duties on Swiss watches from 22-23% to zero. And that's a big deal, especially considering that Swiss watch exports to India hit over CHF 200 million in 2023 alone. The sector has been growing at a solid 11% annually for the past two decades! It's no wonder that the Indian market looks irresistible to Swiss brands.

About 60% of Indian consumers buy luxury goods every year, whether it's watches, leather goods or jewellery. When it comes to watches though, Indians are especially brand-conscious. In fact, 64% of Indian buyers prioritise brand image over price, compared to global consumers who focus more on price-to-value. That's why prestigious Swiss brands like Rolex, Patek Philippe and Audemars Piguet are finding such a keen audience in India. Even in a cost-conscious country like ours, the luxury market is booming, with watches playing a significant role. The sector's already worth $7 billion and is only growing fast.

All these signs point to strong growth for India's luxury watch market.
By now, the question arises if one should invest in watches rather than stocks, bonds and other investment vehicles. Investing in luxury watches is quite different from stocks or bonds. Watches are a unique asset class, and their returns can be a bit unpredictable. The WatchCharts Overall Market Index, monitors the prices of 60 top luxury watch models from the top 10 luxury watch brands in the secondary market (or a market where second hand watches are traded), has noted that the index has declined by 8% (from 65,000 to 59,700).

Logically speaking, collectibles are real property, so you would expect their prices to appreciate at least in line with inflation. And with the growing number of global millionaires, you'd think that the demand would push prices even higher.
That was certainly the case in 2021 and 2022, when the index shot up to over 95,000 in just one year. But of late, that trend hasn't kept up, and top watches haven't appreciated as quickly as they used to.

So, why invest in luxury watches at all?

First up is brand and rarity. In the watch world, a brand is more than just a name. It's a mark of craftsmanship and heritage. Iconic names like Rolex, Patek Philippe and Audemars Piguet are

renowned for their ability to hold value over time.
Rolex's stainless-steel models haven't lost their value since the 1970s, thanks in part to Rolex's deliberate pace of production. Some of their watches take up to 500 hours to make, and certain models come with a six-year waiting list. It's this combination of meticulous craftsmanship and scarcity that keeps their value high.

Next, trends play a crucial role. Just like any other investment, the value of luxury watches can fluctuate with trends, celebrity endorsements or pop culture moments. Being aware of which models are currently in demand can be just as important as knowing the watch itself.

Finally, patience is key. Investing in luxury watches is a long game. Some models can take years, even decades, to appreciate significantly. For instance, the 1968 Rolex Daytona now commands over $300,000, while actor Paul Newman's Rolex Daytona fetched an astonishing $17.75 million at an auction in 2017. So, while the returns can be impressive, it's often a matter of waiting for the right moment.

All this shows that while brand and rarity can work their magic, investing in luxury watches is definitely a marathon, not a sprint.

So, let's zoom out and look at how they've performed over a decade. According to the Knight Frank Luxury Investment Index, luxury watches have appreciated by 138% over the past ten years (as of Q4 2023). However, in 2023, the rise was only about 5%. So, while the long-term trend is solid, short-term returns can be modest. Plus, don't forget about hidden costs like insurance, storage and maintenance, which can eat into your returns.

Sure, there are some standout performers, like the Rolex Pepsi GMT-Master, which saw a nearly 6% price increase in the pre-owned market last year. But not all watches are so lucky. Many don't perform as well in the resale market.
At the end of the day, buying a luxury watch might be less about the investment and more about the experience. You get to wear, showcase and enjoy it while waiting for the right moment to sell. And when the demand spikes, you might just make a sweet profit.

And don't forget that luxury watches also offer a way to diversify your investments. They're not as affected by wild swings like the stock markets and can provide a stable alternative compared to traditional assets.
So, there you have it — the scoop on the Indian luxury watch market. It's a thriving space packed with opportunities, whether you're into style or investing. And it's definitely a market worth watching.

By Dhriti R

Update for the day #2250 | A $6 million banana?!

The Story

The Mona Lisa is worth close to a billion dollars. But who decides the value of art, anyway? Is it the artist's fame? The rarity of the work? The materials used? Or maybe it's the story behind it — like a piece once owned by a celebrity could make it irresistible to collectors willing to splurge millions. But none of this logic applies to 'Comedian', or as you probably know it, the 'duct-taped banana'.*1* This cheeky creation by Italian artist Maurizio Cattelan isn't exactly what you'd call classic art. It's literally a banana stuck to a wall with silver duct tape. And yet, it just sold for a staggering $6.2 million at Sotheby's auction house. Yup, you read that right.

Think about it. The banana itself probably cost 35 cents at a fruit stall outside Sotheby's on the day of the auction. If you do the math, its value shot up by an absurd 18 million percent! So, how on earth did this happen, you ask?

Well, if you look at it from the lens of Justin Sun, the buyer of the $6 million "duct-taped banana" and founder of the cryptocurrency Tron, this wasn't just art. It was an idea. For him the banana apparently represented the connection between art, meme culture and the crypto community. It's what's called conceptual art, meant to challenge how we think about value.

The banana might show how value isn't fixed but shaped by culture. And since memes highlight the absurdities of modern life, linking them with art makes it relatable to younger, tech-savvy folks. For the crypto crowd, it's a way to show how something unusual and intangible, like Bitcoin or even Tron, can hold incredible value. Sounds bizarre? Sure. But here's the thing. Sun didn't just buy a banana, he bought attention. Tron's popularity skyrocketed after the purchase, with its value jumping 10% and hitting an all-time high since its 2018 debut.*2* Its market capitalization (total value of Tron coins in the market) reached a staggering $18 billion.*3* That's over $1 billion added in just a couple of days!

But hey, that's just how it looks from the outside. What no one's talking about is how artworks can double or even triple in value, fetching millions or even billions through the murky world of art laundering.

The truth is, the skyrocketing prices of artwork often have little to do with subjective value, abstract concepts or prestige. Instead, the art market provides a convenient loophole for wealthy individuals to launder money or hide the origins of illicit funds. And it works like a charm. For starters, there's no universal method to price art. It's all subjective, which means you can buy or sell art at any price you like. This lack of standardization creates the perfect cover for moving questionable money around.

And here's where things get even shadier. Imagine a money launderer uses $10 million in black money to buy a painting — anonymously, of course. They don't need to hang it in their living room to make it legit. Instead, they can send it to a 'freeport'.*5* For the uninitiated, these are storage facilities near airports for goods in transit or items shipped by a seller but not yet received by the buyer.
But in the art world, they've become loopholes. Since these spaces don't fall under any specific country's jurisdiction, they're essentially tax-free zones. So the money launderer parks the painting there and waits. Eventually, another buyer — real or not — purchases the piece for an inflated price. Ownership changes hands, but the artwork doesn't move an inch.

Suddenly, that $10 million has turned into 'clean' money, and no one's asking questions. This game can repeat endlessly, with the price of the art skyrocketing each time.

And that, folks, is how art magically gains its so-called 'subjective' value.
That's exactly why countries are scrambling to put anti-money laundering laws in place, keeping a close eye on suspicious activity in the art world.

More recently, the US introduced the Anti-Money Laundering Act of 2020 (AMLA 2020), which forces antiquities businesses to identify the true owners of art, maintain transaction records and regularly audit their compliance. The European Union's 2020 Anti-Money Laundering (AML) Directives also require art dealers to perform due diligence on customers and report any transactions over €10,000. If they're trading or storing artwork valued at over that amount, they need to follow strict rules.

So yeah, hopefully, with laws like these, the days of money laundering in the art world will be numbered.
But that being said, we know what you're thinking. Could this duct-taped banana be part of some clever, shady deal, too?

Well, we can't tell for sure, especially considering that Cattelan made three editions of Comedian.
Sidebar: Conceptual art is all about ideas, not just physical pieces. So in Comedian's case, what the artist sells isn't a duct taped banana, but a certificate of authenticity and a set of instructions for the owner on how to maintain or even recreate the artwork — like how to tape the banana, where to place it, how high off the ground it should hang, and, of course, how often to the banana must be replaced, since, you know, it's a real fruit that'll eventually rot.
And here's where it gets interesting. If you look closely enough, the version that Justin Sun bought for $6 million had quite the ownership journey.*8* It was originally sold in 2019 by New York's Galerie Perrotin to an anonymous buyer, then passed on to White Cube gallery, and eventually made its way to Sun via Sotheby's, who gets a commission for making the sale happen.

Now, we're not saying that this version of Comedian is caught up in some art money-laundering scheme.
But let's be honest. When ownership trails involve an element of mystery, they have a knack for driving up prices, no matter how bizarre or downright wacky the artwork might be.

By Shashank N K

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