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Foreword

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

In today's fast-paced world, staying informed about global events is essential. Whether it's local updates or international developments, understanding these changes is key, as they can have a direct or indirect effect on our lives. We're grateful for the positive feedback from our readers, which highlights the value they find in our content. Each milestone we achieve marks progress on our journey of continuous learning. Every learning moment brightens our path and deepens our knowledge. We remain dedicated to offering valuable insights and analysis, and your ongoing support motivates us to pursue excellence. Together, let's continue exploring the endless possibilities of knowledge.

At SURESH & CO., we cultivate a culture of personal and professional growth. We believe in the power of collective intelligence and encourage our team members to question conventional wisdom, refine their thought processes, and expand their viewpoints.
This edition highlights the early insights of our young minds. While these updates offer inspiring ideas, please note that they are preliminary and may not have been fully reviewed by experts. We invite readers to explore these topics more deeply and form their own informed opinions.
Thank you for joining us on this journey. Let "EMERGING THOUGHTS" inspire you to help shape the future of knowledge and innovation.

"Time is what we want most but what we use worst." — William Penn

As we begin a new month, let's focus on making each moment meaningful. Whether it's through small gestures of kindness, setting fresh goals, or dedicating time for self-reflection, every minute offers an opportunity to make a positive impact. Let's embrace these chances and channel positive energy into everything we do.

Update for the day #2251 | An explainer on SIFs

Let's say you've saved up ₹10 lakhs and want to invest it wisely. Mutual funds seem too simple. Portfolio Management Services (PMS) need ₹50 lakhs to get started. And Alternate Investment Funds (AIFs), which often invest in assets like derivatives, feel too risky.
So, circling around this indecision, you end up keeping your cash in the bank, and it doesn't give you the return you'd hoped for.
Enter Specialized Investment Funds (SIF)s, a new investment option from SEBI, offering advanced strategies for folks who want more than mutual funds but don't have the hefty amounts PMS require.
Simply put, SIFs are more like a product class than an asset class. With a ₹10 lakh minimum investment, they give you access to advanced strategies without needing ultra-high-net-worth status.

Here's how they'll work.
Imagine a mutual fund launching a focused strategy — like profiting from the renewable energy boom. A fund manager crafts the plan, and once ready, it's offered to investors willing to put in ₹10 lakhs or more. The pooled money is then managed to aim for better returns with a more focused and risk-managed approach.

This brings us to two questions – why the ₹10 lakhs figure and what's different in this apart from what mutual funds already do?
Well, before SIFs, if you wanted to invest those ₹10 lakhs, you barely had any luck. One option was to put it in mutual funds through a lump sum investment or a systematic investment plan (SIP). But you were mostly left at the mercy of normal investing where funds would just be invested based on stock classifications. There wasn't a strategy as such. And while that meant less risk, it also meant lesser returns.

Say your friend – who had access to bigger capital about ₹50 lakhs – would happily give it to a professional handling PMS and they would be earning higher returns just because the PMS would invest in high-risk, high-reward assets.

So, SIFs offer the option to deploy higher capital, with expert strategies and various asset classes. And unlike PMS, SIFs can only be launched by mutual funds, not independent advisors or firms. This setup helps keep costs low because expenses are shared among all investors in the fund. This is unlike PMS where each investor is charged separately based on their profits and capital as well as the assets the investment advisor has invested in. And it also makes it easier to regulate, bring in transparency, and keep an eye on in terms of how the fund is collectively doing.
And the appeal doesn't end there. SEBI's strict diversification rules ensure that your money is spread across different assets to manage risks. Because SIFs can invest not only in stocks but also in debt securities, REITs (Real Estate Investment Trusts) and InvITs (Infrastructure Investment Trusts).

And since these assets could be riskier than stocks at times, SEBI has some guidelines about how funds can go about investing in them. For instance, if your fund is investing in debt securities, it should not expose the investment to over 20% of the funds overall capital. For equities,

investments in a single company's stock are capped at 10% of total assets. And exposure to REITs and InvITs is limited to 20% of the portfolio, with no more than 10% allocated to any single issuer of these instruments.

In simpler terms, SEBI wants to ensure that your money isn't overly exposed to one sector or company, and therefore it's spreading risk for a more balanced approach.
Then comes the flexibility bit. The guidelines allow SIFs to be structured as open-ended, closed-ended or interval-based funds. What's that you ask?
Well, open-ended funds permit continuous inflows and redemptions, providing liquidity. Closed-ended funds lock in investments for a specified duration, enabling fund managers to execute long-term strategies. While interval funds offer a mix, with liquidity windows at predefined intervals. These structures ensure that fund managers can align their operations with the fund's strategic objectives.

And lastly, we have the expense ratio. When it comes to costs, SIFs use a transparent expense ratio system, similar to mutual funds. The fees could start at 2.25% annually for funds with assets under ₹500 crores and decrease as the fund size grows. For larger funds, this means cost-efficiency, similar to volume discounts in retail shopping.
This setup is much fairer compared to PMS, where costs are tied to individual profits and portfolios rather than a fixed expense ratio as above.

But why do SIFs even matter, you ask?
Well, they represent a maturing market. Globally, similar products offer advanced strategies without needing to dive into hedge funds. SEBI's move to introduce SIFs brings India closer to global standards, making these tools more accessible.
They also bring up an asset class for those who were dabbling in derivatives for higher returns but didn't fully understand it. While SIFs are not yet investing in derivatives, they do offer the option for higher returns for the ones who want it with advanced investment strategies and that's a step forward.

In fact, if everything goes smoothly, maybe SEBI could even allow SIFs to invest in derivatives. And this would be a gamechanger of sorts. Because you see, today while PMS or Alternative Investment Funds (AIFs) invest big sums of investor money in derivative instruments, investors are unaware about where their money is invested, unless they specifically ask. And that's a concern. SIFs bring this transparency, because like mutual funds, they are required to disclose where your money is being invested periodically.
But SIFs aren't perfect.
They rely heavily on skilled fund managers, meaning a wrong move could lead to significant losses. Add to that the high operational costs of advanced strategies, which can chip away at returns, especially in volatile markets. And while the ₹10-lakh minimum is lower than PMS requirements, it's still out of reach for most retail investors.
But despite these hurdles, SIFs hold immense potential. They could bridge the gap between traditional asset management firms and fintech platforms, offering personalised strategies at the click of a button. SEBI might even introduce similar options tailored for smaller investors in the future.

In short, SIFs are more than just another investment product. They're a fresh take on wealth creation. But, as always, it boils down to weighing the risks and benefits. Sure, looking at how similar funds have performed globally can offer clues, though past performance is no guarantee. What really matters is understanding the potential rewards and deciding if SIFs align with your investment strategy.

By Amogh V N

Update for the day #2252|Carvana vs Hindenburg simplified

The Story

Hindenburg Research is back with another scathing report. This time, it's Carvana, the American e-commerce darling for used cars, in the crosshairs. While it hasn't caused an uproar like the Adani saga in India, this takedown is equally juicy.

So, let's take it from the top.

First, a brief overview of Carvana.

Carvana burst onto the scene in 2012, revolutionizing how people buy and sell used cars. No haggling with salespeople, no visits to the dealership—just a few clicks online, and boom, you can seal the deal. And it's not some random, fragmented operation. It runs at scale, covering over 81% of the US population—or, as Forbes calls it, "the Amazon of cars."

By 2017, Carvana went public on the NYSE, riding high on its promise to shake up the auto world. But its real moment came during the pandemic. With supply chain hiccups stalling new car production, Americans swarmed the used car market. And Carvana thrived. Not just by selling cars but financing them too, fueled by ultra-low interest rates. By early 2021, its stock price struck gold, hitting a jaw-dropping $370 – over 20x leap from its IPO days!

But every boom often has its busts. And just like that, the good times for the company came to a screeching halt.

By late 2021, the pandemic's effects began to fade. People returned to normal lives, supply chains slowly resumed their normal operations, and the demand for used cars gradually cooled off.

Carvana, however, had overplayed its hand by then. During the boom, it made bold moves like buying ADESA, a physical car auction business, for $2.2 billion. The idea was to integrate it vertically, but this was a costly misstep. In addition, it bought thousands of vehicles from auctions and consumers at hefty premiums.

And what came next? Well, debt piled up, including the debt-funded ADESA acquisition deal, and Carvana's stock became the most shorted in the country.

Then came the hike in interest rates, making car financing much more expensive for buyers. Add to this Carvana's operational inefficiencies, and the wheels started to come off.

By 2022, the stock had collapsed to just $5, and bankruptcy seemed inevitable. But Carvana wasn't ready to throw in the towel just yet.

So, in 2023, it launched a rather aggressive turnaround plan. First, it slashed costs through layoffs, scaled back its cash-gobbling marketing, renegotiated debt with creditors, and shifted its focus to profitability instead of chasing volumes. By early 2024, it posted its first profit in two years, and its stock clawed back to $55. It wasn't back to its glory days, but it was no longer on the brink.

Fast forward to a few days ago, Carvana's shares skyrocketed to $268. It seemed like the company had turned the corner.

Enter Hindenburg, the research company that released a report on the company last week, alleging that Carvana's interior might not be as polished as its current exterior. It claims Carvana is more of a house of cards, built on questionable accounting practices, risky loans, and some eyebrow-raising insider dealings.

So, let's break down these allegations in simpler terms. First up, Carvana's financial statements and accounting practices.

You see, listed companies need to report their finances honestly. It's how investors and regulators gauge their health. But Hindenburg accuses Carvana of bending accounting rules to look healthier than it is, delaying losses, and playing around with income. For instance, it claims the company delays recording losses and shifts income to different reporting periods. It's like ignoring mounting bills at home and pretending everything's fine—until it's not. It might make your finances look great for now, but eventually, they catch up with you. And that's exactly what Hindenburg says Carvana is doing on a corporate scale.

Then there's the loan business. As you already know, Carvana doesn't just sell used cars but also helps customers finance them through loans. But as per Hindenburg, these loans often come with flimsy underwriting standards. This means that many of these car buyers might not have the means to repay their loans. The report says that nearly half of these loans are 'underwater', which simply means that the car's value is lower than the loan balance. Carvana then bundles these risky loans and sells them to investors as securities. This all looks like a profitable move on paper, whereas in reality, it's far from being legit.

Now, let's talk about family ties. Carvana's CEO's father owns another car rental company called Drive Time. And Hindenburg points out that Carvana has been selling cars and loans to Drive Time. But it's unclear whether these transactions are done at fair market value or if they're just a way to shuffle money between family businesses to simply patch up Carvana's books. And speaking of millions, insiders, including the CEO's father, have reportedly sold over $4 billion worth of Carvana shares, often cashing out when the stock temporarily spiked. So, what does all of this tell us?

See, Carvana experienced two massive growth phases, during which its stock prices were through the roof. During both times, the company had a golden chance to fix its finances by raising big money. What did it do instead?

During the first big rally, the leadership only raised a small amount of money for Carvana. Meanwhile, the CEO's father sold a staggering $3.6 billion worth of his own stock. And as Carvana's numbers started to sink, they reportedly fiddled with their accounting, making the numbers look even worse than they already were. Just so they could renegotiate their debts. They pushed off paying cash interest and even cut down the amount they owed, leaving lenders to absorb the hit. Clever, eh?

So yeah, instead of raising significant capital to steady the ship, they left investors holding the bag.

Then came another rally. You'd think this time; they would raise some significant capital and stabilize the business. But once again, they raised just enough money to scrape by. And guess what? The CEO's father cashed out again, pocketing another $1.4 billion, leaving all the burden on the investors.

In all, Hindenburg's report paints Carvana as a house of cards, prioritizing insider profits over stability. The promoters, as per the report, pocketed billions while creditors and investors were left in the dust.

So that was the long and short of it.

It’s a story of ambition, greed, and a high-stakes gamble gone wrong. Carvana might have been the Amazon of cars, but if Hindenburg is right, it’s now a cautionary tale.

By Nisarga S Kundapur

Update for the day #2253|Gold or Gold ETF: What should you buy on Dhanteras? Returns of 1, 3 and 5 years compared!

Physical gold typically incurs higher initial costs due to manufacturing and storage expenses. On the other hand, the acquisition and owning costs of gold ETFs are less expensive. The one cost associates with gold ETFs is brokerage fee, to be paid on buying and selling.

Physical gold or gold ETF? Which is better in terms of return on investments? Before comparing the returns given by both these investment instruments, it's important to understand their fundamental differences.

Physical gold refers to gold that is purchased in the form of coins, bars or jewelry. Physical gold is owned directly by an individual or organisation. In contrast, gold ETFs (Exchange-Traded Funds) are an investment option that allows investors to buy shares representing a portfolio of gold or gold-related assets, which are traded on the stock market.

Liquidity is another distinguishing factor. Physical gold may take longer to sell and convert into cash, gold ETFs can be quickly bought or sold on the stock market.

Gold or Gold ETF? Which is better?

"Investors favor investing in gold ETFs due to liquidity, transparency, cost-effectiveness, and ease of trading compared to physical gold. The heightened activity in these funds is also driven by the prospects of an interest rate cut by the US Federal Reserve in the coming months," Ashwini Kumar, Senior Vice President and Head Market Data, ICRA Analytics, says.

Expressing similar views, Ramkumar S, Partner, Grant Thornton Bharat, says, "Gold has become a safe investment option owing to inflationary pressure and increasing geopolitical pressure, however manufacturing, storage, insurance expense results in a higher initial cost and the biggest problem is its less liquid and may not give you the same return as other asset class."

"Gold ETF nullifies this as its less expensive with some brokerage costs for each transaction. Also its easy to liquidate the same through the exchange and there is quick price discovery unlike physical gold. The value of Gold ETF comes from this," adds Ramkumar S.

Gold ETF price is determined by supply and demand and the returns will fluctuate basis the forces of demand and supply and the prices will always be lower than physical gold, however, gold ETF to be more liquid and that it not having any storage cost will find more investors opting for it rather than physical gold, he emphasizes.

Gold Vs Gold ETF – Which has given better returns in 1, 3 and 5 years?

Gold:

The price of gold has seen a significant increase over the past year, rising from Rs 61,690 on October 21, 2023, to Rs 80,420 on October 21, 2024. This represents a remarkable jump of Rs 18,730, equating to a percentage increase of approximately 30.3%.

The price of gold on October 21, 2021, was Rs 47,570. As of October 21, 2024, the price has risen to Rs 80,420. This marks an increase of Rs 32,850 over three years, resulting in a return of approximately 68.9%.

The price of gold on October 21, 2019, was Rs 38,500, and it has risen to Rs 80,420 by October 21, 2024. This reflects an increase of Rs 41,920 over the five-year period, yielding a return of approximately 108.9%.

Gold ETFs

There are as many as 17 Gold ETF schemes in the market and the average one-year returns was in the range of 29.12% while 3-year and 5-year returns were 16.93% and 13.59%, respectively. LIC MF Gold ETF gave the maximum returns on a 1-year, 3-year and 5-year basis at 29.97%, 17.47% and 13.87%, respectively.

This is marginally lower in contrast to an average return of 30.13%, 18.03% and 14.88% over a 1-year, 3-year and 5-year period on physical gold.

In conclusion, when comparing the absolute returns of physical gold and gold ETFs, physical gold has outperformed in the long term. While Gold ETFs have shown impressive returns of 29.12% over one year and approximately 59.35% and 84.24% over three and five years, respectively, the absolute increase in physical gold prices highlights its robustness as an investment. Over the past year, physical gold rose significantly, reflecting a 30.3% increase, and over three and five years, it demonstrated remarkable returns of 68.9% and 108.9%, respectively.

By Harshitha Jain B

Update for the day #2254|Will Trump take Bitcoin to the moon?

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.

2. 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.

3. 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.4 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).

5. 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.

6. 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.

This is HUGE!

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."

So yeah, the US would see these reserves as a "digital-age hedge against economic uncertainty", much like the gold stockpile.

And remember, this is something no other country has attempted, and if it happens, it could cement the US as the global leader in crypto assets or maybe even spark interest from other countries.

Even without the Trump factor, macroeconomic trends are also giving Bitcoin a boost. The US national debt is at record levels and is expected to grow even further. 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.

Sidebar: The last Bitcoin is expected to be mined around 2140, but as rewards keep halving, they'll eventually become so small that some of the 21 million Bitcoin might never be fully mined.

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 Somashekar L M

Update for the day #2255| Centre to Launch PLI Scheme for Power Transmission Sector by FY25-End

Amid a global shortage of transmission equipment and soaring prices, the Indian government is set to roll out a production-linked incentive (PLI) scheme for the power transmission sector by the end of this financial year, according to senior officials from the Ministry of Power (MoP). This initiative aims to boost local manufacturing of key transmission equipment, ensuring faster deployment of critical infrastructure in line with India's renewable energy targets.

Bridging the Supply-Demand Gap

India is heavily reliant on imports for power transmission equipment like transformers, circuit breakers, and switchgears. In 2023 alone, the country imported $338 million worth of such articles, with $124 million sourced from China, as per World Bank data. With rising global demand, supply chain constraints have driven up equipment costs, posing challenges to India's renewable energy ambitions.

"Prime Minister Narendra Modi directed the MoP on November 1 to localize the manufacturing of transmission equipment under a PLI scheme. The government plans to implement this scheme before March 2024," a senior power ministry official said on condition of anonymity.

The scheme, which follows a detailed exploration of localization strategies, aims to create a robust domestic manufacturing ecosystem, reducing dependence on imports and mitigating the impact of volatile global supply chains.

Renewable Energy Surge Exposes Bottlenecks

As renewable energy adoption accelerates globally, the power transmission sector is under increasing pressure. According to the International Energy Agency (IEA), over 1,650 gigawatts (GW) of renewable energy capacity worldwide is awaiting integration into transmission systems. This disparity has also surfaced in India, where developers have criticized the lack of synchronized approvals for green energy projects and transmission network commissioning.

India's National Electricity Plan (Transmission), launched in October, outlines the addition of over 1,91,000 circuit kilometers (ckm) of transmission lines and 1,270 GVA of transformation capacity between 2022-23 and 2031-32. This ambitious plan also includes 33 GW of high-voltage direct current (HVDC) bi-pole links, with a focus on boosting inter-regional capacity from 119 GW to 143 GW by 2027 and 168 GW by 2032.

PLI Scheme to Drive Investment and Infrastructure Growth

The Indian transmission sector will require an investment of over ₹9.15 trillion by 2032 to meet these targets, including cross-border connections with neighboring countries like Nepal, Bhutan, Myanmar, and Bangladesh, and potential interconnections with the UAE and Saudi Arabia.

"The urgency to resolve supply chain bottlenecks has grown as renewable energy installations in India are outpacing transmission network commissioning. A PLI scheme has now become essential," said a second ministry official.

Towards a Greener Future

The initiative aligns with India's commitment to achieving 50% of its installed power capacity from non-fossil fuel sources by 2030. With the PLI scheme, the government hopes to expedite the localization of transmission equipment manufacturing, reduce import dependency, and facilitate the timely execution of transmission projects critical to integrating renewable energy into the grid.

As the renewable energy sector expands rapidly, this policy move marks a significant step in ensuring India's energy transition remains on track

By Varsha G Bhatt

Update for the day #2256| Sick man of Europe again? What ails the once-booming German economy

Until about three years ago, Germany appeared to be the epitome of economic and political success. What went wrong? Let's zoom in on the commercial front.

Nothing better encapsulates the negativity gripping Germany than what's happening at Volkswagen, the biggest employer in Europe's largest economy. What Germany is facing is nothing but the spillover effect of the crisis at Volkswagen. Let's now delve into what the German giant Volkswagen is facing.

A whopping €230 billion ($240 billion)!

That's the staggering debt sitting on Volkswagen's (VW) books. That makes it one of the most indebted listed companies in the world. But if you think that's the only trouble brewing for the German auto giant, buckle up.

Its profits have hit a speed bump too — down 20% in the first nine months of 2024 compared to last year. Now, VW is weighing a drastic move — shutting down three factories in its home turf, Germany. If that happens, tens of thousands of jobs could vanish, a gut punch for a country where VW is the largest employer. That signals a troubling time for the world's second-largest automaker.

So, what's driving this crisis, you ask? To understand that, we'll have to go back in time and see where it all began. In 1937, Germany's government, led by Adolf Hitler, founded Volkswagen, or "The People's Car Company". The idea was to build an affordable, fast car priced under 1,000 Reichsmarks, the currency back then. Ferdin and Porsche, the engineer behind the design, came up with the Kdf - Wagen, which we now know as the Beetle. World War II put a halt to production, but VW found its footing again post-war. In 1959, a genius ad campaign turned the Beetle's compactness into its charm. Suddenly, it became America's favourite foreign car. Then came a big shift. The German government sold off 60% of its VW stock to the public, privatizing the company. And not long after, VW hit a historic milestone. The Beetle broke a major record, surpassing Ford's legendary Model T, which had held the worldwide production record of 15 million vehicles since the early 1900s. From there, VW was unstoppable. By the 1990s, it was on a buying spree, snapping up lavish brands like Skoda, Bentley, Lamborghini, Ducati and Scania trucks. Its market share in Europe surged from 12% in 1980 to 25% by 2020. At one point, it even overtook Toyota to become the world's top carmaker. It was riding high, with an audacious or as some people would call arrogant slogan — "Das Auto" (The Car).

But 2015 changed everything. That year, the US Environmental Protection Agency (EPA) uncovered a shocking scandal , VW wasn't playing fair. It had been rigging its cars to cheat emissions tests, letting vehicles spew out 40 times the legal limit of nitrogen oxide for over a decade! If you're wondering how it got away with that for so long, well, it had a little trick up its sleeve — a "defeat device". This was a sneaky software designed to outsmart emissions tests.It would monitor details like speed, engine activity, air pressure and even the steering wheel position to detect when the car was in a controlled testing environment. And that would switch the car into a special "clean mode". In this mode, the engine would emit far less pollution than it actually did on the road. As soon as the test was over, the car went back to its regular polluting ways. That's how VW's so-called "clean diesel" vehicles managed to become a hit, capturing nearly a quarter of their US sales, until the truth came out.

The pandemic hit global economies hard, but Germany's woes were particularly worse. Its economy slowed to a crawl and never quite recovered. For context, Germany's GDP barely grew 1% above its pre-pandemic level, lagging far behind the 5% growth in the rest of the Eurozone and more than 10% in the US. Things only got worse with the Russia-Ukraine war. Russia's invasion led to skyrocketing energy costs, especially after it cut off gas supplies to most of Europe. With respect to Germany, heavily dependent on Russian energy, was left scrambling. Industries that guzzle energy — chemicals, metalworks and yes, even automakers like VW, felt the heat. Rising input costs squeezed VW's margins further.

If that wasn't enough, the EU (European Union) added a new challenge. In 2023, it announced plans to ban petrol and diesel cars from 2035. This meant that VW had to pivot hard towards electric vehicles (EVs), moving away from the combustion engines that had long been its claim to fame. Shifting to EVs wasn't smooth sailing either. VW was late to the EV party, and the timing couldn't have been worse.

Germany had ended its EV subsidies after spending €10 billion to support 2 million electric vehicles since 2016, declaring the subsidy program a success. Without these incentives, Germans had little reason to switch to pricey EVs, especially VW's, which came with higher price tags. To top it off, VW faced another hurdle — a shrinking pool of skilled workers. An ageing population made it harder to find the young talent it needed to keep production running smoothly.

It was a perfect storm of challenges.

What was left then? Exports? Take for instance Germany's trade with China. Back in the 2010s, the trade between the two countries was a win-win. Germany sold cars, chemicals and machinery to China, while China in turn supplied consumer goods and things like batteries and electronics. But now, China produces most of those locally, at much lower costs. So, VW cars aren't as competitive in China anymore. Even in the US, VW struggled to understand the market. The cars it made were either too small, too expensive or both. By the time VW caught on to what Americans wanted, Japan and Korea's automakers had already learned from VW's mistakes and grabbed the market share.

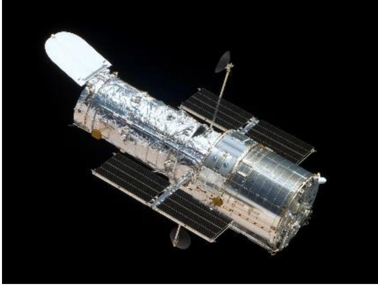
All in all , with home and international sales dropping, VW expects to deliver just 9 million cars globally this year, down from 9.24 million in 2023. Maybe it sees cutting costs as the only way out, but here's the thing - Even if it goes down that road, it's going to affect the entire automotive industry. After all, the automotive sector is Germany's biggest, contributing 5% to GDP and employing nearly 8 lakh people — close to 40% of them at VW.

Can cutting costs help VW drive out of its slump, even if it means dragging down its own country's economy?

Only time will tell.

By Ananya Sudarshan

Update for the day #2257| The Hubble Space Telescope: A Revolution in Astronomy



Launched in 1990, the Hubble Space Telescope has fundamentally transformed our understanding of the universe. Positioned above Earth's atmosphere, it has provided astronomers with an unprecedented view of the cosmos, free from the distortions of the Earth's atmosphere.

Key Contributions of the Hubble Space Telescope:

Sharper Images:
Hubble's advanced optics and regular servicing missions have enabled it to capture incredibly detailed images of celestial objects, revealing intricate structures and phenomena that were previously invisible.

Discovery of Dark Energy:
By observing distant supernovae, Hubble provided crucial evidence for the existence of dark energy, a mysterious force accelerating the expansion of the universe. This discovery has profound implications for our understanding of the universe's ultimate fate.

Precise Measurements of the Universe's Age and Expansion Rate:
Hubble's observations of distant galaxies have allowed astronomers to refine their estimates of the universe's age and expansion rate with unprecedented accuracy.
Identification and Characterization of Exoplanets:
Hubble has played a pivotal role in the discovery and characterization of exoplanets, planets orbiting stars other than our Sun. By analyzing the light from distant stars, Hubble has helped scientists identify the presence of exoplanets and study their atmospheres.

Study of Nebulae and Star Formation:
Hubble has provided detailed images of nebulae, where stars are born and die, offering insights into the life cycle of stars and the formation of planetary systems.
Mapping the Distribution of Dark Matter:
By studying the distribution of galaxies, Hubble has helped astronomers map the distribution of dark matter, a mysterious substance that makes up most of the matter in the universe.

Legacy of Hubble:
The Hubble Space Telescope has revolutionized our understanding of the universe. Its observations have led to groundbreaking discoveries, challenged long-held theories, and inspired future generations of astronomers. As a testament to its enduring legacy, the James Webb Space Telescope, Hubble's successor, has been launched, promising to push the boundaries of astronomical exploration even further.

The Hubble Space Telescope stands as a symbol of human ingenuity and our relentless pursuit of knowledge. Its contributions to astronomy will continue to shape our understanding of the cosmos for generations to come.

By KK Krupa

Update for the day #2258| 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.

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.

By Neethu R

Update for the day #2259| When Food Costs Bite: The Hidden Struggles Behind Household Budgets in India

India, a nation where food forms the heart of culture and sustenance, is currently grappling with rising food prices that are reshaping the way households manage their budgets. From staples like rice and wheat to vegetables, cooking oil, and dairy, the increasing costs of essential items are forcing families to rethink spending priorities and adapt to new economic realities.

Food constitutes a substantial share of Indian household expenditures. Studies reveal that for low-income families, food accounts for over 50% of monthly spending. Rising prices of essentials such as vegetables, pulses, rice, and cooking oil have squeezed disposable incomes, leaving less room for savings or discretionary spending. The inflation rate for food products has outpaced general inflation. According to the Consumer Price Index (CPI), food inflation was recorded at over 10% in some months of 2024, with staples like rice and onions experiencing price hikes of over 30%

The Drivers Behind Rising Food Prices
Several factors are contributing to food inflation in India. Unfavorable weather patterns, such as erratic monsoons and prolonged droughts, have disrupted agricultural production, leading to supply shortages. Additionally, the rising costs of fertilizers and fuel have increased the input costs for farmers, which trickle down to consumers. Global disruptions, including supply chain issues and geopolitical tensions, have further escalated prices, especially for imported goods like pulses and edible oil.

Impact on Household Budgets
For many Indian households, food constitutes a significant portion of monthly expenses. With prices of essentials soaring, families are cutting back on discretionary spending, such as eating out, entertainment, or travel. Lower-income groups, in particular, are feeling the pinch, often having to compromise on nutritional diversity by opting for cheaper, less healthy options. Meanwhile, savings are shrinking as more income is directed toward maintaining basic consumption needs.

Adapting to the Crisis
Households are adopting various strategies to cope with the rising costs. Some are switching to local produce to avoid higher costs associated with transportation and imports. Others are reducing food wastage and planning meals more efficiently. Community initiatives, like cooperative farming and local markets, are also gaining popularity, providing consumers with more affordable options.

Rising food prices in India are not just an economic issue but a social one, reshaping household priorities and challenging food security. Collaborative efforts from policymakers, the agricultural

sector, and communities will be essential to mitigate the impact and ensure that food remains affordable for all.
"The real cost of inflation isn't in numbers—it's in the meals many people skip."

By Ektha M

Update for the day #2260|India wants more ships and it's got a plan!

The Story

If you're not a ship owner, the shipping industry might feel a little distant. But here's why you should care. India ranks 18th globally for shipping capacity, yet we're heavily dependent on foreign companies for shipbuilding, shipping insurance and transportation.

1.Think about it. 95% of India's trade by volume and 70% by value moves by sea.
2. But India controls just a measly 0.07% of the global shipbuilding market.3 Meanwhile, China, South Korea and Japan dominate with over 90% of it. And this dependence doesn't come cheap. For context, India paid $75 billion (over ₹6 lakh crores) to foreign shipping companies for sea freight in FY23 alone. That's a huge outflow of money!
Then there's another issue. Globally, our share in ship ownership is a tiny 1.2%, and less than 1% of ships operate under an Indian registration. Compare that to Greece, China and Japan, which together own nearly 40% of the world's carrying capacity, and you can see how far we're lagging.

And that's exactly what the government wants to change.
It knows that India's shipbuilding industry struggles because financers are hesitant to fund it. A ship usually lasts about 25-30 years, and returns on investment take ages to show up. This makes it tough for shipbuilders to get the capital they need.

On top of that, ships aren't classified as infrastructure, which means that long-term financing options from domestic or foreign sources are hard to come by.
But the government sees a huge opportunity here. If Indian shipyards can meet future shipping demands, it could unlock a ₹20 lakh crore market by 2047.4 So, it's charting a course to boost the industry and put Indian companies in the driver's seat.

The big focus? Building more ships right here at home.
The goal is ambitious — move India from its current 20th spot in shipbuilding and repairs to the top 10 by 2030 and crack the top 5 by 2047.4 It's all part of Maritime India Vision 2030 and Amrit Kaal Vision 2047.

So, how does the government plan to pull this off, you ask?

First up, it's trying to fix the money problem. It plans to set up a ₹30,000 crore Maritime Development Fund (MDF) to kick things off.5 The idea is simple. Create a fund with a chunk of finance from the government and the rest from private investors and public sector companies to make financing easier and cheaper, hopefully attracting more players. Plus, it's putting up a credit note scheme that will offer shipowners incentives to scrap their old ships and build new ones in domestic shipyards.

Second, ports. Last year, the government announced an investment of up to ₹1.25 lakh crores to upgrade India's ports.6 The plan was to cut wait times, boost cargo handling and improve connectivity. Because better ports mean better support for shipyards and by improving them, the government hopes to make shipbuilding smoother and more efficient.

Third, partnerships. India wants to work with the best in the game — South Korea and Japan.7 Each of these countries brings something unique — cutting-edge shipyards, high-quality builds and expertise in green shipping tech. Collaborating with them, by building shipbuilding clusters, and seeking investments brings in new technologies and best practices.

All these efforts could help Indian shipyards build more ships locally, grow our fleet and compete

globally, all while keeping money within the country and boosting the economy. It also means better security since reducing our dependence on foreign shipowners makes us less vulnerable if the global supply chain hits a snag.

And companies are already taking notice.

The Indian Navy is working on building new submarines and using more environmentally friendly practices. India's major shipbuilders like Mazagon Dock Shipbuilders Limited (MDL) and Cochin Shipyard Limited (CSL) are already setting a good foundation for the maritime industry. The Adani Group has also announced a big shipbuilding project at Mundra Port in Gujarat, with plans to invest ₹45,000 crores. This project, which started in 2024, aims to make India a major player in shipbuilding. And since global shipyards are fully booked until 2028, Adani wants to take advantage of the growing demand for eco-friendly ships, aiming for a $62 billion (₹5.2 lakh crores) market by 2047.

So yeah, India's shipbuilding ambitions are huge. But can we actually get there?

Well, that's the hard part because while the government has tackled the industry's biggest hurdle — access to capital — there's still a big wave to navigate. And that is, how will shipbuilders make the most of this funding?

See, building ships is no easy feat. It demands a ton of working capital or to put things in perspective, about 20–25% of a ship's construction cost.8 Sure, the government's funding plans help with this, but scaling up still could feel risky without production-linked incentives (PLIs) like the ones that boosted electronics manufacturing.

And here's the catch. The shipping industry was hoping for a PLI scheme for shipbuilding components and sea vessels in this year's Budget, but there hasn't been much chatter about it since the FY25 Budget rolled out. Without that, closing the viability gap to make shipbuilding a thriving industry seems harder than ever.

And that simply tells us that India still has a long way to go. Shipbuilding needs to be recognised as essential infrastructure to make financing easier. But that's not enough. We need to close the gaps and tie up all the loose ends if we want to break into the top 10 by the end of this decade. And for that, we need to act fast.

For now, all we can do is keep our fingers crossed and hope that India's shipbuilding dream stays on course.

By Lakshi Rajesh Solanki

Update for the day #2261 | Swiggy Reports Narrowed Loss in Q2

Swiggy, one of India's leading food and grocery delivery platforms, has reported a narrowed consolidated loss of ₹626 crore ($74 million) for the second quarter of the fiscal year. This marks an improvement from the previous quarter's loss of ₹657 crore. The results reflect the company's strategic initiatives aimed at enhancing operational efficiency and expanding its market reach.

Growth in Order Volume
The company has experienced significant growth in order volume across both its food delivery and quick commerce segments. Swiggy's total orders surged by 25% year-on-year, indicating strong consumer demand and a successful marketing strategy that resonates with its customer base. This growth is crucial as it positions Swiggy to capitalize on the increasing trend of online food ordering.

Strategic Initiatives
Swiggy has implemented various strategic initiatives to streamline operations and reduce costs. These include optimizing delivery logistics, enhancing customer service, and expanding partnerships with local restaurants. The focus on improving user experience has led to higher customer retention rates, contributing to the overall growth in order volume.

Market Competition
In a highly competitive landscape, Swiggy faces challenges from rivals like Zomato and new entrants in the quick commerce space. However, Swiggy's diversified offerings, including grocery delivery through Instamart, have helped it maintain a competitive edge. The company continues to innovate and adapt to changing market dynamics to secure its position as a market leader.

Future Outlook
Looking ahead, Swiggy aims to achieve profitability by focusing on increasing operational efficiencies and expanding its service offerings. The management is optimistic about sustaining growth momentum and plans to invest in technology to enhance its platform further. This commitment to innovation positions Swiggy well for future success.

Recent Developments
In recent developments, Swiggy made its trading debut on November 13, 2024, which was met with positive investor sentiment. The initial public offering (IPO) attracted significant interest, reflecting confidence in Swiggy's long-term growth potential. This move not only strengthens its financial position but also enhances its brand visibility in the market.

Conclusion

Swiggy's latest financial results underscore its resilience and adaptability in a rapidly evolving industry. With a narrowed loss and increased order volume, the company is on a promising path toward recovery and growth. Stakeholders can look forward to continued updates as Swiggy implements its strategies for sustained success in the competitive food delivery market.

By Rohith S Paradkar

Update for the day #2262| The Mishtann Foods debacle and lessons for investors

A Tale of Caution: Mishtann Foods and Market Scams

Over the weekend, while battling a fever, I rewatched Scam 1992. One story stood out: Mazda Industries. Its stock price soared in 1992, only to reveal the company was a hollow shell—a classic paper entity. Fraudsters inflated the stock, lured investors, and cashed out, leaving others in ruins. Fast forward to today, we have a similar case: Mishtann Foods Ltd.

The Rise and Fall of Mishtann Foods
Mishtann started as a cement company in 1981 and later pivoted to food processing, focusing on basmati rice. Its sales skyrocketed from ₹5 crores in 2014 to ₹1,200 crores in 2024. Impressive, right? But beneath the surface, it was all smoke and mirrors:

Fake buyers and suppliers linked to company insiders.
Inflated revenues, fabricated financial statements, and circular transactions.
No real profits or cash flow to back the growth.

The SEBI Investigation
In 2022, whistleblowers flagged issues like GST fraud, inventory manipulation, and bogus transactions. SEBI found:
Dummy sales worth ₹175 crores through shell entities.
Funds raised through rights issues siphoned off by insiders.
Destroyed financial records conveniently blamed on a fire.
By 2024, nearly ₹100 crores had been misappropriated. SEBI responded by:

Banning Mishtann from the stock market for seven years.
Ordering the recovery of misused funds.
Barring key executives from working with listed companies.

Lessons for Investors
This isn't just about Mishtann—it's a warning to all investors. Here are key takeaways:
If it seems too good to be true, it probably is.
Mishtann's exponential sales growth didn't match its stagnant profits and negative cash flow.
Scrutinize financials.
Flat profits, declining promoter holdings, and sudden fundraises are red flags.
Stay skeptical.

As Charlie Munger said, “Ask yourself, why am I the lucky one finding this bargain?”

Final Thought

Market scams often leave retail investors holding the bag. To protect yourself, dig deep into a company’s financials, management, and track record. Sometimes, the smartest move is avoiding the trap altogether.

By T Ganesh Pai

Update for the day #2263|Indian railways to launch first hydrogen train trials in December 2024

Indian Railways is set to achieve a significant milestone in its journey toward sustainability with the launch of its first hydrogen-powered train trials in December 2024. The trials will take place on the 90-kilometer Jind-Sonipat route in Haryana. This initiative is part of the railways' broader mission to adopt green energy solutions and achieve net-zero carbon emissions by 2030.

A STEP TOWARD GREEN TRANSPORTATION

The hydrogen-powered train, developed using cutting-edge technology, operates on hydrogen fuel cells that generate electricity by combining hydrogen and oxygen. This process emits only water vapour, making it a zero-emission transportation solution. The adoption of such technology aligns with India's commitment to combating climate change and reducing its dependence on fossil fuels. The initial trial route, the Jind-Sonipat line, was chosen due to its moderate traffic and proximity to required infrastructure. The train's performance, efficiency, and safety features will be carefully monitored during the trials to ensure its readiness for broader implementation.

HYDROGEN TRAINS: KEY FEATURES AND BENEFIT

Hydrogen-powered trains, also known as hydraulics, offer several advantages over traditional diesel-powered locomotives:

Environmental Impact: These trains emit zero greenhouse gases, significantly reducing the carbon footprint of rail travel.

Cost-Effectiveness: Over time, hydrogen fuel can be more economical as production scales up.

Energy Efficiency: Hydrogen trains are quieter and more energy-efficient compared to diesel counterparts.

Adaptability: They are particularly beneficial for non-electrified routes, eliminating the need for costly overhead electrification.

SCALING UP: PLANS FOR THE FUTURE

This pilot project is only the beginning of Indian Railways' ambitious plans. By 2025, the railways aim to introduce 35 hydrogen-powered trains across the country. These trains will primarily operate on non-electrified routes, which currently rely on diesel engines, ensuring a cleaner and greener rail network.

Additionally, Indian Railways is exploring partnerships with domestic and international stakeholders to develop hydrogen production and storage infrastructure. Such initiatives will not only support the hydrogen trains but also contribute to India's broader green hydrogen mission.

WORLDWIDE PERSPECTIVE

India joins a select group of countries, including Germany and China, that have successfully integrated hydrogen-powered trains into their transportation systems. Germany, for instance, has already deployed commercial hydrogen trains, demonstrating the viability of the technology. India's move toward hydrogen trains reflects its commitment to adopting global best practices while addressing its unique challenges.

TOWARDS A SUSTAINABLE FUTURE

The trial of hydrogen-powered trains marks a significant step in Indian Railways' transition to sustainable energy sources. As one of the largest rail networks in the world, India's adoption of hydrogen technology has the potential to set a precedent for green transportation globally.

With hydrogen trains on the horizon, Indian Railways is not only addressing environmental concerns but also paving the way for innovation and economic growth in the green energy sector. This initiative underscores the railways' dedication to balancing progress with environmental responsibility, moving steadily towards a cleaner, greener future.

Overall, the launch of hydrogen-powered train trials by Indian Railways is a groundbreaking step towards sustainable and eco-friendly transportation. As India embraces this green technology, it not only reduces its environmental impact but also leads the way in global efforts to combat climate

change.
With ambitious plans for the future, Indian Railways is setting an example of how innovation and sustainability can go hand in hand, paving the path for a cleaner and greener future.

By Sree Harshitha S R

Update for the day #2264| A $6 million banana?!

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'. 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. Its market capitalization (total value of Tron coins in the market) reached a staggering $18 billion. 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 standardisation creates the perfect cover for moving questionable money around.

But that's not the only advantage of the art world. It's also shockingly underregulated, which means you can buy an artwork with a suitcase of cash, and do it all anonymously.

Why? Because collecting art is like owning treasure. If people know you own it, the chances of theft shoot up. So, to protect identities, the art world offers complete anonymity. Auction houses and galleries won't reveal the buyer or seller's name unless they get explicit permission, or even

enough money to keep their identity tightly locked up.

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'. 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.

Take Mexico, for example. Back in the early 2010s, the government passed a law requiring more transparency about buyers and limits on how much cash could be spent on a single artwork. The result? The art market plummeted. Sales dropped by 70% in less than a year mostly because Mexican cartels were some of the biggest buyers in the market.

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.

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 Sourabh Jain

Update for the day #2265| How Xinjiang cotton still haunts the fashion industry

Uniqlo is in hot water. Just a few days ago, its CEO, Tadashi Yanai, declared that the Japanese clothing giant isn't using Xinjiang cotton. And that didn't sit well with Chinese consumers.
Now, if you're wondering why this has caused such a stir, here's some context. Xinjiang, a region in China, is famous for producing some of the finest cotton in the world. Until 2021, it accounted for a staggering 85% of China's cotton production and nearly a quarter of the global supply.
But there's a dark side to this. That year investigations revealed that much of this cotton was linked to forced labour. Reports claimed that the Uyghurs, a Turkic ethnic group, predominantly Muslim, living in Xinjiang, were being coerced into picking cotton under government "labour transfer programs" disguised as poverty alleviation schemes.
Suddenly, the world's best cotton had a stain on it — human rights violations.
Naturally, the revelations sparked outrage. Western brands like H&M, Adidas, Nike and Burberry distanced themselves from Xinjiang cotton, declaring that they wouldn't source materials tied to forced labour. The US, China's biggest buyer of finished textiles and apparel, went a step further and banned imports of goods linked to Xinjiang altogether.
With the pressure mounting, the demand for Xinjiang cotton started to decline. In fact, the China Cotton Association estimated an 8% drop in Xinjiang's cotton production last year and a 5% reduction in planting areas.
But China wasn't having it. The government repeatedly denied the forced labour allegations, brushing them off as Western propaganda aimed at stifling Chinese industries. And in response, Chinese consumers began boycotting brands that shunned Xinjiang cotton.
Amidst all of this though, there was one brand that managed to stay neutral, dodging both the boycotts and the storm of Chinese outrage. And that was Uniqlo. It never openly discussed its sourcing or ties to Xinjiang cotton, letting it escape much of the consumer fury.
But now that its CEO has explicitly made it clear that there's no Xinjiang cotton at Uniqlo, the backlash has begun. Chinese consumers are turning their backs on Uniqlo, accusing it of rejecting Xinjiang cotton, and rejecting China in the process.
But that's only half the story. The other interesting bit is that even when brands like Uniqlo declare that they're steering clear of Xinjiang cotton, a lot of it still sneaks into the supply chain.
Yup, you read that right. Recent tests on apparel sold by major retailers in the US and worldwide found traces of banned Chinese cotton in nearly 20% of the samples. It's a reminder that Xinjiang cotton continues to haunt the fashion industry, despite efforts to cut ties.
How does this happen, you ask?
Well, one sneaky way Xinjiang cotton used to make its way into the US was by exploiting a loophole called the de minimis rule. Until 2022, this provision allowed shipments worth less than $800 enter the US without regular customs checks or import duties. It helped simplify low-value imports.
But some e-commerce companies found a way to game the system. They shipped tons of small packages, each under the $800 limit, to dodge scrutiny. Customs officials had too many packages to check and not enough data to identify their origins. This made it nearly impossible to catch and stop goods tied to forced labour.
The US soon realised this and has since closed this loophole. Under the Uyghur Forced Labor Prevention Act (UFLPA), products linked to forced labour are now blocked, no matter the shipment value. And with stricter rules in place, manufacturers found it hard to slip Xinjiang cotton through unnoticed. So what did they do?
They got creative and found roundabout ways to keep it in the supply chain. Well, take the example of Uniqlo itself. The brand sources its apparel from manufacturers worldwide, but its biggest manufacturing hub is China. And among its suppliers is Lu Thai Textile, a company highlighted in a Sheffield Hallam University case study, because its shipping data was publicly accessible.

Lu Thai is based in Shandong, a province in eastern China. And until 2019, it exclusively sourced its cotton from Xinjiang. But after the forced labour controversy erupted, Lu Thai's annual reports conveniently stopped disclosing where it got its cotton from.

But there's a catch. The company's government subsidies told a different story. Its 2020 annual report revealed that Lu Thai received grants specifically for shipping cotton and cotton yarn out of Xinjiang. And given that Xinjiang supplies the majority of China's cotton, it's highly likely that Lu Thai never fully cut ties with the region. And if that's the case, some of that cotton may have quietly found its way into Uniqlo's stock too.

Besides, since this cotton would be flagged if shipped directly from China to the US, it often took a detour — exported to an intermediary country like Bangladesh, Vietnam, Indonesia, Cambodia or even India first before making its way to the US. Here, this cotton would be blended with local cotton in the intermediary country and turned into finished products. By the time these garments were exported to the US, the labels only show the final country of manufacture, making it nearly impossible to trace the cotton back to its Xinjiang roots.

Now, this got us curious. So we took a closer look at Lu Thai's latest annual report to see if Xinjiang cotton is still sneaking into the supply chain through roundabout routes.

But here's the twist. The company now claims that it sources its cotton from overseas rather than relying on domestic supplies. And that might make sense since China now increasingly uses Xinjiang cotton for its domestic industry while importing the rest from countries like the US, Vietnam and Brazil.

Also, Lu Thai's report hasn't mentioned subsidies for transporting cotton yarn since 2021. So unless there's some clever rewording at play, it's more likely that Xinjiang cotton isn't making its way into Uniqlo's supply chain through Lu Thai anymore.

But we can't say the same for its other Chinese suppliers or other clothing brands. Because the fact that tests still find Xinjiang cotton in products banned for forced labour raises a lingering question — can we really trust which brands are truly free from apparel tied to forced labour?

By Anvy Susan Sabu

Update for the day #2266| Who's fueling India's EV ambitions?

The Story

Picture this: you're in a bustling Indian city, surrounded by the hum of electric scooters, the silent glide of electric cars, and people charging up at power stations.

This isn't some distant vision — it's happening right now. The EV revolution in India is in full swing, fueled by government incentives, private sector enthusiasm and a rising demand for cleaner, affordable transportation. They've been on a mission to get us hooked on EVs for years now.

It all began nearly a decade ago with the FAME scheme, rolled out in phases to make EVs more affordable and accessible. Then came FAME II, which wrapped up in early 2024. But it didn't stop there. New initiatives like the Electric Mobility Promotion Scheme (EMPS) and the shiny PM E-Drive scheme have stepped in, offering subsidies for electric two- and three-wheelers (e2Ws and e3Ws) to keep the EV buzz going strong.

Have these subsidies helped India adopt EVs?

Absolutely!

Over 6 lakh e2Ws and e3Ws have been sold under the PM E-Drive scheme this year alone. And thanks to these subsidies, India is now the world's 2nd largest market for e2Ws and the largest market for e3Ws. Electric car sales from domestic carmakers is also on the rise

EV penetration is also rising steadily. Its share in India's auto sales grew from 1.7% in 2021 to over 6% in 2023.1 And for 2-wheelers, it jumped from 0.4% to over 5%, driven by subsidies and new e2W launches.2 Not bad, right?

This company isn't just dabbling in the EV game, it's owning it, with a whopping 67% market share in the electric four-wheeler (e4W) segment. Its models, like the Nexon EV and Tigor EV, seem to have cracked the code with the perfect mix of affordability, range and reliability.

But Tata's not hitting the brakes anytime soon. It's gearing up to roll out ten new EV models by 2025, covering both passenger and commercial vehicles. And the best part? Tata isn't just building electric cars. It's aiming to control the whole EV ecosystem. That's a big move and gives it a serious advantage over rivals still piecing together their EV strategy.

For starters, let's talk about batteries. They're the beating heart of any electric vehicle, and Tata gets it. That's why Agratas, Tata's battery manufacturing arm, is setting up a lithium-ion giga-factory in Gujarat.3 The goal is to cut down on imports and secure a steady, cost-effective supply of batteries to meet the growing demand. With an initial capacity of 20 GWh (Gigawatt-hour), Agratas is central to Tata's mission of making EVs affordable and accessible.

But Tata isn't stopping there. It's also looking at battery materials. Enter Tata Chemicals, which is not only supplying lithium-ion components but also exploring sodium-ion batteries as a potential alternative. Why? Because they're less dependent on scarce resources like lithium and could be cheaper for specific uses. It's also a smart hedge against market swings in raw material availability and costs.

And what's an EV revolution without charging infrastructure, one of the biggest hurdles to adoption? Tata Power is on it, with over 5,600 public charging stations across India — and plans to add 25,000 more in the next five years. This isn't just about making EVs practical for daily use, it's also a clever way to secure a steady revenue stream. Plus, their home charging solutions are a hit among urban buyers who love the convenience of overnight charging.

Then there's tech. Electric vehicles aren't just about motors, they're computers on wheels. That's where Tata Elxsi and TCS (Tata Consultancy Services) step in. Elxsi handles engineering and design, while TCS delivers IT solutions for connected and autonomous features. Together, they're giving Tata's EVs the brains to match their brawn.

And let's not forget materials. Lighter EVs mean better range and performance, so Tata Steel is developing lightweight, high-strength materials to give Tata's vehicles an edge. The less weight an EV carries, the longer its range and the better its performance. It's a win-win.

So yeah, the Tata Group has some pretty big ambitions for EVs, and they're going all-in with a full-on supply chain integration strategy. But is it actually working?

To answer that, we'll have to take a closer look at the company's performance and a few macro factors. To begin with, competition is definitely heating up. To put things in perspective, Tata Motors saw its market share dip in FY24, with rivals like MG Motors and Mahindra pushing hard to expand their electric vehicle lineups. And if you look at the latest numbers, Tata's EV retail market share dropped from 74% in October 2023 to 58% in October 2024.4 So, it's clear others are catching up fast.

Another significant challenge is China's dominance in the lithium and battery supply chain. China controls nearly 58% of the world's lithium refining, and disruptions in supply could pose a risk to Tata's plans.5 Sure, Tata is working hard to localize production. But the global supply chain for batteries remains a vulnerability which they will have to navigate carefully.

Besides, there are a few consumer concerns that Tata still has to overcome. For many potential buyers, range anxiety is a real problem. Now while Tata Power is trying to address this by quickly ramping up its charging network, it's not quite on par with traditional fuel stations just yet.

On top of that, even with subsidies, the high upfront cost of EVs remains a tough pill to swallow, especially for mass-market consumers. It's one thing to build an EV that performs well, but it's another to make it affordable for the average Indian. In fact, recent data shows that nearly half of EV owners are considering switching back to their old internal combustion engine (ICE) vehicles.6

But here's the thing. Despite these challenges, Tata's vision for the EV ecosystem is setting it up for long-term success. Its latest quarterly results are proof of the pudding.

Tata's luxury brand, JLR, which brings in about 70% of the company's earnings, is diving headfirst into their new "Reimagine" strategy. They're all set to invest £500 million to transition to electric vehicles, and by 2030, they plan to go fully electric.7 Their Halewood plant will play a big role in this shift.

And it's not just cars. Tata is making waves in the electric commercial vehicle space too, particularly with buses. There are now over 3,300 Tata electric buses on Indian roads, covering more than 21 crore kilometers.8

Tata also leads the passenger vehicle (PV) EV market with around 65% share.9 Their new model, the Curvv, is already seeing positive demand, with 20% of car bookings going for the EV variant,

despite the slowdown in overall EV sales.

And that's exactly how, by owning a big chunk of the value chain — from battery manufacturing to charging infrastructure — Tata has built a strong foundation that few competitors can match.

Sure, the road ahead might have its bumps, but Tata's clearly got its foot on the pedal.

And with India still in the early stages of its EV journey, how things unfold with government policies, competition and supply chain hiccups is something to keep an eye on.

In short, India's EV market is speeding up, and Tata Motors is in the driver's seat—charging ahead with batteries, cars, and charging stations all under its belt. While competition is tailgating and there are a few potholes (like high prices and range anxiety), Tata's got the full EV toolkit. If they keep going at this pace, the only thing stopping them is if someone figures out how to make a car run on chai!

By Amogh V N

Update for the day #2267| The battle for the 6GHz band and what's at stake for India

The Story

Imagine you're at a crowded concert auditorium, trying to leave, but everyone is blocking the way. Suddenly, a secret door opens just for you, and you can walk out without any pushing or shoving. That's what the 6 Gigahertz or 6GHz band is for the internet. A new, open path that makes everything faster and less congested, even when lots of people are online.

Now, the 6GHz band is a new frequency range. Networks need something to run on, and that's where frequency bands come in. For instance, 5G runs on the 3.5GHz frequency band, which acts as a highway that carries data for 5G connections. The 6GHz band, however, is a wider highway that can handle more traffic. Its higher frequencies help improve internet speed and reliability.

Because it's such a valuable piece of property, everyone from telecom companies to tech giants, wants a share of it. And that has sparked a big debate in India right now.

You see, the 6GHz band needs to be allocated, and it's up to the government and national authorities to decide how it'll be used.1 There are two ways this can go — licensed or unlicensed use. If it's licensed, companies have to pay for exclusive rights to use the band, which gives them full control over it. But if it's unlicensed, anyone can use it without shelling out money. That makes it more accessible, but it could also get messy with interference since everyone's sharing the same space.

Right now, the 6GHz band in India is mostly with the Indian Space Research Organization (ISRO) for satellite use.2 But a big chunk of it is still unallocated. And the debate is whether some of it should go unlicensed or if the whole thing should stay licensed, just like the bands that came before it.

First up, we have telecom companies who want exclusive rights to the 6GHz band. They say it's needed to boost 5G and prepare for 6G. More spectrum also means more revenue for telcos and the government. For example, the government made a whopping ₹1.5 lakh crores from spectrum auctions in 2022. Auctioning the 6GHz band could bring in even more money.

Now, this might seem like a win-win, but it's not that simple.

Because on the other side of this debate we have tech companies like Google, Meta and Amazon, represented by the Broadband India Forum (BIF) who want a part of the 6GHz band to be de-licensed.2

Their case?

Unlicensed access will boost innovation and make internet access more affordable, especially in rural areas. Imagine a school in a remote village getting fast internet because of Wi-Fi using the 6GHz band. This could be a game changer for education. And estimates from a DSA (Dynamic Spectrum Alliance) study are proof of the pudding. They suggest that fully de-licensing the band could add $4 trillion to India's economy by 2034, driving not just internet speed and innovation but also GDP growth.3

And then we have chipmakers who are also rooting for unlicensed use, because it opens up more business opportunities like adding Wi-Fi to devices and expanding Wi-Fi networks. ISRO too is worried about interference with its satellite operations if the band is used for mobile networks.1

Which begs the question — Why not split the difference?

Part of the band could be licensed for telecoms, while the rest could be left unlicensed for public

use.
Well, it's not as straightforward as it seems, because the 6GHz spectrum is limited. And if too much is de-licensed, it could hurt 5G growth. Telcos would struggle without enough spectrum and would need to add more small cells or infrastructure used to improve mobile networks). That's expensive and difficult in crowded cities. On the flip side, if most of the band goes to telcos, it could hurt competition and slow down innovation.
Plus, more crowding can lead to higher carbon emissions. For context, Mumbai's energy use could triple if there's too much pressure on the spectrum.
The other option of de-licensing the entire band isn't without its risks either. It could cause interference, where too many users sharing the same frequency lead to network congestion and slower service.
So what's the way out, you ask?
Well, different countries have taken different routes. The US for instance, has fully de-licensed the 6GHz band, allowing widespread use of Wi-Fi 6E (Wi-Fi that allows devices to operate on the 6GHz band). This move has also caught the attention of other countries, like Brazil and Saudi Arabia. China has fully licensed its 6GHz band for mobile services, focusing on 5G and 6G.
And now, India's decision could be crucial. Because the 6GHz band is important for industries like manufacturing, communication and technology. Studies even suggest that if properly used, the 6GHz band could add $285 billion to the Asia Pacific region's GDP by 2030, with 85% of that benefit in the South Asian market coming to India.4
So, maybe a balanced approach could be the best way forward — delicense part of the band to boost Wi-Fi and support digital inclusion, while reserving some for telecoms to use for 5G and 6G in the future?
A GSMA study on 6GHz for India though, does not agree.4 It says that without the 6GHz band, Indian mobile operators could find it hard to expand their services. 5G networks will be slower, consumers will end up paying more and industries that rely on 5G tech will struggle to stay competitive. The tax revenue that the Indian government will rake in from 5G will be lower too.
Not just that. It also points out that fully licensing the 6GHz band would bring the most benefits, especially with India's current broadband setup. And warns that de-licensing it could cause a lot of problems, like higher costs for strengthening networks, higher energy use and a big increase in carbon emissions, thanks to nearly 3 times more power consumption.
So yeah, this whole back and forth over costs and benefits is probably why the government hasn't made its final call yet. Last year, the Telecom Regulatory Authority of India (TRAI) put out a white paper, suggesting three options —licensing, de-licensing or a mix of both.1
But whatever they decide, it must happen soon. If they keep dragging their feet, India could miss out while other countries race ahead. Because, let's be real, whether you're streaming your favorite show, hopping on a video call or working on the next big thing, faster and more reliable internet is something we can all agree on, right?

By Shanu Jain

Update for the day #2268| Understanding the Key Players in the Indian Stock Market

FII vs DII: Understanding the Key Players in the Indian Stock Market

Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs) are two significant market participants influencing the Indian stock market. Their activities, strategies, and investments play a pivotal role in determining market trends, investor sentiment, and overall economic growth. Let's delve into the differences between these two categories and their impact on the market.

Who Are FIIs?

Foreign Institutional Investors are entities registered outside India that invest in the Indian capital markets. These can include mutual funds, pension funds, insurance companies, and hedge funds. FIIs are known for their deep pockets, advanced market insights, and a global perspective on investment opportunities. They typically invest in equities, debt instruments, and derivatives.

Key Characteristics of FIIs:

Global Perspective: FIIs often bring foreign capital into the market, driven by macroeconomic factors, geopolitical trends, and comparative returns across countries.
Volatility: FII investments can be volatile, as they might withdraw or pump in funds depending on global market conditions, interest rates, or currency fluctuations.
Short-Term Orientation: FIIs are often perceived as short-term investors, focusing on returns over shorter periods.
Who Are DIIs?

Domestic Institutional Investors, on the other hand, are India-based institutions that invest in the Indian stock market. DIIs include domestic mutual funds, insurance companies, banks, and pension funds. They are primarily driven by local economic factors and cater to Indian retail and institutional investors.

Key Characteristics of DIIs:

Local Expertise: DIIs leverage their in-depth understanding of the Indian market, focusing on long-term growth opportunities.
Stability: DIIs are typically less volatile than FIIs since their investment strategies align with domestic savings and insurance products.
Market Support: DIIs often act as a counterforce to FIIs, buying shares when FIIs sell during global market downturns, thus stabilizing the market.
Impact on the Indian Stock Market

Market Dynamics: The combined actions of FIIs and DIIs significantly influence stock prices and market indices. A sustained inflow from FIIs can lead to bullish markets, while large outflows may trigger corrections.
Liquidity: FIIs contribute to market liquidity, while DIIs ensure stability.
Investor Sentiment: FIIs are considered trendsetters, while DIIs bring confidence during volatile periods.
Recent Trends

Post-pandemic, FIIs have shown renewed interest in emerging markets like India, driven by strong

economic recovery and robust corporate earnings. Simultaneously, DIIs have gained prominence as retail participation in mutual funds and insurance investments grows.

Conclusion

FIIs and DIIs complement each other in shaping the Indian stock market. While FIIs bring global capital and trends, DIIs provide local expertise and stability. Together, they create a balanced ecosystem that benefits investors and contributes to India's economic growth.

By Rachana N

Update for the day #2269| India's got a hardware import problem and an opportunity within

In 2020, India introduced the Production-Linked Incentive (PLI) scheme to boost domestic manufacturing in the electronics sector, including smartphones, laptops, and PCs. This policy aimed to reduce reliance on imports, especially from China, while rewarding companies for hitting production and investment targets. The initiative aligned with India's growing electronics market, where demand for IT hardware surged. However, despite these efforts, about 60% of India's IT hardware needs were still met through imports, largely from China. This dependency highlighted challenges for manufacturers like Mr. Businessman, who benefited from steady sales but struggled with tight margins, high costs, and supply chain gaps.

To further encourage local manufacturing, India imposed import restrictions on laptops and PCs in August 2023. While this aimed to curb cheap imports and encourage global players like Apple and HP to invest in Indian facilities, resistance from international brands and policymakers led to a temporary pause. Despite the restrictions, imports barely dropped in FY24, sparking talks of stricter measures by January 2025. The proposed policy includes tighter import approvals and minimum quality standards, which could boost local production and provide manufacturers like Mr. Businessman a chance to compete more effectively with imports.

Meanwhile, Miss Investor saw the PLI scheme as an opportunity and invested in stocks of Indian contract manufacturers like Dixon Technologies. These companies, already riding the wave of increasing local production, experienced significant growth. For instance, Dixon Technologies reported IT hardware revenues of ₹140 crores in FY24 and projected massive growth under the PLI scheme. If the January ban on imports is successfully implemented, local players could see a surge in contracts, making investments in the sector even more lucrative.

While challenges like supply chain gaps and policy uncertainty persist, India's IT hardware manufacturing industry is poised for significant transformation. If the government's efforts to strengthen local production succeed, both manufacturers and investors could benefit from a market shifting away from Chinese imports toward "Made in India" laptops and PCs on the global stage.

By Rishika Harlalka

Update for the day #2270| The case of the disappearing truckers

There's something interesting happening in the UK. Petrol pumps are running out of petrol and it's not due to a shortage of fuel.
It's kind of weird, but hear us out. There's technically no shortage of fuel. Britain has enough of it. However, there is a shortage of truckers—people who move petrol from one point to another. And that's what's precipitating the crisis. There's been a decline in the number of heavy-good-drivers—from 300,000 just a couple of years ago to about 70,000 right now, and it doesn't look like they're coming back anytime soon.

Why are all the truckers abandoning their professions? you ask.

Well, multiple reasons. Some have left the country due to Brexit (after Britain withdrew from the European Union). Even others left the country during the pandemic as travel and visa restrictions made life rather difficult. New truckers meanwhile had trouble signing up because test centres were closed. And trucking isn't a glamorous job to be honest. The average age of truckers in Britain is 55 and young people aren't exactly jumping for joy at the prospect of becoming a trucker either. Now the country's policymakers are desperately trying to avert a full-blown crisis. They're requesting retired truckers to get back on the road. They are issuing new visas to foreign workers. And there's even a rallying cry now—"Drive for Britain."

But here's the thing. The problem of the disappearing trucker isn't just unique to Britain. It's happening across the world, including India. The only difference perhaps is that truckers in India are quitting the profession for entirely different reasons. As one survey notes—
"Truck drivers form the backbone of the logistics sector. They are the most important stakeholder in ensuring smooth transportation of goods over long distances, yet remain vulnerable due to the fragmented and informal nature of the trucking industry. This study reveals that more than half of the respondent truck drivers are dissatisfied with their profession. 84% of the respondents said they will not recommend trucking to their family members or relatives.

Two-third of the drivers feel the profession is unattractive due to the lack of security and safety on the road. 53% of the drivers earn between INR 10,000 to INR 20,000 per month. Their living conditions are abysmal with no standardization in wages, lack of social security and incentives to complete a trip on time. Most drivers do not own their vehicles. They often suffer from driver fatigue due to long working hours. On average, each driver drives for about 11.9 hours in a day. In terms of average distance covered, a truck driver covers about 417 km daily. 49% of the respondent drivers said they drive vehicles even if they are feeling fatigued or sleepy."
At this point you're probably asking—"Who in their right mind would continue to ply their trucks in the face of such adversity?"

And that's precisely the point. The only truckers staying back are the ones that are desperate. Many others have already taken up work under the MNREGA scheme or switchingjobs—like plying a cab perhaps. In fact, even the data points to this anomaly. At one point in time, we had a large

number of truck drivers competing for very limited spots. Today, we have about 20 lakh drivers— But only 750 drivers for every 1000 trucks that are currently registered. Meaning many trucks are just sitting there gathering dust because there's no one to drive them.

The only way to stem the flow perhaps is to better regulate the industry. Nitin Gadkari only recently pitched for fixed driving hours of commercial truck drivers as well as including onboard sleep detection sensors. And while it may increase costs initially, perhaps it is the only way to keep truckers on the road.

By S H L Vasavi

Update for the day #2271 | How Xinjiang cotton still haunts the fashion industry

Uniqlo is in hot water. Just a few days ago, its CEO, Tadashi Yanai, declared that the Japanese clothing giant isn't using Xinjiang cotton. And that didn't sit well with Chinese consumers.

Now, if you're wondering why this has caused such a stir, here's some context. Xinjiang, a region in China, is famous for producing some of the finest cotton in the world. Until 2021, it accounted for a staggering 85% of China's cotton production and nearly a quarter of the global supply. But there's a dark side to this. That year investigations revealed that much of this cotton was linked to forced labour. Reports claimed that the Uyghurs, a Turkic ethnic group, predominantly Muslim, living in Xinjiang, were being coerced into picking cotton under government "labour transfer programs" disguised as poverty alleviation schemes.

Suddenly, the world's best cotton had a stain on it — human rights violations.

Naturally, the revelations sparked outrage. Western brands like H&M, Adidas, Nike and Burberry distanced themselves from Xinjiang cotton, declaring that they wouldn't source materials tied to forced labour. The US, China's biggest buyer of finished textiles and apparel, went a step further and banned imports of goods linked to Xinjiang altogether. With the pressure mounting, the demand for Xinjiang cotton started to decline. In fact, the China Cotton Association estimated an 8% drop in Xinjiang's cotton production last year and a 5% reduction in planting areas.

But China wasn't having it. The government repeatedly denied the forced labour allegations, brushing them off as Western propaganda aimed at stifling Chinese industries. And in response, Chinese consumers began boycotting brands that shunned Xinjiang cotton. Amidst all of this though, there was one brand that managed to stay neutral, dodging both the boycotts and the storm of Chinese outrage. And that was Uniqlo. It never openly discussed its sourcing or ties to Xinjiang cotton, letting it escape much of the consumer fury.

But now that its CEO has explicitly made it clear that there's no Xinjiang cotton at Uniqlo, the backlash has begun. Chinese consumers are turning their backs on Uniqlo, accusing it of rejecting Xinjiang cotton, and rejecting China in the process. But that's only half the story. The other interesting bit is that even when brands like Uniqlo declare that they're steering clear of Xinjiang cotton, a lot of it still sneaks into the supply chain. Yup, you read that right. Recent tests on apparel sold by major retailers in the US and worldwide found traces of banned Chinese cotton in nearly 20% of the samples. It's a reminder that Xinjiang cotton continues to haunt the fashion industry, despite efforts to cut ties.

How does this happen, you ask?

Well, one sneaky way Xinjiang cotton used to make its way into the US was by exploiting a loophole called the de minimis rule. Until 2022, this provision allowed shipments worth less than $800 enter the US without regular customs checks or import duties. It helped simplify low-value imports. But some e-commerce companies found a way to game the system. They shipped tons of small packages, each under the $800 limit, to dodge scrutiny. Customs officials had too many packages to check and not enough data to identify their origins. This made it nearly impossible to catch and stop goods tied to forced labour. The US soon realized this and has since closed this loophole. Under the Uyghur Forced Labor Prevention Act (UFLPA), products linked to forced labour are now blocked, no matter the shipment value. And with stricter rules in place,

manufacturers found it hard to slip Xinjiang cotton through unnoticed. So what did they do?
They got creative and found roundabout ways to keep it in the supply chain. Well, take the example of Uniqlo itself. The brand sources its apparel from manufacturers worldwide, but its biggest manufacturing hub is China. And among its suppliers is Lu Thai Textile, a company highlighted in a Sheffield Hallam University case study, because its shipping data was publicly accessible. Lu Thai is based in Shandong, a province in eastern China. And until 2019, it exclusively sourced its cotton from Xinjiang. But after the forced labour controversy erupted, Lu Thai's annual reports conveniently stopped disclosing where it got its cotton from.
But there's a catch. The company's government subsidies told a different story. Its 2020 annual report revealed that Lu Thai received grants specifically for shipping cotton and cotton yarn out of Xinjiang. And given that Xinjiang supplies the majority of China's cotton, it's highly likely that Lu Thai never fully cut ties with the region. And if that's the case, some of that cotton may have quietly found its way into Uniqlo's stock too. Besides, since this cotton would be flagged if shipped directly from China to the US, it often took a detour — exported to an intermediary country like Bangladesh, Vietnam, Indonesia, Cambodia or even India first before making its way to the US. Here, this cotton would be blended with local cotton in the intermediary country and turned into finished products. By the time these garments were exported to the US, the labels only show the final country of manufacture, making it nearly impossible to trace the cotton back to its Xinjiang roots.
Now, this got us curious. So, we took a closer look at Lu Thai's latest annual report to see if Xinjiang cotton is still sneaking into the supply chain through roundabout routes. But here's the twist. The company now claims that it sources its cotton from overseas rather than relying on domestic supplies. And that might make sense since China now increasingly uses Xinjiang cotton for its domestic industry while importing the rest from countries like the US, Vietnam and Brazil. Also, Lu Thai's report hasn't mentioned subsidies for transporting cotton yarn since 2021. So unless there's some clever rewording at play, it's more likely that Xinjiang cotton isn't making its way into Uniqlo's supply chain through Lu Thai anymore.
But we can't say the same for its other Chinese suppliers or other clothing brands. Because the fact that tests still find Xinjiang cotton in products banned for forced labour raises a lingering question — can we really trust which brands are truly free from apparel tied to forced labour?
I'll leave you with that thought.

By Darshan N

Update for the day #2272| What raising the retirement age means for the economy??

Cognizant just pulled a bold move. It bumped up the retirement age for its Indian employees from 58 to 60. The idea?
Simple. Keep the experienced employees around longer to plug the gaps left by the ones who leave. After all, a seasoned workforce sticking around could help offset the number of exits or attrition.And this isn't Cognizant's first crack at solving the attrition puzzle. They've already implemented pay hikes and other retention strategies, which nudged their attrition rate down to around 15% in 2024 from 16% earlier. So, extending the retirement age seems to be the next strategy in their play book. Smart move, right? But this move got us thinking. Most tech companies in India let their employees retire at 58. But what if more of them decide to take a leaf out of Cognizant's book and raise the age? Sure, it might help retain talent, but what would it mean for India's economy?
Well, you see, the idea of raising the retirement age isn't new. India's official retirement age was last bumped up in 1998 from 58 to 60. And in the Economic Survey of 2018-19, the government floated the idea of another increase. If you're wondering why, it all boils down to demographics. India's population growth has been slowing for decades. Sure, we're the most populous country now, but the growth rate has dropped from 2.5% in the 1980s to around 1.3% in 2016. And it's likely even lower today. Combine that with declining fertility rates and you've got fewer young people entering the workforce.
Meanwhile, life expectancy, or the number of years a person can expect to live in good health, has climbed steadily. Back in 1950, the average Indian could expect to live just 35 years. By 2000, that shot up to 62 years. And by 2016, a healthy lifespan stretched to 73 years. In simple terms, this means we've got a 'silver dividend' waiting to be tapped or a chance to unlock the economic benefits of an ageing population. And one smart way to make the most of it is letting experienced workers remain in the game a little longer by pushing up the retirement age.
"But Fin shots, if we keep experienced workers in the workforce for longer, won't that reduce job opportunities for younger people", you ask? Yes, you've got a point there, and that's actually why the government hasn't raised the retirement age for the public sector yet, despite the Economic Survey suggesting it. This thinking is based on something called the "lump of labour fallacy". Basically, it's the idea that there's a fixed number of jobs. So if older workers stay on, fewer roles would be left for younger ones.
But here's the thing. Jobs aren't static. They grow or shrink based on the economy's size, demand and supply, market conditions and the growth of sectors. And most of these metrics are expected to rise over the years in India. Manufacturing, for instance, is expected to grow by 8% annually until 2050. Plus, India's economy is set to expand tenfold from its current size of $3.7 trillion. Add to that a shrinking under-19 population (from 40% in 2011 to a projected 25% by 2041), and the ageing workforce might just be the key to filling future gaps. And while that may sound tricky at first, it could actually be a win for the economy and the pension system. Just think about it. If people work a bit longer, pension payouts get delayed. For example, pushing the retirement age up by just 2 years means that employers won't need to pay pensions for those extra years. This lightens the burden on the pension system. Plus, it shortens the time retirees rely on their pension funds. Even in the public sector, delaying payouts could ease the fiscal burden.
Older employees staying on also means extended corporate health insurance coverage. Most companies don't offer post-retirement health benefits, so this could be a win for employees. And finally, working a few more years means employees contribute more to the country's coffers, both in taxes and through increased spending. After all, post retirement pensions are usually lower than a salary, so those extra years of work boost consumption and tax revenue.
It's no wonder then that raising the retirement age is a global trend. The US began increasing its retirement age in 1983, gradually moving it to 65 and plans to increase it to 67. Countries like the

UK, Australia, France, Germany and the UAE have followed suit. And many are even equalising retirement ages for men and women to boost female labour force participation. So yeah, raising the retirement age could definitely benefit the economy, especially in the private sector.
Still, it's not all sunshine. For one, it could be tricky for companies who might end up holding onto less productive employees. Forcing them to stay in the workforce could backfire as some employees would rather retire and pursue their passions, like starting a business or breathe life into a hobby they've always wanted to pursue. Plus, extending the work years might not always help pension funds grow since market uncertainties could slow down their pension's growth, meaning they might end up with more or less a similar corpus to what they'd have, had they retired earlier.
Perhaps the way to tackle this is to have more flexible retirement options rather than a blanket retirement age increase. Like how Japan and Singapore have figured out a re-employment system after retirement, where retirees can work with reduced hours and pay, similar to part-time jobs. Or by letting employees voluntarily work longer or creating sector-specific retirement ages such as higher for desk jobs and lower for physically demanding roles? Phased retirement could also work, where employees reduce their hours but still contribute to the workforce and pension funds.

By Chethan N

Update for the day #2273|How Indian single malt whisky is taking over the world

Pernod Ricard, the French alcoholic beverages giant, is on a big mission. It wants to catapult Indian whisky onto the global stage, right alongside the Scotch, Irish and Japanese heavyweights. And why not?

Indian whiskies have been quietly building a reputation for themselves, not just domestically but internationally. For instance, last year the Indri Diwali Collector's Edition 2023 scooped up the prestigious "Best in Show, Double Gold" award. This year, the Amrut Triparva grabbed the "Best in Class World Malt Whisky" title at the Whiskies of the World awards, and Indri Founder's Reserve 11-Year-Old Wine Cask broke into the Top 15 Whiskies of the Year at the International Whisky Competition — the only Indian whisky to do so.

And that's exactly why Pernod Ricard is making a ₹1,800-crore bet by setting up its largest Asian distillery in Nagpur. Its goal? To churn out world-class malt whisky that competes with the best globally.

But hey, just about two decades ago, Indian whisky had a very different image. It was seen as cheap, harsh and hardly worth savouring. So what changed, you ask?

Well, one answer — single malt whisky. Unlike blended whisky, which combines malt and grain whiskies from different distilleries, single malts are crafted at one distillery using malted barley. They're pure, bold and aged for years — at least three to eight — to develop their rich flavours.

Single malt whisky has long been Scotland's pride and joy, tracing its origins back to the 15th century. But here's the thing. It wasn't sold directly to consumers up until the 1960s. Instead, it served as a crucial ingredient in blended Scotch whisky, with distilleries combining malts to meet soaring global demand.

Then came a rollercoaster of events from the Great Depression to the World War II, that nearly wiped out the Scotch whisky industry. By the 1960s, a few distilleries managed to bounce back, but the focus was still firmly on blended whiskies.

But that changed in 1963, when Glenfiddich, owned by William Grant & Sons, took a daring step to bottle and market single malts independently. The move turned heads and kick-started a global fascination with single malts. And soon, distilleries in places like Ireland and Japan hopped on the single malt bandwagon. But India was nowhere in sight. At least, not yet.

But come the 1980s, and thanks to Bengaluru's Amrut Distillery, India stepped into the single malt arena. And let's be honest, they didn't start as whisky wizards. In fact, their journey into single malts was less about choice and more about necessity.

See, Amrut was already producing malt whisky, but it was used primarily in blended whiskies that were praised for their high malt content. Over time, the industry began favouring lighter, cheaper blends that used less malt. Amrut had to follow suit, but this shift left them with warehouses full of ageing malt whisky.

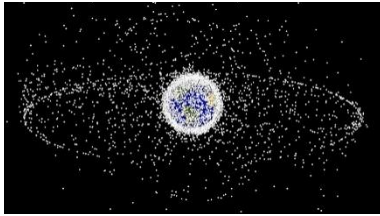
And that's when they decided to gamble on the single malt. The distillery took its first steps into uncharted territory, targeting whisky aficionados in Scotland and the UK. It was a gutsy move, considering India wasn't even on the radar in the global whisky scene. And yes, they faced skepticism. Critics even mocked them, questioning whether their whisky was made from the Ganges or clean water. But once they tasted Amrut's single malt, they were singing a different tune. They were blown away. Word spread. People brought their friends to try it, screaming, "This is amazing!"

The breakthrough moment came in 2010, when Jim Murray, the renowned whisky critic and author of the Whisky Bible, named Amrut Fusion the third-best whisky in the world. Made out of a blend of Scottish and Indian barley, it was a masterpiece. And this recognition put Indian single

malts on the global map, even catching the attention of other whisky makers back at home.
And here's an interesting twist. India's hot climate turned out to be a secret weapon for single malt distilleries. Higher temperatures mean that whisky ages faster here, developing unique tropical flavours. So, what takes 40 years in Scotland can be achieved in just 10 years in India. This revelation gave Indian single malts a distinctive edge and boosted their global appeal.
Soon, Amrut's success inspired others too. In 2008, John Distilleries set up its single malt plant and launched its first offerings a few years later. Today, their products are sold in 44 countries. Radico Khaitan, a veteran in Indian-made foreign liquor (IMFL), joined the race in 2015 by launching Rampur Single Malt, which earned global accolades within just a year.
So yeah, Indian single malts were no longer just a niche experiment now. They were becoming a global phenomenon. And the numbers speak for themselves.
In 2022, domestic sales of Indian malts skyrocketed by 240%, dwarfing Scottish single malt's 35% growth. And in 2023, Indian single malts accounted for a historic 53% of the 6.8 lakh cases sold in the country, outpacing international giants for the first time.
If you're wondering how the demand spiked, it's partly because Indian single malts are more affordable (as they don't need decades of ageing). Plus, the unique use of six-row Indian barley, known for its higher protein content and robust flavours, gives these whiskies a distinctive edge.
Another reason why Indian whiskies are flavourful is India's high "angel's share". If you're wondering what that is, it's simply the portion of whisky that evaporates during ageing. The higher the rate, the smoother your whiskey turns out. In India, the angel's share is a whopping 10% annually, compared to 2-3% in Scotland. So even without enough ageing, the whiskies still turn out smooth and flavourful.
That's also why consumers are switching from Scotch whisky to Indian single malts, bumping up the demand even further.
Right now, India's got about 20 distilleries that produce single malt whisky and export it to over 60 countries. But the future looks bright too.
India already holds the crown as the largest whisky consumer. And its alcoholic beverage consumption is expected to cross a staggering 6 billion litres this year! Besides, spirits brought in over $33 billion in revenue last year, making India the fourth largest market globally, just behind Japan, the US and China. Consumption of Indian single malts is also projected to grow by 13% annually for the next three years.
With numbers like these, the momentum is only set to skyrocket.
Of course, competition is heating up. Companies like Pernod Ricard are investing heavily, and the race to dominate the Indian single malt market is on. The question is — can Indian distilleries stay ahead of their foreign counterparts?
We'll get to know that as the single malt ages, eh?

By Sudarshan Raju

Update for the day #2274|Earth's orbit is now a junkyard, curing cavities with bacteria and more…



The Story

China is the leader in producing and exporting solar equipment.
While that might be unsurprising, here's something you might not expect: Pakistan, our neighbour, 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 utilised.
That's impressive, right?

This rapid solarisation 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 Aniketh R Patil

Update for the day #2275 | Nissan's Struggles and the Rise of Chinese EVs

Japanese carmakers, including Nissan, are facing tough times. Nissan, once a giant in the automotive industry, is on the brink of bankruptcy. Declining sales and profits, combined with operational cutbacks in major markets like the U.S. and China, have shaken the company. These two markets alone contribute 50% of Nissan's global sales, making the situation even more dire. So, what went wrong?

Nissan's Fall from Grace

In the late 1950s, Nissan's Datsun models dominated the U.S. market with reliable and affordable cars. For decades, it was smooth sailing. But as the automotive world shifted towards hybrid and electric vehicles (EVs), Nissan fell behind.

Ironically, Nissan was an early mover in the EV market, launching the LEAF in 2010. However, the LEAF had a critical flaw: its battery required expensive repairs after 700 kilometers of driving. Although later models like the Ariya SUV found success in the U.S., they failed to significantly boost Nissan's EV market share, especially in China, the world's largest EV market.

Nissan isn't alone. Other Japanese automakers like Mazda, Mitsubishi, Honda, and Suzuki have also struggled due to their limited EV and hybrid offerings.

The Rise of Chinese EVs

Meanwhile, Chinese automakers have surged ahead. In 2023, they sold 8 million EVs domestically, accounting for nearly 60% of global EV sales. They also became the world's largest auto exporter, shipping 1.2 million EVs globally. Chinese brands like BYD, NIO, and SAIC's MG are dominating markets across Europe, Southeast Asia, Latin America, and beyond. Their success can be attributed to several factors:

Affordability: China controls much of the global battery supply chain, making EVs cheaper than gasoline cars.

Raw Material Supply: Chinese companies have secured stable access to critical raw materials like lithium and cobalt by investing in mining operations in Africa and Latin America.

Battery Recycling: By 2030, China is expected to handle 70% of global battery recycling, creating a sustainable and cost-effective ecosystem.

Government Support: Massive subsidies—over $200 billion from 2009 to 2023—have boosted China's EV industry.

Cutting-Edge Features: Chinese EVs offer smart tech, extended ranges, and advanced infotainment, appealing to younger, tech-savvy buyers.

Can Nissan and Honda Compete?

In response to these challenges, Nissan is considering a merger with Honda Motors. By pooling resources, they aim to develop EV technologies and introduce new hybrid and electric models by 2028. Honda has also pledged to shift entirely to battery and fuel-cell EVs by 2040.

However, competing with China will require more than new cars. The EV game is about building an ecosystem—local production, advanced battery tech, and recycling initiatives.

The Road Ahead

China's dominance in the EV industry has reshaped the global auto market. While Nissan, Honda, and other traditional automakers may have a chance to catch up, the road ahead is steep. Only time will tell if they can rise to the challenge or if China will continue to lead the charge.

By Shreelakshmi Nair

Update for the day #2276| What's cooking with Gold ETFs in India?

You got your salary recently and are looking to invest part of it to earn good returns. The stock market however feels a little too risky right now. So, you turn to gold. It's shiny, it's stable and it's been a symbol of wealth for centuries. And you soon realize there are just so many ways to invest in gold. Physical gold, Sovereign Gold Bonds (SGBs), gold funds… and then there are Gold ETFs. ETFs, you ask?

Imagine owning gold without needing a vault at home. Gold ETFs (Exchange Traded Funds) make it possible by slicing gold bars into tiny digital units that you can buy and sell like shares on stock exchanges. Each unit represents a fraction of a gram of gold, stored securely in your demat account. It's hassle-free gold ownership — simple, convenient and accessible. Fund houses in India purchase physical gold (99.5% purity), store it in empanelled bullion vaults, and create ETFs by dividing it into units. These units' prices trade on exchanges like BSE and NSE and move with market gold rates, making them a smart way to track the metal's value. And you get to invest in these units just as you do for your mutual funds.

And Indians are loving it.

To put things in perspective, in just four years, the physical gold held by these funds has almost doubled from 27 tonnes to a whopping 55 tonnes by October 2024. And it's not just the weight that's grown, the money pouring into these ETFs has skyrocketed too. Take the past 21 months, for instance. Domestic Gold ETFs attracted a whopping ₹12,450 crores in net inflows. To top it off, the period from November 2023 to November 2024 saw investments jump nearly fourfold from nearly ₹330 crores to ₹1,250 crores.

Trading volumes tell a similar story too. In 2024, Gold ETF volumes on Indian markets soared to about ₹26,500 crores, more than doubling from 2023. This simply means that with gold delivering a solid 13 to 14% compounded annual returns (CAGR) in rupee terms over the last five years, even a ₹100 investment five years ago would have grown to around ₹185, making it a rewarding investment. And this begs the question — what's driving this gilded migration?

For starters, the 2024 Union budget introduced a tax-friendly nudge. It slashed the holding period from 36 months to just 12 months. This means that earlier, you had to hold onto your Gold ETFs for 3 years to qualify for long-term capital gains, which were taxed at slab rates based on your income. But now if you hold onto your Gold ETFs for over a year, your gains are taxed at a flat 12.5% instead of being tied to your income slab. This clarity and tax efficiency have made ETFs a friendlier investment option.

Add to this the scarcity of new SGB issues are channelling investors to explore alternatives. Meanwhile, multi-asset funds in India have ramped up their allocation to Gold ETFs, reaching ₹6,400 crores by November 2024. And lastly, gold's allure has also grown globally due to market uncertainties and expectations of lower interest rates. So yeah, all those reasons seem to be driving India's growing love for gold ETFs lately.

But does that make them all goody-goody?

Not entirely we'd say. Because gold ETFs have their own set of quirks.

One of their less-discussed challenges is liquidity. Imagine owning a rare, expensive book that a few collectors want to buy. But if you wanted to sell it quickly, you'd struggle without lowering the price. Similarly, some Gold ETFs don't trade as often as popular stocks. So, selling large amounts quickly could impact your selling price in secondary markets (like the exchanges) or take

longer to find buyers at your desired price. This is especially true for ETFs that aren't widely held or as well-known in the market.

Then there's tracking error — the gap between the ETF's performance and gold prices. Imagine running a race with your friend timing you, but they're always a second behind. Similarly, while Gold ETFs aim to match gold prices, they often fall short due to market inefficiencies or even delays in replicating the actual spot price of gold. For instance, if gold prices rise by 10% annually, but your ETF delivers only 9.5%, that 0.5% tracking error eats into your returns. Over five years, a ₹5,00,000 investment could grow to ₹7,71,500 instead of ₹8,05,000, losing over ₹30,000 to tracking error alone.

Speaking of costs, Gold ETFs also come with an expense ratio, brokerage fees and transaction costs. Sure, physical gold has its costs too — making charges and GST, for instance. And yes, costs associated with ETFs are usually cheaper than those of buying, storing or insuring physical gold. But then, those costs with physical gold are mostly one-time expenses. While ETF fees recur annually, quietly nibbling away at returns. And let's not forget, gold itself doesn't generate income. Unlike stocks or bonds, it offers no dividends or interest (unless you're investing in SGBs). Its value depends entirely on market perception and macroeconomic conditions. So, overloading your portfolio with Gold ETFs could mean missing out on potentially higher returns from equities or other asset classes.

So then, how do we solve this debate?

Well, think of gold ETFs as a tool — not a hero or villain – in your investment toolkit. Their value lies in how you use them. Jumping in blindly or over-allocating could expose you to risks. And dismissing them entirely means missing out on their unique benefits. The key? Balance and strategy.

You see, gold has its cycles. It can shine bright for years but also lose its lustre in downturns, and we've seen this story in the past. And that's where diversification and allocation could help. So, pull out an excel sheet and take stock. What percentage of your investments is in gold overall? How much is in gold ETFs? And how does it all stack up against equities, bonds or other assets? If gold is tipping the scales, considering your risk tolerance and return expectations, it's time to recalibrate. By doing this, you can decide how much you'll allocate to gold each year — not too much, not too little, but just right.

Because while gold glitters, it's the smart strategy that truly shines.

By Bhavana B V

Update for the day #2277| Who benefits from farm loan waivers?

A few days ago, the Puducherry government made a partial payment of around ₹2 crores to Agriculture Co-operative Credit Societies.1 This was just the first instalment of the ₹12 crores in farm loans it had waived off between 2016 and 2022.

And farm loan waivers in India are hardly new. They actually go way back to the 14th century. Back then, Muhammad Bin Tughluq, the Sultan of Delhi, was one of the first to lend a helping hand to farmers with loans during tough times.2 Later, his successor, Firoz Shah Tughluq, forgave these loans altogether when famine and unrest shook the land.

Just like that in modern-day India too, farm loan waivers have become almost routine. The first major one came in 1990 under the Agricultural and Rural Debt Relief (ARDR) program, which waived loans up to ₹10,000 per farmer, distributing nearly ₹7,800 crores in relief.

Although the ARDR is long gone, loan waivers have remained a go-to move for politicians. They pop up in election manifestos almost all the time. And while the central government has only waived farm loans twice since independence, state governments often resort to them just before or during elections. If they win, they keep their word by forgiving part or all of the debt or interest that farmers owe.

But here's something you need to know. This loan waiver is not always a blanket benefit for every farmer. Political parties often pick which groups of farmers qualify — may be small and marginal farmers, or those who've taken loans from credit cooperatives. They then create a formula to decide which loans and how much of them can be waived off. And if they come into power, they set aside part of the budget to gradually reimburse banks, credit cooperatives or any other financial institutions for the losses they face because of these waivers.

The goal is to offer farmers relief from rising input costs, poor crop yields, bad weather and similar issues. And of course, it's also a way for politicians to win farmers' votes.

But do these waivers actually benefit farmers, you ask?

A SBI research report from 2022 shows that farm loan waivers aren't exactly the magic fix for boosting crop productivity, agricultural investments or even wages.

The reason is simple. Over 80% of farm loan waivers in some states went to "standard" loan accounts — basically, loans that were being repaid on time and weren't overdue. Or as the banks classify them, they weren't turned into non-performing assets (NPAs) or loans that are overdue for 90 days or more. And despite state governments waiving nearly ₹3 lakh crores in farm loans over the past decade (about 1% of India's current GDP), only about half of the eligible farmers have actually received these waivers, while the rest are waiting.

Now, you might think that this could just be a one-off finding.

But if you look at the past audits, like the one done by the Comptroller and Auditor General (CAG) on the FY09 farm loan waivers, you'll see that about 9% of waivers went to ineligible recipients, while 14% of eligible farmers missed out the benefit altogether.5

And that sort of tells us that farm loan waivers don't always reach the farmers who genuinely need them the most. Instead, these waivers might be doing more harm than good for the credit culture. When farmers see repeated waivers, they might think, "Why bother repaying if another waiver might come along?" Over time, even farmers who can repay might stop doing so, banking on the chance of more waivers in the future.

This indirectly kicks off a chain reaction for banks and financial institutions too. Because you see, when the government announces a loan waiver, many farmers simply stop repaying and those loans then turn into NPAs. And unless the government steps in with compensation, these loans remain NPAs and that ties the banks' hands. They're stuck with unpaid loans and can't extend fresh credit to these farmers.

The end result? Rising NPAs hurt credit growth. In fact, over the past decade, farm loan waivers across 18 states have driven up agricultural bank NPAs by 30–85%.6 And recently, in election-

bound states, public sector banks like Union Bank, Central Bank of India and SBI reported agricultural NPAs close to 25%, compared to just about 4% for private banks.

This also makes banks hesitant to lend to farmers who genuinely need credit. And that obviously isn't a good look for the economy, which not only struggles under the weight of NPAs but also gets heated up by inflation.

If you're wondering how, think about it this way. When banks are weighed down by NPAs, and the government steps in to cover those unpaid farm loans, it's tax revenue that's footing the bill. Money that could've gone towards things like infrastructure, healthcare or education ends up going to loan waivers instead. This strains the governments' budgets, pushing them into a deficit — meaning they spend more money than they bring in.

To cover that gap, governments borrow more, which does two things. One, it adds more money into the system without real growth backing it, fueling inflation. And two, as the government competes with the private sector for funds, it makes credit access harder for private businesses. Interest rates go up, making borrowing expensive and slow economic growth.

That's also exactly why economists and even the RBI (Reserve Bank of India) aren't fans of farm loan waivers. They can mess with the RBI's ability to manage the economy properly. Take this interesting example from a column by Tamal Bandopadhyay. He mentions how the RBI stepped in when a senior minister from an unnamed Indian state tried to push bankers into giving loans to farmers. The catch? The minister wanted the loans to be approved without checking the farmers' credit scores. And this was after a political party had stopped loan recovery agents from collecting payments from farmers who had defaulted.

So who really benefits from farm loan waivers? Not farmers. Not the economy. But political ambitions of parties trying to win votes.

But does that mean there's no better way for political parties to help farmers?

If politicians genuinely care, they could invest more in agricultural research and development (R&D), which was just a measly 0.4% of India's GDP in FY23.7 That number's been dropping over the years, and it could be holding back real agricultural progress. To give you a sense of scale, countries like Brazil invest about 1.8% of their GDP in agriculture R&D, while China invests 0.6%.

So yeah, if political parties promised to ramp up this investment and provide direct income support to farmers until these efforts start paying off, it would probably lead to real, long-term benefits — not just for them or the farmers, but for the entire economy.

By Namratha D V

Update for the day #2278| Are CEOs always to blame for a company's struggles?

Even if you're not a maritime expert, you probably know that a ship captain's job is pretty important at sea. They plan the route, make the big decisions and handle pretty much everything on board. But it's the helmsman who physically steers the ship, ensuring it follows the set course. These are different roles. Quite different, in fact: one more strategic and the other more tactical, yet both are essential for keeping the ship on track.

Now, think of a company. It wouldn't be an exaggeration to compare its CEO to a ship's captain, would it?

For starters, the CEO sets the vision, crafts strategies, and ensures the company stays afloat amid challenges. But when the waters get especially turbulent, they might also need to step in as the helmsman, taking direct control to navigate through storms.

Simply put, CEOs are always at the helm, whether planning or actively steering.

And this brings us to today's story.

Last week, a Reuters article gave an in-depth account of CEO Pat Gelsinger's tenure at Intel. He recently stepped down or, as some suggest, was ousted even before completing his planned turnaround of the company.

Here's what happened.

Intel was once the uncontested leader in computer chips. And they had a pretty sweet deal with TSMC, Taiwan's chipmaking giant, to manufacture their chips. But when Gelsinger took over in 2021, he had a lofty dream: to make Intel a key player in the "foundry" business. That's producing chips in-house, just like TSMC. He aimed to reduce reliance on the Taiwanese chipmaker and manufacture these indispensable chips on American soil.

The US government was enticed to believe in Gelsinger's vision and, through its CHIPS act, poured billions into bolstering Intel's domestic manufacturing ambitions. But things went south quickly when Gelsinger made some not-so-humble public remarks about Taiwan's geopolitical instability—further stating that relying solely on TSMC was not ideal due to Taiwan's strained relations with China.

Naturally, this didn't go down well with TSMC. They retaliated quickly by scrapping Intel's 40% discount on chip production, forcing Intel to pay full price. This hit profits hard. This was the first blow that shook the ground for Gelsinger. And then came the AI wave. Tools like ChatGPT boosted demand for AI chips, but Intel missed the train. With its cutting-edge GPUs, Nvidia became the go-to choice for AI applications, skyrocketing its stock price. Though Gelsinger had plans of jumping onto the AI bandwagon, Intel struggled to find its footing in this booming AI market.

Two major blows and Gelsinger's tenure was cut short. Sounds fair? Maybe.

A similar fate befell Starbucks' Laxman Narasimhan. Declining sales and plunging stock prices in key markets like the US, China, and India led to his abrupt exit despite his earlier stellar track record at McKinsey, PepsiCo, and Reckitt. Nike's John Donahoe, Nestlé's Mark Schneider, Boeing's Dave Calhoun, and Hertz's Stephen Scherr, each of them had to step down recently amid sales slumps, competition, or even a shrinking market.

In fact, according to exechange.com, 74 of the 191 CEOs who resigned from their roles in FY24 were allegedly forced out. So, here's the question: Is it fair to put the blame on the CEO alone

for a company's struggles?
Well, it's a tricky debate.
On one hand, CEOs are the face of the company. But let's not forget the fact that companies are complex ecosystems. The performance of a business isn't solely dependent on the person at the top. Market conditions, geopolitical factors, and even decisions made by teams below the CEO might influence outcomes. Take Hertz's Stephen Scherr as another example. His futuristic plan to electrify Hertz's fleet by buying 100,000 Teslas initially looked like a stroke of genius. His decision not only boosted Tesla's valuation but also positioned Hertz as a forward-thinking leader in the EV revolution.
However, when Tesla unexpectedly cut prices of its EVs, the resale value of those cars decreased, forcing Hertz to swallow a $245 million charge. Add to that weak demand and mounting losses, and suddenly, Scherr was not a great leader and was shown the door.
Could he have foreseen Tesla's pricing strategy or the lukewarm response from renters? Perhaps not.
Then there's the matter of execution. Even the best-laid plans can falter if middle management fails to deliver.
No doubt, it's one of the toughest jobs out there. CEOs have to navigate internal operations, external market challenges, and economic headwinds while maintaining profitability and stock value. They need confidence, adaptability, and the ability to make and revise critical decisions on the fly.
But on the flip side, with great responsibility comes great pay. You see, the average S&P 500 CEO earns 196 times more than the typical employee. Global CEOs earn hundreds of millions of dollars.
In India, too, these top bosses are paid handsomely. Wipro's former CEO, Thierry Delaporte, took home a whopping ₹167 crore in FY24. HCL Tech's C. Vijayakumar wasn't far behind with ₹84 crore, while Persistent Systems' Sandeep Kalra made ₹77 crore. The list is long.
This hefty compensation reflects the immense pressure and, more so, the expectations placed on their shoulders. If they earn this much, they had better be constantly on their toes and fulfil all their responsibilities.
And rightly so. When there is so much at stake, and the compensation is also massive, there cannot be much room for faults or bad decisions.
But when they falter, even the most respected leaders can be shown the door.
As Alan Lafley once said, "In football, if a team has a bad season, the players aren't the first to go—it's the coach or manager".

By Sakshi G Mudigoudar

Update for the day #2279| Is 100% electrification of Indian railways far-fetched?

The Story
Have you ever watched an old movie and noticed how loud the trains were?

That deep rumble came from diesel engines. Back then, you could hear a train coming long before you saw it! And if you were sitting inside, you'd feel that slight to-and-fro rocking motion. It was all part of the experience.

Cut to today you hop onto a train, and it's almost noise-free and stable, so you might not even realise that it's moving.

That's the magic of electrification!

But why talk about this today?

Well, Indian Railways is on a mission to go fully electric and become the world's largest "Green Railway", with plans to hit net-zero carbon emissions by 2030. And to get there, they plan to add 30,000 MW of renewable energy capacity by FY30.

And they're going full throttle towards this goal. The proof is the fact that since 2014, railway electrification has shot up nearly tenfold. And today, 97% of the Broad Gauge network runs on electricity. Oh, and if you're curious, a railway gauge just refers to the width of the track or the distance between the insides of the two steel rails. So broad gauge is simply the widest track.

In fact, India is outpacing many Western nations. For context, 60% of the European Union (EU) railways are electrified, compared to 40% in the UK and a measly 1% in the US. And since most of India's electricity is produced domestically, the shift to 100% electrification of railways could significantly reduce the need for imported oil, lowering the overall import bill.

Impressive, no?

However, while the progress so far is commendable, this journey has its hurdles.

For example, in the rush to replace diesel locomotives with electric ones, over 700 diesel engines are sitting idle, even though they could be used for another 15 years before reaching retirement. A handful of these old diesel-electric locomotives might even be repurposed and exported to African countries, helping clear the way for rail electrification.

But here's the catch. In addition to reducing greenhouse gas (GHG) emissions, this transition to electric engines is also a significant economic decision. Electrification isn't just about stringing up wires and flipping a switch. It requires massive investments, and these assets must be used intensively to justify the cost. Over the years, committees have calculated traffic break-even points or the minimum volume of freight or passenger traffic needed to make electrification economically viable.

And guess what? The results were shocking. Nearly 62% of railway routes fail to meet this threshold, meaning electrification on these routes doesn't make financial sense.

Why's that, you ask?

For starters, the Indian Railways play a crucial role in transporting coal from mines to thermal power plants. For perspective, nearly half of the Railways' freight earnings in FY24 were generated by transporting coal for various purposes. If we reduced our reliance on coal and shifted to other renewable sources, we would not need coal, and thus, the railways would not need to transport such vast amounts of coal, which would hit their revenues hard!

Then comes the issue of emergencies. Electrified routes depend entirely on power infrastructure. In power outages or cases of damage, diesel locomotives are often the unsung heroes, stepping in to keep operations running. And that's why the railways plan to retain 2,500 diesel engines out of the 4,000 we have today for 'disaster management and strategic purposes'. Another 1,000 will still be used for the next few years to handle the current level of train traffic and ensure that the railways can meet demand. So we won't really be moving away from fossil fuel powered trains.

And even though electric locomotives are cleaner than their diesel counterparts, a staggering three-fourths of India's electricity still comes from fossil fuels, with nearly half of it sourced from coal-fired power plants. So, while complete electrification may reduce diesel emissions near the tracks, the pollution merely shifts to thermal power plants, creating concentrated emissions elsewhere.

Plus, the railways' argument about cutting down on imported crude oil doesn't really hold up when you look at the numbers. In FY22, Indian Railways accounted for just 0.6% of the country's total petroleum consumption and an almost invisible 0.01% of the overall import bill. To put that in perspective, the railways sip on a mere 2% of the high-speed diesel we use. So, it's hardly moving the needle.

So yeah, at its core, the push for 100% electrification seems a bit far from practical. And until India's power grid runs predominantly on renewable energy and until economic viability aligns with environmental aspirations, the dream of a fully green railway will remain.

By Vishnu Bhushan B D

Update for the day #2280|Why India needs more import duties on Aluminium

Aluminium is a resourceful metal. Lightweight yet strong, endlessly recyclable, and versatile enough to be used in everything from soda cans to space shuttles. It's the second most used metal globally after steel, which cements its position as a strategic resource. And that's why many countries work hard to protect their aluminium industries, often using tools like tariffs and import duties to shape the flow of this essential metal.

Simply put, tariffs or import duties are extra taxes on goods coming into a country. They make imported goods more expensive, which helps local businesses compete by giving them a fair chance to sell their products.
You see, there are two ways to get aluminium. First, there's primary aluminium, made from ore called bauxite. And then there's secondary aluminium, which comes from recycled scrap. Think old car parts, airplanes or even kitchen utensils. So, if industries want aluminium, they have two choices: mined aluminium or scrap. But sourcing either of them in India has its own challenges.
Because here's the thing. India is the second largest producer of aluminium in the world. Yet, we don't consume as much aluminium as some other countries. To put things in perspective, the average Indian uses just 2 kg of aluminium per year, compared to the global average of 8 kg. But thanks to the push for initiatives like 'Make in India', the demand for it is skyrocketing. At the moment, we produce close to 4 million tonnes of aluminium annually, but we're already consuming 4.5 million tonnes. And by the end of the decade, that demand is expected to hit a whopping 10 million tonnes. So, we've no choice but to import the metal.

The catch though is that importing primary aluminium comes with a hefty 7.5% duty. Importing secondary aluminium, on the other hand, is cheaper at just 2.5%. Naturally, this has made cheap aluminium scrap imports the go-to option for India.

In fact, so far India has imported 1.8 million tonnes of aluminium scrap in FY25, more than double what it was a decade ago. Most of this comes from places like China, and it's wreaking havoc on the domestic aluminium industry.
If you're wondering why, it's because much of this scrap doesn't meet quality standards, undermining local producers. So it's no wonder that India's aluminium producers are up in arms. They've been demanding a uniform import duty of 7.5% on scrap (up from 2.5%) and a hike in duties on primary and downstream aluminium products (aluminium raw materials used in production) from 7.5% to 10%.
And this isn't new. Last year, they raised similar concerns, pointing out that imports now account for over 50% of India's aluminium demand, putting immense pressure on domestic players. The government has been listening, too. It has imposed anti-dumping duties on specific products such as anodised aluminium frames used in solar panels. But these measures barely scratch the surface of the problem.

For context, India's over reliance on cheap aluminium imports results in over ₹56,000 crores of annual foreign exchange outflow or 1% of India's import bill. In FY24 alone, aluminium imports shot up by 30% year-on-year, fueled by imports from China and free trade agreements with ASEAN and Middle Eastern countries.
Meanwhile, domestic producers have seen their market share plummet from 60% in FY11 to just 45% in FY24.

Consider China, which dominates global aluminium production, accounting for over half of it. Recently, China shifted its strategy to focus on exporting higher-value downstream products like

aluminium sheets and frames. These products are not only cost-effective but also of superior quality, making it even harder for Indian producers to compete.
Then there's the US, which has also ramped up protection for its aluminium sector, imposing anti-dumping duties on imports from many countries. This leads to excess aluminium being diverted to markets like India, further intensifying competition for local manufacturers.
Economy, impacting sectors that depend on the metal. Take automakers, for example. Companies like Jaguar Land Rover (JLR) rely heavily on aluminium for vehicle production. Any increase in import duties could raise their costs, squeezing margins and potentially leading to higher prices for consumers. And today, it's not just import duties, but a shortage of aluminium supply itself that's hurting carmakers like them.

Similarly, a spike in primary aluminium prices might drive up demand for recycled aluminium, straining supply chains and inflating costs in that segment too.
And let's not forget the environmental side of things, which just makes the whole issue even trickier. While aluminium is championed for its recyclability, producing primary aluminium is highly energy-intensive. A significant portion of China's aluminium production relies on coal-powered electricity, raising questions about the environmental cost of importing cheaper aluminium. So yeah, as the global push for sustainability gains momentum, countries might introduce carbon tariffs on aluminium imports, complicating matters for India.
Well, maybe it's time to take a cue from how global players are tackling this. Just look at countries like the US and Canada. They've long used tariffs to shield their aluminium sectors.

For instance, the US imposes a 10% tariff on aluminium imports, while Canada levies a hefty 25% duty on aluminium imports from China, among other restrictions. So, if India wants to nurture its aluminium industry, similar protections seem necessary.
However, as we just saw, protectionism could be a double-edged sword. Higher import duties could invite retaliatory tariffs from trading partners, as seen in 2018 when India imposed tariffs on US agricultural products in response to American duties on steel and aluminium. Additionally, increased duties might inflate input costs for industries reliant on aluminium, fuelling inflation and potentially slowing economic growth.

So the answer lies in striking a balance. Maybe staggered import duty hikes can do the trick? Or rolling incentives for domestic production, investments in recycling infrastructure and strategic trade agreements?

Whatever it is, the stakes are high. With Budget 2025 around the corner, all eyes are on the finance ministry. And the choices made in the months ahead won't just impact aluminium producers but the entire ecosystem built around this incredibly versatile metal.

By Vismitha V

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