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Foreword

We, the team at SURESH & CO., are delighted to present the latest edition of "EMERGING THOUGHTS." This publication brings together the diverse perspectives and insights of our aspiring Chartered Accountants and our experienced team members.

In today's rapidly evolving world, staying informed is not just beneficial, but essential. The pace of change in our interconnected world demands that we remain aware of local and global events, their implications, and their potential impact on our lives. We understand that staying informed empowers individuals to make informed decisions, navigate challenges, and seize opportunities.

At SURESH & CO., we foster an environment that nurtures both personal and professional development. We recognize that individual growth is intertwined with collective progress. Therefore, we actively encourage our team members to challenge the status quo, refine their critical thinking abilities, and broaden their perspectives. We believe that by embracing diverse viewpoints and fostering open dialogue, we can unlock the full potential of our collective intelligence. This collaborative approach not only drives innovation and excellence but also creates a stimulating and rewarding work environment for all.

This edition presents the initial insights of our young scholars. While these ideas offer valuable perspectives, they are still under development and may require further expert scrutiny. We encourage readers to engage with these topics and formulate their own informed conclusions.

Thank you for being a part of this journey. We encourage you to be inspired by "EMERGING THOUGHTS" as you contribute to the advancement of knowledge and innovation.

"There is nothing noble in being superior to your fellow men. True nobility lies in being superior to your former self." — Ernest Hemingway

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 #2281| Why SEBI wants to change stock closing price rules?

How do stocks get their prices?
"Come on, we already know this!", you might think. "It's basic economics. Demand and supply determine stock prices."

And you're not wrong. Once a company is listed on the stock exchange, buying and selling activity does dictate whether its stock price moves up or down.
But then, demand and supply don't directly decide a stock's closing price. Right now, in India, we use something called the Volume Weighted Average Price, or VWAP.
Sounds fancy, but it's simple enough. To calculate the closing price of a stock, market regulator SEBI (Securities and Exchange Board of India) looks at its price movements in the last 30 minutes of the trading day. But it doesn't just take the prices, it also looks at how many shares were traded at these price points. For example, if most trades happened at ₹100, that price carries more weight than a few trades at ₹110. It's like finding an average. But it's not perfect.

Because the VWAP system has its flaws, especially when it comes to passive funds. If you're wondering what those are, think of them as funds that track a market segment or mimic a stock market index, like the NIFTY 50 or BSE SENSEX. Fund managers here don't actively pick stocks. Instead, they simply buy or sell stocks in the same proportion as the index changes. That way their returns match the index as closely as possible.
But here's the catch. Passive funds base their trades on the closing price of stocks. And since closing prices are determined using VWAP, it can sometimes deviate the fund's performance from the main index. And the result of this is something called a tracking error or a small difference between the fund's returns and the index's performance.

To put it simply, imagine that a stock called Hello Ltd. mostly trades around ₹100–₹101 during the day. But right before the market closes, someone carries out a huge trade at ₹110. This outlier affects VWAP, pulling the average closing price down to ₹105. So now, while the index considers Hello Ltd.'s value as ₹110, the passive fund buys it at ₹105. This mismatch means that the fund pays less, while the index shows a higher return. And investors don't like that. And this issue is snowballing because passive funds in India now manage assets worth nearly ₹11 lakh crores. That's 6 times more than in 2020. Add to it the fact that the weight of Indian stocks is growing in global indices, and last-minute price distortions can have a big ripple effect. They can amplify the tracking error, making it harder for passive funds to mirror their returns.

But that's not all. On certain days, like index rebalancing days, when big changes happen to stock indices (think adding or removing companies), the stock prices can get pretty crazy in the last half an hour of trading. You could look at what happened when MSCI, a global index provider, updated its indices a few months ago. On those days SEBI noticed that the volatility in NIFTY 50 stocks during the last 30 minutes was at least 1.5 times higher than during the rest of the day. And for bigger companies in the MSCI Global Standard Index, the volatility was a whopping 3 times higher!
Besides, these VWAP quirks also impact derivatives. For the uninitiated, derivatives are financial contracts that get their value from an underlying asset like a stock, currency or commodity. And on derivatives expiry days, when these contracts are set to expire, volatility can mess with their value too.

That's exactly why SEBI wants to change how we calculate stock closing prices. It wants India to follow the lead of markets like the US, UK, Japan, Hong Kong and South Korea, and replace the VWAP by introducing something called a Closing Auction Session (CAS).
How will that change things, you ask?

See, in a CAS, an auction kicks off right after the market closes. Buyers and sellers submit stock price and quantity preferences. And the price at which most number of shares can be traded or where demand matches supply becomes the closing price. Quite simple. It aligns with market sentiment; minimizes tracking errors and avoids last minute distortions. To understand this, we could go back to Hello Ltd.'s example again. Let's say 300 buyers and sellers agree to trade Hello Ltd. at ₹101 during a CAS. Well, that becomes Hello Ltd.'s CAS closing price. Clear, fair and far less gameable than VWAP.

So yeah, this auction mechanism ensures transparency. Everyone gets to see the true demand and supply dynamics in action. No more abrupt trades skewing prices unfairly. Investors, especially those in passive funds, can breathe a little easier knowing that their trades are based on prices that reflect real market activity, and not anomalies. But hey, CAS isn't foolproof either. You see, when Hong Kong introduced it in 2008, it quickly ran into trouble. In just 10 months, they had to suspend it due to a manipulation loophole. Take the example of HSBC. As one of the world's largest banks, its stock heavily influenced Hong Kong's market. On a typical day in March 2009, its estimated closing price ranged between HK$37 and HK$38. But right before the market closed, a trader sold a massive 5 million shares, causing its price to plummet 10% to HK$33 in just a matter of seconds. But when the market reopened the next day, the price bounced back to HK$37.25, hinting that the dip was artificial.

The scandal forced Hong Kong to suspend CAS and reintroduce it years later in 2016 with safeguards. The new system only allowed CAS for major index stocks, capped price movements at ±5% from the last traded price and introduced the process in stages to monitor its effectiveness. And now, SEBI might follow suit too. It plans to roll out CAS in a similar way, starting with stocks that have derivatives and enough liquidity. This makes sure that the system is only applied to stocks that are actively traded, making it more effective.

The challenge, though?
CAS could be trickier for investors to grasp than VWAP. And it also requires strong technology to handle the auction process, match orders and prevent any delays or mistakes.
On top of that, it adds extra time to the trading day, which could lead to higher operational costs for brokers and exchanges — something that could be a burden for developing markets like India. So, will investors be on board with this change? Only time will tell.

By Kishore R

Update for the day #2282| An explainer on STRIPS bonds

The term *'sovereign bonds'* often pops up in the news. And chances are, you've come across it a few times. Simply put, a sovereign bond is a loan the government takes from investors. In exchange, it pays periodic interest and repays the full principal amount when the bond matures. That's how a bond works. Now, similar to sovereign bonds, large and small companies also issue these debt instruments called corporate bonds. When you invest in these regular government or corporate bonds, you receive periodic interest payments or coupons. But what do you do with those payments?

Investors usually reinvest these payouts. But there's a catch. If interest rates drop, reinvesting in something like an FD or another bond might not fetch the same high returns as your original bond. This uncertainty is called 'reinvestment risk'.

And that brings us to zero-coupon bonds. These don't have this issue because they don't pay periodic interest. Instead, they're sold at a deep discount, meaning you pay much less upfront than the bond's face value. At maturity, you receive the full-face value. The difference between what you paid and what you get back is your return.

For example, you might buy a bond with a face value of ₹1,000 for just ₹400. At maturity, say 10 years later, you receive ₹1,000. Your profit comes from the ₹600 difference between what you paid and what you get back. So yeah, there are no periodic payouts, no reinvesting and, most importantly, no reinvestment risk to worry about. Simple and hassle-free!

Certain zero-coupon debt instruments called G-SEC STRIPS have been in the news lately. Interestingly, trading in these securities has more than tripled since FY21 and grown more than 600% since FY19 because insurance companies and pension funds have become very fond of them.

Now, before we dive into the reason for this fondness, let's understand STRIPS bonds. STRIPS refers to *'Separate Trading of Registered Interest and Principal of Securities'*. A STRIP bond is a debt security in which the principal amount and coupon payments are stripped apart and sold separately.

For instance, say there's a 3-year bond with a face value of ₹1,000 and an annual coupon (interest) rate of 5%. If you buy it as a regular bond, you pay ₹1,000 and get ₹50 (5% of ₹1,000) every year for three years, with ₹1,000 itself returned at maturity.

But when converted into a STRIPS bond, this bond is split into four separate parts — three interest payments and one principal payment. Each part is then sold separately at a discount. The first year's ₹50 interest payment might sell for ₹45 since it matures soon. The second year's ₹50 might go for ₹40 because it's slightly further away. The third year's ₹50 could sell for ₹35 since it takes the longest to mature. And the ₹1,000 principal? It might be sold for, say, ₹700, to be redeemed in 3 years. So, each piece becomes its own little zero-coupon bond.

If you're wondering why this stripping of securities is needed, the main advantage is that investors can buy or sell them according to their needs, thus gaining flexibility in matching their investment goals without worrying about reinvestment risk.

You see, different investors may want different parts of the bond. Some might need a lower value and lesser duration coupon payment part, while others might want the guaranteed lump sum from the principal. If demand is high for both parts, their combined price in the market can end up being more than the price of the full bond. It's like selling a pizza as individual slices for more money than the whole pizza.

And how that works in favor of insurance companies and pension funds.

These companies have a pretty straightforward job: collect premiums today to ensure that they can pay insurance claims or pensions years or decades later. As easy as it looks, in reality, it's a tricky balancing act. They need investments that perfectly match their long-term obligations for all the money they collect. That's where STRIPS bonds come into the picture. This structure is perfect for insurers managing long-term liabilities. And this is because it gives them a guaranteed, stable return right when needed. No need to worry about reinvesting annual interest payments at unpredictable rates. It's predictable, it's stable and it eliminates guesswork.

There's another advantage too. STRIPS bonds offer portfolio flexibility. Insurers can select investments with precise maturity dates to match future payouts. Its "set-it-and-forget-it" approach works like a charm for these institutions with long-term goals.

There is another angle as to why insurance firms are keen on government STRIPS. Look, to ensure the safety of policyholder funds, insurers must invest a specific portion of their liabilities (the money they collect from people) in government securities. Life insurers must allocate at least 50% of their total investable funds to government securities, while general insurers must invest 30%. And no prizes for guessing that fixed-income government securities like STRIPS fit the bill perfectly.

Now, these STRIPS are only issued by the central government in India. However, insurers have recently been nudging state governments to convert their debt into STRIPS.

The reason? STRIPS issued by states are less liquid, which means a higher risk and also an extra return of about 0.3% to 0.4% over government bonds. That's a decent return bump for institutional investors like insurers and works perfectly in their favor.

While STRIPS are primarily popular with big players, retail investors can participate, too. They can access STRIPS through brokers or mutual funds specializing in these securities.

But there's a catch. If market interest rates rise later, the latest bonds with higher yields or coupons might outshine existing STRIPS, thus lowering their resale value. So yeah, STRIPS surely aren't a one-size-fits-all solution.

That said, the STRIPS market in India is still nascent and will likely take years to mature. It's a space worth observing to see how it evolves........

By Shriya G B

Update for the day #2283| All about Virtual Machines!

Virtual Machines (VMs) are software-based emulations of physical computers. They operate as if they were independent machines, each with its own operating system, CPU, RAM, and storage. However, these resources are allocated from the host machine, the physical computer running the VMs. This allows you to run multiple operating systems simultaneously on a single machine, making it highly versatile.

VMs offer numerous benefits. They enable efficient resource management by allocating resources to each VM based on its specific needs. This flexibility also makes them ideal for testing and development, as you can create isolated environments for new software or operating systems without affecting the host system. Additionally, VMs enhance security by isolating potentially harmful software within a contained environment.

In today's IT landscape, VMs play a crucial role in various scenarios. Cloud computing heavily relies on VMs to provide on-demand resources to users. Server virtualization allows organizations to consolidate multiple servers onto a single physical machine, reducing hardware costs and improving resource utilization. Desktop virtualization enables users to access their desktop environments from any device, enhancing flexibility and accessibility.

Overall, VMs provide a flexible, efficient, and secure way to manage computing resources, making them an indispensable technology in today's digital world.

By B S Shivani

Update for the day #2284| The Space Debris Problem: A Growing Threat to Space Exploration

The vast expanse of space, once considered an infinite frontier, is increasingly becoming cluttered with the remnants of human activity. Space debris, a term encompassing a wide range of objects from defunct satellites and spent rocket stages to fragments from collisions and even discarded tools, poses a significant and growing threat to the sustainability of space exploration.

With an estimated 900,000 pieces of debris larger than 1-centimeter orbiting Earth, the risk of collisions with operational satellites and spacecraft is ever-present. These objects travel at incredibly high speeds, often exceeding 17,500 miles per hour. A collision, even with a small piece of debris, can have catastrophic consequences, potentially disabling or destroying spacecraft and generating even more debris in a cascading effect. This chain reaction, known as the Kessler Syndrome, could render certain orbits unusable, severely hindering future space missions.

The sources of space debris are diverse and include:

Defunct satellites: Many satellites, after completing their missions, remain in orbit, becoming inactive debris.

Spent rocket stages: These discarded components of launch vehicles contribute significantly to the debris population.

Collision fragments: Collisions between objects in orbit generate numerous smaller pieces of debris, further increasing the risk of future collisions.

Explosions: The intentional destruction of satellites, such as anti-satellite missile tests, has generated significant amounts of debris.

The consequences of the growing space debris problem extend beyond the immediate threat to spacecraft. The destruction of critical satellites can disrupt essential services relied upon by billions of people worldwide. These services include:

Communication: Satellite-based communication networks enable global connectivity for telecommunications, broadcasting, and internet access.

Navigation: GPS and other navigation systems rely heavily on satellite signals for accurate positioning and timing.

Weather forecasting: Weather satellites provide crucial data for weather prediction and monitoring.

Earth observation: Satellites are used for a wide range of Earth observation applications, including environmental monitoring, disaster relief, and scientific research.

The loss of these critical services due to space debris collisions would have significant economic and societal impacts.

Addressing the space debris problem requires a multifaceted approach. Mitigation measures, such as designing satellites with deorbiting mechanisms to ensure they burn up harmlessly in the Earth's atmosphere at the end of their mission, are crucial. Active debris removal technologies, which involve capturing and removing existing debris from orbit, are currently under development and hold significant promise. By implementing effective mitigation measures, developing innovative debris removal technologies, and fostering international cooperation, we can safeguard the future of space exploration and ensure the long-term sustainability of our activities beyond Earth. International cooperation and the establishment of clear, enforceable space debris mitigation guidelines are essential.

By Manoj Kumar Y N

Update for the day #2285| Rs 12 Lakh Crore Loans Written Off in 10 Years: Half by PSU Banks in Last 5 Years

Commercial banks in India have written off a staggering ₹12.3 lakh crore worth of loans over the last decade, highlighting the challenges faced by the banking sector in dealing with non-performing assets (NPAs). Public sector banks (PSBs) accounted for a significant 53% of these write-offs, amounting to ₹6.5 lakh crore in the last five years (FY20-24). These figures were disclosed by the government in response to a query in Parliament. The scale of write-offs peaked in FY19 at ₹2.4 lakh crore, following an asset quality review initiated in 2015 to clean up bank balance sheets. However, this figure has steadily declined, with ₹1.7 lakh crore written off in FY24, representing only 1% of the total outstanding bank credit of ₹165 lakh crore.

Public sector banks remain key players in the Indian banking system, although their share of incremental credit has slightly declined from 54% in FY23 to 51% in FY24. Among PSBs, the State Bank of India (SBI), which accounts for about one-fifth of banking activity in the country, reported the highest cumulative write-offs of ₹2 lakh crore during this period. Punjab National Bank (PNB) followed with write-offs of ₹94,702 crore. In the current fiscal year up to September 2024, PSU banks have already written off ₹42,000 crore worth of loans. This is in stark contrast to the ₹6.5 lakh crore written off in the preceding five years, indicating a downward trend in write-offs as the banking sector stabilizes.

The government has clarified that these write-offs do not mean a waiver of borrowers' liabilities. Pankaj Chaudhary, Minister of State for Finance, stated that banks write off loans only after making full provisions for NPAs as per Reserve Bank of India (RBI) guidelines. Typically, this happens after four years of non-performance. However, the borrowers are still liable for repayment, and banks continue their recovery efforts. The write-off is; therefore, an accounting adjustment that helps clean up balance sheets but does not absolve the borrower of responsibility.

Banks employ multiple recovery mechanisms to deal with written-off loans. These include filing suits in civil courts and debt recovery tribunals, initiating action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (2002), and filing insolvency cases with the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC), 2016. Other approaches include negotiated settlements, compromises, and sales of NPAs to asset reconstruction companies. These methods ensure that write-offs are not a dead end but part of an ongoing process to recover dues.

The improving financial health of the banking sector is evident in the sharp decline in gross NPAs. Public sector banks have seen their gross NPAs ratio fall dramatically from 14.6% in 2018 to 3.12% in September 2024, reflecting better asset quality and stringent credit evaluation measures. As of September 30, 2024, gross NPAs for PSBs stood at ₹3,16,331 crore, while private sector banks reported ₹1,34,339 crore. Gross NPAs as a percentage of total loans were 3.01% for PSBs and 1.86% for private sector banks, showing that while PSBs have made significant progress, private banks continue to perform relatively better in maintaining asset quality.

Despite the significant write-offs, PSBs have recorded robust profits, underscoring their resilience and the effectiveness of reforms in the banking sector. In FY24, PSBs achieved their highest-ever aggregate net profit of ₹1.41 lakh crore, supported by improvements in asset quality and higher credit growth. In the first half of FY25 alone, PSBs reported a net profit of ₹85,520 crore. These numbers demonstrate that public banks are not only recovering from past challenges but are also positioning themselves strongly for future growth.

The declining trend in write-offs and improved profitability indicate that reforms and regulatory measures have started to bear fruit. The asset quality review launched in 2015, coupled with stricter provisioning norms, better risk assessment, and improved governance, has contributed to a healthier banking sector. Additionally, the introduction of the IBC has provided a framework for quicker and more efficient resolution of stressed assets, further boosting the recovery process.

While the volume of write-offs remains high, it is essential to understand them as a strategic tool for financial stability rather than a sign of weakness. By cleaning up their balance sheets, banks can redirect their focus toward expanding credit and driving economic growth. Public sector banks, in particular, have demonstrated remarkable resilience, and their improving performance will be instrumental in supporting India’s ambitious growth targets in the coming years.

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By Akhilesh Mandavilli

Update for the day #2286| 'Pilot declared mayday': What caused the Jeju Air plane crash in South Korea?

A Jeju Air flight from Bangkok to South Korea, with 181 people on board, crashed during landing on Sunday, leaving 179 dead and only two survivors rescued from the wreckage.
Officials said a Boeing 737-800, operated by low-cost carrier Jeju Air, was warned of a bird strike by the control tower during its first landing attempt at Muan airport, after departing from Bangkok around 9:00 am (0000 GMT).

Moments later, the pilot declared a "mayday" and tried to land again. Footage captured the plane attempting a belly landing, its landing gear still retracted.
All 175 passengers and four of the six crew members on board were killed in the crash. The passengers, aged three to 78, were all Korean apart from two Thais, authorities said.
Rescue workers rescued two survivors, flight attendants aged 25 and 33, from the wreckage.

What caused the accident?
Investigations have begun, with officials focusing on a potential bird strike and adverse weather as possible causes.
When asked whether the runway might be too short, one official said this was likely not a factor.
"The runway is 2,800 meters long," or 9,200 feet, "and similar-sized aircraft have been operating on it without issues," the official said.
Both black boxes -- the flight data recorder and the cockpit voice recorder -- have been recovered, deputy transport minister Joo Jong-wan said.

By Bhuvana S Bharadwaj

Update for the day #2287| Is 100% electrification of Indian railways far-fetched?

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 realize 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 elusive.

By Sudarshan Shanbhag

Update for the day #2288| Adverse Effects of Bitcoin Mining

Bitcoin mining, the process of verifying and adding new transactions to the Bitcoin blockchain, requires significant computational power. This energy-intensive process involves specialized computers solving complex cryptographic puzzles, consuming vast amounts of electricity. The environmental impact of Bitcoin mining is a significant concern due to its high energy consumption and the potential for greenhouse gas emissions.

A substantial portion of the energy used for Bitcoin mining comes from fossil fuels, including coal and natural gas. The reliance on these non-renewable energy sources contributes significantly to greenhouse gas emissions, exacerbating climate change. While there is a growing trend towards utilizing renewable energy sources like hydro and solar power for Bitcoin mining, the overall impact remains substantial, particularly in regions with limited renewable energy infrastructure.

The rapid obsolescence of mining hardware further compounds the environmental impact. As mining difficulty increases and more powerful hardware becomes available, older mining rigs become less efficient and are often discarded. This leads to a significant amount of electronic waste, with millions of discarded mining rigs contributing to environmental pollution and resource depletion. The disposal of these devices often involves improper recycling practices, leading to the release of hazardous materials into the environment.

Moreover, Bitcoin mining can have a significant water footprint, especially in regions reliant on fossil fuel-based energy sources. The generation of electricity for mining often requires substantial water resources for cooling and other operational needs. In regions facing water scarcity, the increasing demand for water by Bitcoin mining operations can exacerbate existing water shortages and create environmental challenges. The environmental justice implications of Bitcoin mining also warrant attention. Bitcoin mining operations are often concentrated in regions with lower environmental regulations, potentially leading to environmental injustices for local communities.

These communities may experience increased air and water pollution, noise pollution, and other environmental impacts due to the proximity of mining operations.
Addressing the environmental challenges posed by Bitcoin mining requires a multi-pronged approach. Promoting the use of renewable energy sources for mining, improving the energy efficiency of mining hardware, and implementing responsible e-waste management practices are crucial steps towards a more sustainable future for Bitcoin mining. Furthermore, continued research and development of more energy-efficient mining algorithms and hardware are essential to mitigate the environmental impact of this emerging technology.

In conclusion, Bitcoin mining presents significant environmental challenges, including high energy consumption, greenhouse gas emissions, electronic waste generation, and water consumption. While the potential for Bitcoin mining to incentivize the development of renewable energy infrastructure exists, it is crucial to address these challenges through a combination of technological advancements, policy interventions, and a commitment to sustainable practices.

By Aniket R Patil

Update for the day #2289| The Mishtann Foods debacle and lessons for investors

Over the weekend, I was battling a fever, and what better way to make the most of it than diving back into the classic *Scam 1992*? It's one of those shows that doesn't just entertain—it educates. Especially about how money can go astray in the stock markets.

One lesson that stuck is the story of *Mazda Industries and Leasing Ltd*. If you've seen the show, you'll remember this stock. In 1992, its price was soaring as if it were destined to become the next blue-chip darling of the market. But when journalist Sucheta Dalal investigates, she discovers the grim reality—a board outside an old door with a lock in a dilapidated building, a hollow entity with no operations, no employees, no management. Nothing. Nada. It was just a name on paper. And that's what we call a classic *paper company* – existence on just paper rather than in actuality.

And what was the fraudsters' game here? Simple. Get the stock price rolling sky-high, lure in unsuspecting investors, and then dump the stock when prices are high. The early movers walk away rich, while the late entrants watch their dreams—and their money—crash to the ground. And that's what happened. The stock of the company rose from ₹20 to ₹1,600, only to settle at about ₹75 in 1994. But why bring up Mazda today, you ask?
Well, because we've got a modern-day déjà vu. Enter Mishtann Foods Ltd.

Mishtann Foods began its journey in the world of cement. Yep, at its inception in 1981, the company was called HICS Cement. But in 1994, it saw some opportunity in the food processing sector, renamed itself Mishtann Foods Limited, and entered the business of basmati rice, wheat, dal and salt. Over the years, it became one of the top basmati rice processors, and today, over 90% of the company's sales come from the basmati market. But while the aroma of its rice might be alluring, the stench of its financials is overpowering.

Why do we say that?
Mishtann Foods crafted an illusion of booming sales and skyrocketing growth. But behind the doors, there was manipulation of the highest order. From sales of ₹5 crores in FY14, it went on to report a four-digit sale of over ₹1,200 crores in FY24. That's stellar growth. But it wasn't so stellar behind the curtains. fake buyers, sham suppliers and paper entities—many of which were linked to relatives of the company's management. These weren't real businesses and just created to inflate revenues and fabricate financial statements. The company's profits and cash flows also narrated a stark story. While the sales were rising, the profits weren't. In fact, in FY16, when it reported sales of ₹121 crores from ₹3 crores in FY15, the profits remained flat at zero. And they went on to remain like that up until FY17, when the sales were an impressive over ₹250 crores. as for the balance sheet and cash flows, one could see negligible assets. Negative operational cash flow. And inventory levels that didn't add up to the supposed sales figures. It was like watching a magician pull rabbits out of thin air. But the rabbits were numbers, and the magic was fraud.

Nevertheless, this was ignored by most as people went on investing while the company's stock price kept rising. Until recently, when many reached out to SEBI through the redressal platform called SCORES and pointed out a host of issues in 2022, including not only dummy sales but also GST fraud, inventory manipulation and income tax as well as bank fraud. It also highlighted that Hiteshkumar Patel, the company's Managing Director, was booked for a GST fraud worth ₹78 crores.
When SEBI reached out to the GST department, it found out the details were true and that the company was, in fact, manipulating its books. It also found out that the buyers and suppliers of the company were none other than the relatives of the company operating like paper entities. For

context, let's look at one of the key entities Mishtann Foods claimed to do business with—Arihant Corporation. As per the investigation, Arihant Corporation conducted transactions worth ₹175 crores with Mishtann. This meant Mishtann should have received these funds in their bank accounts. And it did…seemingly.

But here's the twist. The money Arihant "paid" to Mishtann actually came from one of Mishtann's own group companies basically a shell entity—before being funneled into Arihant. In reality, no actual funds changed hands. It was just a circular entry in the books. This gave the illusion of legitimate business and deceived investors into thinking the company was thriving. To make matters worse, some members of Arihant's management were also found to overlap with those of Mishtann Foods.

So yeah, it was like opening a can of worms.
But it didn't end there. SEBI decided to take a closer look at Mishtann Foods' books of accounts. But the company had a convenient excuse — claiming a fire in 2022 had destroyed most of its records, including income statements. When SEBI asked for the financials from FY23 and FY24, Mishtann simply couldn't deliver those either.The deeper SEBI dug, the murkier things got. Mishtann had also orchestrated *rights issues*—offering shareholders discounted shares under the guise of funding growth. But instead of building the business, the funds seemed to vanish into thin air. In 2024, for instance, close to ₹50 crores raised through a rights issue mysteriously found its way into the pockets of insiders, including related parties and directors.

The pattern was undeniable. Money flowed in from investors but ended up benefitting those on the inside. And as SEBI's investigation unfolded, the cracks turned into chasms. Fictitious transactions. Nearly ₹100 crores siphoned off. It was a house of cards held together by lies. SEBI didn't hold back. It banned Mishtann Foods and its management from accessing the securities markets for seven years. The company was ordered to recover ₹49.82 crores from the rights issue and ₹47.10 crores from bogus sales. And key executives, including the MD, were barred from associating with any listed company or SEBI-registered entity. It was a decisive move to protect investors and send a message to uphold the integrity of the market.
And maybe, just maybe, this move will offer some relief to retail investors who lost their hard-earned money after the stock's plunge.
But this story isn't just about Mishtann Foods. Because chances are you've already heard about the debacle by now.

We went on writing this post because it's about the lessons we, as investors, could learn which is that when something seems too good to be true, it often is. It's about remembering what Charlie Munger once famously said, *"When you locate a bargain, you must ask, 'Why me, God? Why am I the only one who could find this bargain?'"*
So yeah, if you're being handed extraordinary returns on a platter, it's worth asking why.
Take Mishtann's financials. They were screaming red flags. Sales were growing exponentially, but profits? Flat as a pancake. Cash flows? Negative. And promoter holding? On a steep decline in less than a year—from 49% by the end of 2023 to 43% in September 2024. In fact, Hiteshkumar Patel sold shares of the company between July and August and raised around ₹50 crores through it. The writing was on the wall for anyone willing to look closely.

And yet, during market euphoria, it's easy to miss these warning signs. The hope of riding the wave to quick profits blinds investors to the risks. Many convince themselves they'll exit just in time. But here's the harsh truth. Someone always ends up holding the bag, and more often than not, it's the retail investors. Today, lakhs of retail investors are stuck with Mishtann Foods. Their financial fate now hinges on whether the company can recover the misappropriated funds. It's a cautionary tale, reminiscent of the infamous Mazda during the Harshad Mehta scam. Back then,

Mazda's stock soared to dazzling heights, only to crash into oblivion.
So yeah, the next time a stock (or any opportunity) promises you the moon, pause and take a step back. Dig into the management's track record. Check how their shareholdings have shifted over the years and why. Scrutinise the financials — from the P&L statement to balance sheet, and importantly the cash flows. And then ask yourself the tough question — "Why me, God? Why me?"

And it's not a hard thing to do, really. Because as another Charlie Munger quote goes, *"It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent."*
In the markets, if it looks too good to be true, it almost always is. And sometimes, the smartest move you can make is simply avoiding being the last one holding the bag.

By Lohith M

Update for the day #2290| Specialized Investment Funds: Bridging the Gap Between Mutual Funds and PMS

The Securities and Exchange Board of India (SEBI) has unveiled a new investment vehicle, Specialised Investment Funds (SIFs), designed to cater to investors seeking advanced strategies beyond regular mutual funds but at a more accessible entry point than Portfolio Management Services (PMS). With a minimum investment threshold of ₹10 lakh, SIFs offer a unique blend of features that appeal to seasoned investors.

Advanced Investment Strategies with Greater Flexibility

SIFs provide investors with exposure to a variety of asset classes, including:

- Equity
- Debt instruments
- Real Estate Investment Trusts (REITs)
- Derivatives like Futures and Options (F&O)

These funds allow asset management companies (AMCs) to pursue diverse investment strategies. Depending on the chosen strategy, an SIF could offer a higher risk-reward profile compared to regular equity mutual funds, making it an attractive option for investors looking for sophisticated investment opportunities.

Addressing a Long-Pending Demand

The launch of SIFs fulfils a long-standing demand for a product that strikes a balance between the simplicity of mutual funds and the exclusivity of PMS. While PMS offers exotic strategies, the high minimum investment threshold of ₹50 lakh has kept it out of reach for many investors. SIFs, with their lower threshold, bridge this gap effectively.

Structured Like Mutual Funds, Taxed Similarly

SIFs will follow the mutual fund structure, which includes similar investment and redemption procedures. Importantly, they will also receive comparable tax treatment, ensuring ease of understanding for investors and fund managers alike.

Additionally, mutual funds' operational simplicity contrasts with the complexity of PMS, where portfolios are managed individually, making SIFs more streamlined.

Investor Protection Through Regulatory Safeguards

To safeguard investor interests, SEBI has introduced certain limitations for SIFs:

- A maximum of 10% investment in any single listed company.
- A 20% cap on investments in debt securities from a single issuer.
- Government securities (G-Secs) and treasury bills (T-bills) are exempt from these restrictions.

Fund managers must also obtain certification from the National Institute of Securities Market (NISM), ensuring professional oversight and adherence to best practices.

Opportunities for Fund Managers

The SIF structure empowers fund managers to explore a range of strategies, from bold investment bets and exotic derivative strategies to diversified asset exposure tailored to market conditions. This flexibility allows fund managers to optimize risk-return profiles based on prevailing market environments.

Fee Structure Within Mutual Fund Regulations

SIF fees and expenses will adhere to Regulation 52 of the mutual fund regulations, ensuring transparency and fairness. This alignment with mutual fund fee structures provides investors with a familiar framework for cost management.

A New Chapter in Investment Offerings

Introducing Specialized Investment Funds marks a significant evolution in the Indian investment landscape. By offering advanced strategies, a moderate entry threshold, and robust regulatory safeguards, SIFs are poised to attract a diverse pool of investors looking for innovative solutions to meet their financial goals.

By Suhan Bammigatti

Update for the day #2291| Damned If You Don't Dam It!

China's reported decision to build Three Gorges like mega hydel project on the Yarlung Tsangpo (Brahmaputra in India) is not just a strong reminder on the piling security costs attached to the delay in commencing work on the Upper Siang Hydroelectric Project in Arunachal Pradesh, but also a wake-up call on the need to treat water infrastructure building along the Himalayan rivers as a strategic imperative.

Hydel projects are just as important as border roads. It took India decades to realize that its policy of not building roads along the China border was counterproductive. By the time New Delhi got a grip of reality, Beijing had built all weather blacktop roads on the other side of the Line of Actual Control.

As India countered, standoffs and skirmishes increased. Now, when India and China have just completed a troop disengagement process after a four-year close-contact forward deployment, Beijing's move on Yarlung Tsangpo only raises more doubts on its overall political intent. Not to forget, resuming river water conversation is one of the items on the agenda of normalization of relations.

But clearly, China appears to be drawing its line on the Brahmaputra river even as it talks de-escalation on LAC.

The over 10,000 MW Upper Siang project provides an answer, but in this case, India is up against domestic political compulsions. The status of the project is that the National Hydroelectric Power Corporation needs to do some drilling work to carry out geological studies, important to the process of finalizing the site. However, this has not happened because of local protests.

The facts are that China's project is likely to be in Namcha Barwa on the Great Bend, where Yarlung Tsangpo makes almost a U-turn to enter India. Any divergence of water will adversely impact the flow of Brahmaputra during the non-monsoon months. This could stretch to four-to-five months a year. Thereafter, the river benefits and enlarges from the Indian monsoon rain.

A large storage, as envisaged in the Upper Siang project, will cover for these months and help the local population against the possibility of China weaponizing the Yarlung Tsangpo before it enters India. This political communication has, thus far, not succeeded locally, also complicated by the fact that one of the towns likely to be submerged is Yingkiong, which is the constituency of former Arunachal Pradesh chief minister Gegong Apang.

Similar delays on the 850 MW Ratle project on River Chenab allowed Pakistan the space to lobby with the US as well as the World Bank and drag India to a bizarre arbitration, where two parallel processes are going on simultaneously. India now wants a complete relook at the 1960 Indus Waters Treaty and has sent four notices to Pakistan.

India is an upper riparian country with Pakistan and a lower riparian with China. So, the situation is not fully comparable. But the solution to problems on both fronts is similar: Build efficiently, build fast.

The reason is that trust stands eroded with both countries. The last agreement India had with China on sharing of hydrological data for Brahmaputra and Sutlej has expired. The Indus Waters Treaty was a more robust affair, which allowed Pakistan legal options to hold up even run-of-the-

river projects on the tributaries of Indus in India.

In other words, India seems to have had a rough deal with legal instruments with both countries. While it has none to tie down China as a lower riparian country, it has to contend with a strong treaty with Pakistan as an upper riparian.

The way through this conundrum is just like with border roads, India has no option but to build hydel projects with strategic urgency, keeping in mind that it's on the receiving end of what China is doing — be it environmental like glacial lake outburst flood (Glof) or water security like the Yarlung Tsangpo plans.

By Rakshith Bharadwaj Y

Update for the day #2292| Nissan's troubles and the dawning of Chinese EVs.

Japanese carmakers are struggling. In fact, reports suggest that Nissan is on the brink of bankruptcy. Its sales have declined, its profits are at an all-time low, and it has to cut costs tremendously. That's also why it's closing operations in a few places in its two major markets, China and the US. Each of these markets contributes nearly 25% to its sales. And to top it all off, it is scaling back in other regions, such as South Asia too. So, what went wrong with Nissan, you ask? Let's take it from the top.

Nissan's Datsun model captured the American car market in the late 1950s with its reliable and affordable cars. It was smooth sailing for more than six decades. However, as the automotive world evolved, hybrid gasoline-electric vehicles started gaining popularity worldwide. Failing to launch competitive models, Nissan began losing its sheen. Meanwhile, China's electric vehicle (EV) market took off. Domestic manufacturers, mostly electric ones, flooded showrooms with cutting-edge EVs at affordable prices. And Nissan simply couldn't match the momentum. Ironically, Nissan was ahead of the curve in the EV space when it launched the LEAF, a fully electric car, in 2010. However, LEAF had one major flaw. Its battery could only assist in travelling 700 kilometers before needing expensive repair work. Now, even though Nissan had other better EVs in its portfolio, like the Ariya SUV, which found immense success in the US, these couldn't increase its EV market share meaningfully, especially in China and other emerging markets.

Not only Nissan but also other Japanese legacy players like Mazda, Mitsubishi, Honda, Suzuki and Isuzu have been facing similar setbacks in declining sales, partly due to their limited offerings of plug-in hybrid or fully electric models. Now, despite these setbacks, Nissan refuses to give up. It is considering a merger with another Japanese giant, Honda Motors, to navigate the challenging auto market. Both companies hope to notch up their game by pooling resources to develop essential EV technologies in-house.

Also, Nissan plans to introduce new hybrids and EVs in the US by 2028, while Honda is targeting a complete shift to battery and fuel-cell EVs by 2040. So, considering these targets, the merger seems the right move right now. But that begs the question. Can they actually compete with the Chinese EVs that have taken the world by storm? To understand that we'll have to take a closer look at the numbers. In 2023, Chinese car manufacturers sold an eye-popping 8 million EVs in their domestic markets, making up nearly 60% of global EV sales. That's not all. In 2023, China clinched the title of the world's largest auto exporter from Japan, shipping over 1.2 million EVs out of 4 million cars worldwide. And these EVs are making waves in every corner of the world.

Take Europe, for example. Chinese brands like BYD, NIO and SAIC's MG are gaining ground with affordable, chic and feature-packed EVs like the MG4. You can spot numerous MG models in India, too. In Southeast Asia, the story is quite similar. Thailand has seen EV registrations quadruple, with Chinese companies dominating the market. BYD even set up a production plant there in 2023. Similarly, newer Chinese players like Chery and NETA outpaced traditional Japanese brands like Honda and Nissan in Malaysia. Meanwhile, Indonesia's bestseller is Wuling's Air EV, which is Chinese again. Chinese automakers also made inroads into Latin America, Africa, and the Middle East. In Brazil, Chinese BYD and Great Wall are leading a surge in EV registrations, with BYD even setting up its first plant in Brazil to produce EVs locally.

In Uzbekistan, electric car sales rose after BYD partnered with UzAuto Motors to produce 50,000 EVs annually. In Jordan, EV sales already represent over 45% of the market, thanks to its much lower import duties on EVs than on ICE vehicles. Even Tesla was replaced by Chinese rival BYD,

which became the world's top-selling electric carmaker at the beginning of 2024.So, what's driving China's EV success, you ask? For starters, affordability. China is the undisputed king that controls much of the global battery supply chain. While it makes its own batteries, the rest of the world depends on China for them. Over 60% of EVs sold in China last year were cheaper than gasoline cars, thanks to China's battery-production ecosystem, which makes batteries cost-effective and sustainable.

In addition, it's been busy securing a stable supply of critical raw materials (CRM), like lithium, nickel, cobalt, etc., needed for battery production. In African countries, for instance, Chinese companies have invested heavily in mining operations with tremendous reserves of these rare metals. In Latin America, China has also grabbed stakes in lithium mines in Argentina and Chile. And as you probably know, lithium is the lifeblood of EV batteries. China's foresightedness for battery production technologies and raw materials has paid it quite well!

But it doesn't stop there. China is also gearing up to own the battery recycling market. By 2030, it might handle upwards of 70% of global battery recycling. Now, that's a big deal. This means that China can create a circular economy, reuse materials and reduce the need for fresh raw resources for battery production. Plus, you can't ignore the Chinese government pumping massive subsidies for electric car manufacturers, making their journeys a whole lot smoother. To put things in perspective, China's electric vehicle industry received upwards of $200 billion in government subsidies and aid from 2009 till the end of 2023. Not just this, Chinese EVs are packed with state-of-the-art features, from extended ranges to smart tech integration. These vehicles naturally appeal to younger, tech-savvy consumers who value features like advanced infotainment systems and autonomous driving capabilities. So yeah, this was the long and short of it. While Nissan and Honda's merger might give them a fighting chance, the EV game isn't just about cars anymore—it's about building an ecosystem. China is miles ahead with localized production, advanced battery tech and recycling initiatives that lower costs.

By Bhumika Pareek

Update for the day #2293| The economics of the world's largest lottery

Popcorn is causing quite the stir in India! A 5% GST (Goods and Services Tax) on non-branded popcorn, 12% on branded ones and a steep 18% on caramel popcorn, thanks to the added sugar, has left everyone annoyed. It's got people wondering why taxes feel more like a punishment than a way to boost the economy.

But what if there was a method to raise taxes without people even realizing it? As a matter of fact, there actually may be. Enter lotteries. A lottery is a system where people buy tickets for a chance to win prizes. But here's the thing. After distributing the prize money, whatever's left from ticket sales becomes the organizer's income. Now, imagine if the organizer was the government. By running the lottery, it could use the leftover funds to plug budget deficits or finance important public projects. People get to enjoy the thrill of winning, and the government raises funds, without sparking outrage. Seems like a win-win, doesn't it?
And this isn't some random thought we pulled out of thin air. It's something Spain has done every Christmas for over two centuries.

Every year, in the days running up to Christmas, Spain gears up for the world-famous "El Gordo" lottery, run by the government's national lottery company. Literally translating to "The Fat One" this isn't your regular lottery. Lotteries normally have one big winner and a handful of smaller prizes. But El Gordo is different. It has a massive prize pool, with the prize money split among people who buy parts of the same ticket. So, families, friends or co-workers, often from the same village or neighbourhood, get to share in the winnings if they buy the lucky one. It's like an entire community winning together! And the winnings can be massive. For context, a standard €20 ticket can win €20,000 for each euro played if it hits the top prize. Even the second and third prizes offer impressive returns of €6,250 and €2,500 per euro, respectively.

This year, the prize pool was €2.71 billion, a little more than last year's €2.59 billion. And a few days ago, the top prize of €4 million was shared across 193 tickets. Over half of it went to a basketball club in Madrid, while a big chunk of the rest went to communities in Logroño, a city known for its wine. And since tickets can be split into 10 parts, each winning group ended up with around €400,000. And thanks to this massive prize pool, El Gordo isn't just a fun holiday tradition or the world's longest-running lottery; it's also the biggest lottery on the planet and an economics lesson too!

If you're wondering how, well, it all started back in 1812 as a way for Spain to raise money for troops fighting against Napoleon. Because obviously, taxing citizens during a war isn't a great idea. So, a lottery was just a clever way to fund the war without causing too much frustration among the people.
Over the years, El Gordo became such an iconic part of Spanish culture that the government kept it going and even used the proceeds for social causes and national projects, after paying out the prize money and covering costs. After all, it makes up about 0.3% of the government's total revenue. But that's only half the story. El Gordo doesn't just fund development, it also gives a huge boost to the Spanish economy. How's that, you ask?

Well, one answer is simply something called an income shock. You see, almost everyone participates in El Gordo since it's a beloved Christmas tradition. And on average, the lottery creates an impact worth about 0.2% of Spain's GDP. But in provinces where the big prizes land, it can jump to nearly 3% of the local economy!
And the optimism that comes with winning, sparks a spending spree. People in the winning region start spending more, with mostly the younger crowd splurging on things like furniture, vehicles and motorbikes.

But the impact doesn't stop at consumption. It also triggers a drop in unemployment, at least in the short term. For context, a study by the Centre for Economic Policy Research found that unemployment can drop by 0.1% to 0.3% about 14 months after a region wins. And this decrease can last for about two years before going back to normal. Besides, during tough times, like a recession or even the pandemic, the effect is even stronger. Unemployment can fall by as much as 0.5%, even though it could take up to 2.5 years for this full effect.

The reason is simple. Lottery winners who were earlier used to saving for a rainy-day start spending their money instead. This reduces their precautionary savings. And the increased consumption creates a ripple effect. Businesses start popping up to meet the new demand, leading to more jobs and lower unemployment in the process. And since El Gordo rolls around every year, this cycle of economic boost keeps repeating, year after year. But, of course, there's a catch. El Gordo can also open the door for money launderers looking to clean up their illegal cash. And that's because in Spain, lottery winnings are tax-free up to €40,000. This makes winning tickets pretty irresistible for people trying to hide dirty money.

These smart folks approach legitimate lottery winners and offer to buy their winning tickets for more than what they're actually worth. Let's say a ticket is worth €1 million. A money launderer might offer the winner €1.1 million instead. The winner gets more money than they initially won, while the launderer now has a clean ticket to explain their sudden wealth. They could simply claim that it came from the lottery.
So, while the lottery is a great way to boost the economy and spread festive vibes, it also has a darker side that could drain money from the government's pockets.
Now, imagine if a country like India introduced a traditional lottery like El Gordo every year. Not only could it help cover budget deficits and fund development, but it could also work wonders since lottery winnings in India are taxed at a flat 30%.

By Nayana H G

Update for the day #2294| The Jurassic World unveiled!

The Jurassic Period, spanning from approximately 201.3 to 145 million years ago, was a time of significant change and diversification for life on Earth. Following the mass extinction event that marked the end of the Triassic Period, dinosaurs began to flourish and dominate the terrestrial ecosystems. The Jurassic climate was generally warm and humid, with high sea levels and extensive shallow seas. This environment supported a diverse array of life. Lush vegetation, including ferns, cycads, and conifers, blanketed the land, providing abundant food for herbivorous dinosaurs.

Giant Sauropods:
The Jurassic is perhaps most famous for its iconic sauropods – colossal, long-necked herbivores. These giants, such as Brachiosaurus, Diplodocus, and Apatosaurus, roamed the Earth, browsing on treetops and dominating the landscape. Their sheer size and mass continue to amaze and inspire awe.

Other Notable Dinosaurs:

- **Theropods:** Alongside the sauropods, a variety of theropods, a group of bipedal dinosaurs, thrived during the Jurassic. This group included predators like Allosaurus, as well as smaller, more agile hunters.
- **Stegosaurus:** This iconic dinosaur, with its distinctive plates and spiked tail, was a common sight in Jurassic landscapes.
- **Plesiosaurs and Ichthyosaurs:** These marine reptiles were apex predators in the Jurassic seas, ruling the waves alongside giant marine crocodiles.

The oceans of the Jurassic were also teeming with life. Plesiosaurs, with their long necks and paddle-like limbs, and ichthyosaurs, streamlined predators resembling dolphins, ruled the waves. These marine reptiles, along with giant marine crocodiles, formed a formidable apex predator guild in the Jurassic seas. The Jurassic Period also witnessed a significant evolutionary event: the emergence of early birds. Archaeopteryx, a transitional fossil, provides compelling evidence for the evolutionary link between dinosaurs and modern birds. This discovery revolutionized our understanding of dinosaur evolution and their place in the grand tapestry of life. In conclusion, the Jurassic Period was a time of remarkable change and diversification. The rise of dinosaurs, the flourishing of marine life, and the emergence of early birds all contributed to shaping the course of life on Earth. The Jurassic provides a fascinating glimpse into a world dominated by these magnificent creatures, offering valuable insights into the history of our planet.

By Gaurav Y

Update for the day #2295| 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. 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.

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?

Well, not really.
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. 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%. 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?

Actually, there is. 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. 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 Srikhar MR

Update for the day #2296| The biggest crypto scam in history?

In 2016, Ruja Ignatova, a Bulgarian-born German businesswoman addressed a cheerful crowd at Wembley Football Arena in the United Kingdom.

She passionately exclaimed, "OneCoin is on course to becoming the world's biggest cryptocurrency so everyone can make payments everywhere!" She swore that it would be a "Bitcoin Killer", and that nobody would ever speak of Bitcoin in the years to come.

By then, the British had already spent almost €30 million on OneCoin. And extravaganzas like the one at Wembley only helped increase the rate at which these folks' poured money into this strange opportunity.

They'd seen how the renowned success of Bitcoin, a groundbreaking decentralised digital currency, reaped substantial profits for its early backers. And many of them who could not capitalise on this trend, did not want to miss the bus again.

Between 2014 and 2017 investors from Hong Kong to Pakistan to Canada … and even Palestine invested over €4 billion in OneCoin.

But in 2017, OneCoin's anxious investors, who failed while desperately trying to convert their coins into cash, attended a gathering at Lisbon, Portugal. They wanted answers and waited for explanations from Ignatova. And guess what?

She never showed up.

Ever since, many international agencies including the FBI (Federal Bureau of Investigation) have been investigating her whereabouts. But who is this mysterious woman? And how did she even manage to pull off such a legit looking cryptocurrency scam?

Well, let's take it from the top. In 2014, Ignatova partnered with Karl Sebastian Greenwood to start a cryptocurrency. They called it OneCoin.

Now you'd think that it would work just like any other cryptocurrency. It would probably have to be mined on a decentralised network of sorts called a blockchain. For context, a blockchain is a ledger where every cryptocurrency transaction gets recorded and validated. And it's decentralised because it can run without any oversight or control from a single person, a central authority or even a government.

But with OneCoin things were different. Investors would just have to enrol for a OneCoin membership. These packages cost anything between €140 to €118,000. The bigger the package, the wealthier you'd become because the scheme was simple. OneCoin would sell educational course material with every package their investors bought. These courses covered stuff like cryptocurrencies, trading and investing. And this was considered OneCoin's main business.

Another thing that also came with these memberships was tokens to buy OneCoins. These OneCoins could be converted into cash on an exchange that the company built. So, investors could buy expensive Gucci's, Lamborghinis, villas or anything else they wanted. And since their coins would determine their value from the demand and supply on a blockchain it operated over, more people would mean a stronger OneCoin and richer investors.
It was quite a sparkling get rich quick scheme. And people were getting rich for real too. Because

here's what we didn't tell you. OneCoin's packages also lured its investors to sell OneCoins to their friends, family and acquaintances, so that it would eventually build a network and rake in more money.

To put things into perspective, imagine that you pay €1000 and buy a OneCoin package. You get access to courses, and tokens to more OneCoins. You then tell two of your friends to buy it. You tell them how amazing OneCoin's content is and that they can actually buy expensive stuff a few years later with the OneCoins they have. If you successfully convince them, you earn a cut for hiring new people. They carry forward this chain and the more people all of you have working under you, the more money you make.

If your friends don't want to join the scheme, that works perfectly too. You can still make money by just selling OneCoins.

And for it to seem genuine, OneCoin started off with large multi-level marketing agencies that already had established networks of people. These agencies would obviously be able to quickly sell more OneCoins and memberships. So, it would create the perfect mirage of huge earnings.

One successful multi-level marketer based out of the Netherlands for instance, was able to make a whopping €90,000 in his first month itself! And many marketers like these would be invited to expensive parties and events like the one Ignatova hosted at Wembley. That's how tactfully OneCoin expanded its network. It was an apt pyramid scheme.

But for OneCoin's investors it was a flawless money minting machine backed by an Oxford alumnus, a PhD holder from Konstanz and an ex-employee of McKinsey and Company, a respected management consultancy firm. Yeah, Ignatova had quite an impressive background.
All of it seemed to be working just fine until one phone call changed everything. A few months after the Wembley's event, Bjorn Bjercke, a blockchain expert got a rather shocking job offer. The recruitment agent who contacted him offered him a hefty pay package and perks.
His role? — Create a blockchain for OneCoin!

Now, you can imagine what a whammy that would be. A cryptocurrency company had been operating for nearly 3 years without a blockchain!

And that tip off was enough to bring everything down like a house of cards. Bjercke blew the whistle on OneCoin and soon enough cryptocurrency enthusiasts discovered the truth. They found out that Ignatova and her partners in crime were manually assigning values to OneCoin. That's how its value really exploded. The course material they sold was mostly plagiarised as well. These folks tried to alert OneCoin investors too. But the trust Ignatova had built was hard to break. Several global governments like Bulgaria, Finland and Norway even began cracking down on OneCoin's shenanigans. And in 2016, the Hungarian Central Bank warned that 'OneCoin' was a pyramid scheme. But despite these red flags, investors refused to believe that their 'Cryptoqueen' could be a scamster.

They only began to smell something fishy when OneCoin's exchange began to fall apart. See, investors who owned coins could convert their coins to cash whenever they wanted, on a private exchange called xcoinx dot com. OneCoin obviously paid them from a pool of wealth they'd created. It was like paying old investors with new investors' money. That's how pyramid schemes work.

And since this exchange set daily limits on how much of their OneCoin balance investors could sell, there wasn't a risk of investors withdrawing their money all at once. But at the beginning of 2017, OneCoin abruptly shut down its exchange on the pretext of being under maintenance.

Investors couldn't cash out. And weirdly, it never reopened.

The only way for investors to know what was really happening was to attend the OneCoin event at Lisbon where Ignatova would make an appearance. That unfortunately, never happened and it all began to make sense. Ignatova vanished into thin air, leaving her accomplices in trouble. Greenwood was sentenced to 20 years in prison and was ordered to pay up $300 million last year.

As for Ignatova, chatter around her plausible death has been doing the rounds since the last few days. Investigations suspect that a Bulgarian drug lord who she hired to protect her may have actually killed her.

But without real proof the FBI won't strike her name off their top 10 most wanted fugitives list. Could that mean that Ignatova is still alive? Well, we can't really tell. For all you know, she could be smartly faking her death to divert the attention of investigators, while living her best life on a yacht with the billions she swindled.

By Harshini M

Update for the day #2297| A secret about the UK property market

Real estate has long been the favourite asset class of the wealthy. Globally, high-net-worth individuals, on average, allocate about 33% of their total assets to real estate. And it's easy to see why. While stocks or bonds swing wildly with market conditions, real estate, whether residential or commercial, has proven to be a stable, tangible investment that typically appreciates over time. And it's not just local investments. Because the affluent often diversify their property portfolios globally. Some do it for prestige, others for smart diversification. And amongst global destinations, the UK, particularly London, has long been a favourite for the ultra-rich, including Indians. Why's that, you ask?

For starters, foreign nationals can buy residential homes, commercial spaces, mansions, and warehouses in the UK and even rent them out. The country offers rock-solid property rights, meaning once you buy real estate, it's yours, without the fear of sudden policy changes jeopardising ownership!

Then, there's currency diversification. The British pound is one of the world's most stable currencies, offering Indian investors a hedge against rupee fluctuations. London's status as a global financial hub also ensures a booming rental market with an ever-increasing population of students, professionals, and expats, and this ensures fairly decent rental yields. And with housing demand often outpacing supply, UK property values have held strong despite economic ups and downs.
No wonder Indian UHNIs (Ultra High Net-Worth Individuals) are drawn to UK real estate. Over 14% of their real estate investments are outside India.

But here's the catch. While UK real estate is a gold mine, it's also a playground for the ultra-rich to dodge taxes. For them, big investments aren't just about returns. They're also about wealth protection, which sometimes means exploiting tax loopholes. And the UK real estate offers a particularly effective way to do that.

So, instead of buying properties directly, these UHNIs invest through offshore companies that legally own UK real estate. These companies are often established in tax havens like the British Virgin Islands, Guernsey, the Cayman Islands, etc. This setup helps them bypass taxes while also ensuring total anonymity.

Let's break this down.

You might remember the Pandora papers. These were some of the most significant leaks that exposed the property investments made by the rich worldwide. The leak revealed how these offshore companies helped wealthy individuals and businesses set up shell companies in places with low or no taxes.

The trick was simple.
Step 1: Set up a shell company in a tax haven.
Step 2: Buy UK property under the company's name.
Step 3: Enjoy tax benefits while keeping ownership hidden.

Or, if you want to get even craftier – instead of buying property, just buy all the shares of an offshore company that already owns the property. This way, the buyer has control of all the company assets while staying invisible in public records. The buyers can either use the property

for personal things or even rent it out, as they control the entire offshore company. Then, when they feel it's time to sell the property, they simply transfer the ownership of all the company shares to the next buyer's name.

So historically, these offshore companies were exempt from a number of taxes ranging from capital gains tax, stamp duty and inheritance tax as well. There was also the rental income tax advantage. If an individual owns a UK property and rents it out, they might be taxed at a steep 20% to 45%. But if an offshore company owns it, the rate drops to around 19%. And finally, privacy. When an overseas company buys property, only the company's name appears in public records, keeping the actual owner's identity under wraps.

When you put it all together, it's easy to see why the UK property market has long remained a magnet for global wealth, mainly through these offshore companies based in tax havens.
And reading this might make you think that the UK government would be eager to close these loopholes. After all, they lose tax revenue, right?

Here's the thing, though. Even if foreigners invest directly or through offshore entities, the UK still makes money. The sale of prime properties (homes worth £5 million or more, where the global rich invest) is a substantial source of revenue for the UK exchequer, from stamp duty to capital gains tax.

So, while they might lose some revenue from offshore setups, they still earn a fortune overall. And that might be one reason why the UK law allows offshore companies to own property there.
Now, coming back to Indian investors in UK properties.

A few days back, the Economic Times reported that the Enforcement Directorate (ED) has been questioning wealthy Indian individuals about their overseas stock investments disclosed in IT returns.

So basically, these affluent Indians have bought shares of offshore companies (involved only in holding real estate in the UK with no other business). And under India's Foreign Exchange Management Act (FEMA), resident Indians can remit up to $250,000 per year to purchase properties abroad directly. However, the twist here is that buying shares in offshore companies that hold just real estate and no other business is considered a violation. The government's main concerns are money laundering and unregulated capital outflows, which might weaken the Indian rupee.

So yes, that's the scoop on this so far.

Meanwhile, many of these benefits given to offshore firms in the UK have been reduced over the years. Capital gains tax exemption was removed in 2019, stamp duty savings have been limited since 2014, and inheritance tax exemptions were abolished in 2017. It also introduced Beneficial Ownership (BO) disclosure rules, requiring offshore companies to reveal their true owners. However, the very structure of tax havens that these offshore companies are based in helps these wealthy people to dodge taxes and launder money.

The tussle here is that India has stricter rules, but the UK seems to have lax regulations (allowing offshore companies to buy properties).

Although the UK is increasing transparency, unless it outright bans offshore entities from owning property altogether or closes the offshore share transfer loophole, wealthy individuals will continue to exploit these structures to minimise taxes.

This raises another question — Should India tweak its foreign investment rules to align with global

standards, as the UK is doing?
The risk? It could fuel inequality, as the wealthy might be able to hide their investments and launder their money worldwide while paying a lower share of taxes.
But for now, until global tax laws tighten and tax havens are cracked down upon, the rich will find a way around the system.

By Vijay Sathyanarayan

Update for the day #2298| Gladiators in the Roman Empire

Gladiators were iconic figures in ancient Roman society, embodying both brutality and spectacle. These warriors, often slaves or prisoners of war, fought to the death in arenas across the Roman Empire, providing entertainment for the masses and a means of social control for the ruling class.

Gladiatorial combat originated from Etruscan and Samnite funeral rituals, where warriors fought to honor the deceased. The Romans adopted and adapted this practice, transforming it into a public spectacle. Gladiators were trained in specialized schools called *ludi*, where they learned to fight with various weapons and armor.

Different types of gladiators existed, each with their own unique fighting styles and equipment. Some of the most famous types included the *murmillo* (heavily armored with a sword and shield), the *retiarius* (lightly armored with a net and trident), and the *thraex* (equipped with a small sword and curved shield). Gladiatorial contests were held in massive arenas, such as the Colosseum in Rome, capable of holding tens of thousands of spectators. These events were highly organized and ritualized, with elaborate ceremonies and rules governing the combat. Gladiators fought against each other or wild animals, often to the death, though some were granted reprieve if they displayed exceptional skill or bravery.

The life of a gladiator was harsh and brutal. They faced constant danger and the ever-present threat of death. However, successful gladiators could achieve fame and fortune, earning the adoration of the crowds and even gaining their freedom. Some gladiators became popular heroes, their names and exploits celebrated throughout the empire.

Gladiatorial combat was a complex and multifaceted phenomenon in Roman society. It served as a form of entertainment, a display of power, and a means of social control. While the brutality of these contests is undeniable, gladiators also represented courage, skill, and the pursuit of glory in the face of death. Their legacy continues to fascinate and intrigue us today, offering a glimpse into the complex and often contradictory nature of ancient Roman culture.

By Aastha Jain

Update for the day #2299| Are H-1B Visa holders snatching American jobs?

In 1990, President George Herbert Walker Bush signed the "Immigration Act of 1990" and introduced the H-1B visa programme. The idea was simple — help American companies fill vacancies in specialised fields like research, engineering and computer programming by temporarily hiring skilled foreign workers.

But over time, the programme became a hotbed of controversy. Just think about it. If foreign workers started taking up jobs in your country, wouldn't it feel like your chances of landing one were shrinking? That's exactly how many Americans started to feel too.

And this unease has fuelled endless debates about whether H-1B visas help or hurt, even sparking divisions within President-to-be Donald Trump's team.

During Trump's first term as President, he wasn't exactly a fan of the programme. He thought it was unfair to American workers and introduced restrictions in 2020, arguing that it allowed employers to replace locals with cheaper foreign labour.

But fast forward to now, and things seem to be shifting.

Trump's new allies like Elon Musk and Vivek Ramaswamy, who've been tasked with leading the US Department of Government Efficiency (DOGE), are rooting for reforms to strengthen the H-1B system. And with Indian-American Sriram Krishnan joining Trump's team as a senior AI policy advisor, there's even talk of removing country-specific caps on these visas, which could be a game-changer.

To put things in perspective, every year, the US Citizenship and Immigration Services (USCIS) hands out 65,000 H-1B visas, with an extra 20,000 reserved for those with master's or doctorate degrees from US institutions. But here's the catch. There are way more people applying than the number of spots available. So, the system turns into a lottery. And many eligible applicants miss out purely because of bad luck.

And here's where things get even trickier.

You see, Indians make up over 70% of the H-1B visa recipients, while China takes around 12-13%. The rest go to countries like Mexico, Canada, the Philippines, Taiwan and Korea. But then again, there's a cap on how many visas any one country can get. No more than 7% of the total H-1B visas can go to workers from any single country, even if there's an overwhelming talent pool waiting. So, if those country-specific caps were removed, it could open up more opportunities for Indians looking to work in the US.

But you can imagine that not everyone in America shares that optimism. Some Trump loyalists like Steve Bannon (former White House Chief Strategist), Nikki Haley (former Governor of South Carolina) and Laura Loomer (political activist) argue that foreign workers are taking jobs from Americans. And they're not alone. Recent surveys show that 60% of Americans believe the country already has enough skilled workers to fill these roles and doesn't need more.
But do their worries actually make sense, you ask?

Well, if you look at it from the lens of tech companies, their argument may be valid. After all, some of the biggest employers of foreign workers in the US come from the tech world, including global

giants and four Indian tech majors like Infosys, TCS, HCL and Wipro. Together, these companies account for about 35% of the top 10 H-1B visa beneficiaries.

If you're wondering why, well, hiring Indian employees is often cheaper for these companies. Many Indian workers are willing to accept lower pay than their American counterparts, allowing companies to save on wages while still offering a pay raise that looks impressive by Indian standards.

For context, in 2023, almost 70% of the H-1B petitions approved for Indian professionals were for salaries under $100,000 per year, even though the average IT salary in the US was around $104,000. This means that Americans might have had to lower their pay expectations to compete for these jobs. And that has led some to argue that foreign workers are driving down wages for domestic employees.

But here's the twist. Immigrants on H-1B visas might actually be Benefitting Americans more than people think. Yup. Because think of it this way. Immigrants and native-born Americans don't always have the same skill set, which means they're not always competing for the same roles. Instead, they're collaborating, filling in the gaps where needed.

When immigrants spend their earnings in the US, it creates a ripple effect. More demand for goods and services means companies grow, rather than moving operations overseas. Plus, immigrants often start their own businesses, adding even more jobs to the US economy. Not just that. They bring fresh ideas and innovation that fuel economic growth and create more opportunities.

And it's not just us saying this. The numbers back this up. A study by the American Immigration Council found that from 2004 to 2023, and even during the pandemic, fields like science, technology, engineering and mathematics (STEM) consistently had low unemployment rates. So, the demand for skilled workers was actually more than the supply.

Moreover, it suggests that H-1B workers don't really earn low wages or drag down the wages of their domestic counterparts. In fact, the average wage for an H-1B worker was $108,000 in 2021, compared to $45,800 for US workers in general. And between 2003 and 2021, the median wage of H-1B workers grew by 50%, while the average wage of US workers rose by 40%. So, it's like employers who hired H-1B workers often offered them wages above the Department of Labor's "prevailing wage" for similar jobs.

And let's not forget that between 2010 and 2019, US companies like Moderna, Johnson & Johnson and Pfizer, who later helped develop COVID-19 vaccines, hired over 3,300 scientists, including biochemists and chemists, through the H-1B programme. Many of the doctors on the front lines during the pandemic were also H-1B visa holders. So, maybe that's the bigger picture Americans haven't fully considered yet.

On the flip side though, here's something for Indians to think about. If the US clamps down on H-1B visas, the flow of skilled Indian professionals might shift back to India. And India might just be ready for it. With improved infrastructure, a skilled workforce, and a booming ecosystem for global capability centres (GCCs) in fields like AI and robotics, the country could absorb this returning talent. But even if H-1B aspirants are concerned about their quality of life in India, other countries, especially in Europe, might swoop in and grab that talent instead.

So yeah, no matter where the H-1B visa debate goes, it's not going to drastically change things for most Indians. We'll only have to wait and see how the Trump administration navigates this.

By Mukesh Gehlot

Update for the day #2300| Centre's Rs 1 lakh crore urban infra fund challenges states to think like startups

The Budget proposes an Urban Challenge Fund (UCF) of Rs 1 lakh crore to encourage states to think innovatively towards attaining sustainable urbanisation and redevelopment goals in existing cities. The grant is expected to infuse around Rs 4 lakh crore for infrastructure development, achieving saturation and implementing redevelopment projects.

"This fund will finance up to 25% of the cost of bankable projects with a stipulation that at least 50% of the cost is funded from bonds, bank loans and PPPs. An allocation of Rs 10,000 crore is proposed for 2025-'26," FM Nirmala Sitharaman said in her speech.

UCF would help implement proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation' proposals, the FM said.

In the first year itself, cities that qualify would have to fund another Rs 30,000 crore for projects that would be identified, a source stated, adding that the grant would be for both new and existing cities.

Persuading states to take innovative steps towards intensive urban development by improving physical and social infrastructure has become urgent, considering that most cities, including Tier-2 and -3 ones, have witnessed unregulated growth, with inefficient use of land that is already scarce.

TOI had first reported on Jan 13 that Prime Minister Narendra Modi, while reviewing the urban development sector, had tasked officials to focus more on creating facilities, amenities and better transport networks in zones in cities that naturally attract people and businesses, than develop new cities that push horizontal growth.

By Sailesh L Gandhi

Update for the day #2301| Why Elon Musk and Donald Trump Are Calling for a Fort Knox Gold Audit?

Elon Musk and Donald Trump are advocating for a comprehensive audit of the United States' gold reserves at Fort Knox, a facility that holds approximately half of the nation's 8,100 tonnes of gold. The last complete audit occurred in 1953, with only partial reviews in 1974 and 2017, leading to questions about the current status of the reserves.

One motivation for the audit is the potential revaluation of the gold. Currently, the U.S. Treasury values its gold at $42 per ounce, a figure established decades ago. Given today's market price of nearly $3,000 per ounce, updating this valuation could significantly enhance the Treasury's balance sheet, increasing the recorded value of the Fort Knox reserves from approximately $11 billion to around $760 billion. This adjustment could bolster confidence in the U.S. financial system and strengthen the dollar.

Conversely, if the audit reveals discrepancies in the gold holdings, it could trigger financial instability. The gold at Fort Knox serves as a symbol of security, and any shortfall might erode trust in the government's financial management. Such a scenario could lead to a sell-off of U.S. dollar reserves by other countries, weakening the dollar and potentially causing inflation to rise.

Despite these risks, proponents argue that an audit is necessary to address concerns about the overvaluation of the U.S. dollar and the sustainability of federal debt. Federal Reserve Chairman Jerome Powell has acknowledged that the federal budget is on an unsustainable path, suggesting a need for fiscal reforms. An accurate accounting of the nation's gold reserves could be a step toward such reforms, providing a clearer picture of the country's financial position.

In summary, the push for a Fort Knox gold audit by figures like Musk and Trump stems from a desire for transparency and potential financial recalibration. While the outcomes of such an audit could vary, the overarching goal is to ensure the integrity and accuracy of the nation's reported gold holdings.

By Kavya Hebbar

Update for the day #2302| New year's eve 2025 : Blinkit, Zepto, Swiggy Instamart hit record orders

New Year's Eve (NYE) celebrations reached their peak, with consumers turning to quick-commerce (qcom) and food delivery platforms, leading to record-breaking order volumes. Executives from several platforms, including Zepto, Blinkit, and Swiggy Instamart, actively shared real-time order statistics on social media.

Zomato-backed Blinkit achieved several milestones, recording its highest-ever daily order volume, as well as the highest number of orders placed per minute and per hour. The platform also saw a record number of tips given to delivery partners; Co-founder Albinder Dhindsa shared. In another social media post, Dhindsa mentioned that by around 5 pm, Blinkit had already crossed the total number of orders placed on NYE 2023.

Aadit Palicha, co-founder and chief executive officer (CEO) of Zepto, also shared how Zepto witnessed a surge in the number of orders. "This NYE, Zepto is up 200 per cent compared to last year, and we're currently handling unprecedented scale," he wrote.

Not just Blinkit and Zepto, but Swiggy Instamart also hit its highest-ever number of orders on December 31, double the previous NYE sales, Swiggy's Co-founder Phani Kishan Addepalli shared.

Commenting on the developments, Amitesh Jha, CEO of Swiggy Instamart, said, "NYE has once again set a new record for orders, surpassing previous peaks from festival seasons like Mother's Day and Diwali, making it the day with the highest-ever orders on Swiggy Instamart." The platform recorded its largest order of Rs 70,325 from a user in central Goa. Similarly, Blinkit reported an order worth Rs 64,988 from a Kolkata-based user.

Across all qcom platforms, there was a notable increase in orders for party essentials like disposable glasses, potato chips, ice cubes, chocolates, tonic water, lemons, nachos, soda, cold drinks, and other items. Palicha mentioned that Zepto, the qcom unicorn, logged 3,345 ice cube orders per hour, which was 2.62x higher than last year.

With orders soaring nationwide, food delivery platforms also recorded a major surge. On Swiggy, biryani remained a preferred item, with the fastest delivery at 164 seconds in Nellore, Andhra Pradesh. There were also 296,711 orders placed for cakes. Swiggy's delivery partners collectively travelled 6,519,841 kilometres, which is 8x the distance to and from Earth to the Moon.

Rohit Kapoor, CEO — food marketplace at Swiggy, shared that Bengaluru topped the bookings for Swiggy Dineout, its restaurant reservation service.

Another food delivery platform, magicpin, hit nearly 1,500 orders per minute at its busiest time. The biggest order on the platform, worth Rs 30,000, was placed by a Delhi-based user.
"Burgers topped the charts with 35,000+ orders. Bangalore led the way in burger cravings. Is it any surprise?" Zomato-backed magicpin posted on X.

Curefoods, a Cloud kitchen startup, also hit last year's order count before midnight. The top cities in terms of order volumes were Bengaluru, Chennai, Mumbai, Hyderabad, and Delhi-National Capital Region.

"Closed at 35 per cent year-on-year growth! Great end to the year," the platform's Founder and CEO Ankit Nagori posted on X."

By Sujith Sai

Update for the day #2303| How yen carry trades impact the markets?

Let's start with a story. Imagine there are three people. Two of them are really wealthy. One has tons of money that he lends out at very low interest rates. The other has assets that make him even richer because they bring in great returns. Then there's a smart investor. He sees a golden opportunity. He borrows money from the first wealthy person at a cheap rate and invests it with the second wealthy person to earn more. The difference between what he pays as interest and what he earns is his profit.

Now picture this happening on a global scale. The first wealthy person is like Japan, offering loans in yen with very low interest rates. The smart investor is anyone who borrows yen, converts it to dollars or other currencies, and invests in assets that pay much higher returns. This is called the "carry trade" and it's a way to make money by borrowing cheaply in one place and earning more somewhere else.

So, how does this tie into today's story?

Well, Japan has been famous for its negative to ultra-low interest rates for decades. Their central bank, the Bank of Japan (BoJ), followed policies which included things like printing money and keeping borrowing costs almost zero. And this made yen carry trades a popular and profitable strategy for countries as well as investors.

But things started changing last year.

You see, carry trades work best when the yen is weaker than the US dollar. That's because borrowing yen is cheap, and investing in US assets that give higher returns is easy money. But when the yen gets stronger, this trade starts to fall apart. Because if you've borrowed yen, you'll eventually have to repay that loan in yen. And stronger yen means you'll need more dollars to pay back the same amount of yen. This can shrink your profits or even turn them into losses.

This brings us to Japan's recent moves. The BoJ is signalling that it's done with super-low rates. Last year, in March 2024, it raised their interest rates for the first time in years, from minus 0.1% to 0.1%. Japan did this because inflation was back. After years of falling or stagnant prices, global supply chain problems and higher energy costs started pushing prices up in Japan. And to stop inflation from getting worse, the government decided it was time to tighten the screws by raising rates.

And it did surprise a lot of traders since it was the first rate hike since 2007!

Not only that but the BoJ also went for a second rate hike in July 2024 to 0.25%.

Presumably, just weeks after the hike, the yen's value jumped, forcing traders to quickly exit their carry trade positions. This sudden move caused chaos in global markets, with falling stock and bond prices showing how fragile the system can be. For carry traders, this was a big deal.

They've been enjoying low costs and a stable yen for years - all easy money! But as Japan raised rates, borrowing in yen became more expensive. And now, many think that the BoJ's next monetary policy meeting this month could bring another rate hike, which might trigger more trouble for carry trades.

But Japan isn't the only player here. The US also shapes how these trades work.
In the US, the Federal Reserve spent much of last year cutting interest rates. By the end of 2024, they had lowered their target rate to a range of 4.25%-4.50% and hinted at more cuts in 2025.

How does this affect yen carry trades, you ask?
Lower US interest rates make borrowing in dollars less attractive compared to yen. So, yen carry traders see a changing opportunity: the margin between borrowing yen and earning in dollars narrows as US rates decline. If the Federal Reserve goes for another rate cut, the appeal of investing in US dollar-denominated assets is lesser. Traders may begin to question whether the effort of borrowing yen and dealing with potential currency risk is worth the shrinking returns.

Global markets are often worried about carry trades because of how quickly they can unravel. When traders rush to pay back their yen loans, demand for yen skyrockets, pushing its value even higher. This can create a vicious cycle, with the yen strengthening further and markets around the world feeling the pinch.

And this kind of chaos has happened before.
Back in 2007, during the "quant meltdown," yen carry trades collapsed, and markets went haywire. Hedge funds sold off assets in a panic, the yen surged, and the shockwaves hit stocks and bonds globally. Even last August, something similar happened when the BoJ raised rates, showing how sensitive the world still is to these trades.

This brings us to India — a favourite destination for foreign investors leveraging yen carry trades. A strengthening yen could trigger an unwinding of these trades, leading to capital outflows from India as investors scramble to repay their yen loans. And this could put pressure on the rupee and hurt Indian stocks, especially in sectors that rely on foreign capital.

That said, if we take this analysis further and look closer, the direct impact on India might not be that huge.

You see, Indian assets under the custody of Japanese foreign portfolio investors (FPIs) stood at ₹2.28 lakh crore as of December 2024. While that might sound like a substantial figure, it's actually just a small piece of the larger pie since it's roughly 3% of the total ₹77 lakh crores held by the top 10 FPI investors in India.

India's financial system has come a long way. Over the years, the Reserve Bank of India (RBI) has tightened its regulations, and with forex reserves now topping $640 billion (about ₹54,800 billion), India has a pretty solid cushion against external shocks.

On top of that, the reliance on foreign funds has been shrinking. Foreign inflows into Indian markets have slowed down, while domestic institutional investors are stepping up their game. This shift has made the financial system sturdier and less vulnerable to sudden outflows.
And here's another bright spot — India's growing share in global stock market capitalisation. It's

a sign of strength that could help balance out some of the worries.

That said, it's not all smooth sailing. Sectors as well as investment houses that have more exposure to yen-denominated funds could feel the pinch if the yen strengthens significantly. Repayments could get pricier, and outflows might follow.

But here's the twist. A stronger yen might actually give Indian exporters a leg up. If Japanese goods become costlier, Indian companies could swoop in and grab a bigger share of the market. Take textile makers, for example. They might outshine their Japanese counterparts if costs in Japan climb.

So yeah, that's the long and short of it.
It all tells us that the yen carry trade is like a game of musical chairs. As long as the music plays — with low Japanese rates and a weak yen — everyone makes money. But when the music stops, chaos breaks out. And Japan's rate hikes could be like turning down the music, and traders will then eye the chairs nervously.

In conclusion, Japan's decision to raise rates is a turning point. It could shake up the carry trade world and create ripples in global as well as Indian markets. And maybe, for carry traders, the days of easy profits may come to a halt. At least for a while if not for the long term, replaced by a more unpredictable and risky environment.

Nonetheless, this tells how deeply interconnected the global financial system really is.

By Anusha M

Update for the day #2304| Decoding the ITC – ITC Hotels demerger.

2025 is here and it's happening — ITC's demerger of its hotels business, ITC Hotels.
For years, investors have been clamouring for this move. Why? Well, because while ITC Hotels generated decent revenues, it was a drag on ITC's overall returns. The numbers spoke for themselves. The hotels division consumed about 20% of ITC's capital but contributed merely 3%-4% of the overall operating profits. Compare that to ITC's cash cow i.e. the tobacco business, which used under 10% of capital employed but brought in a staggering 80% of operating profits.
Nevertheless, for years, ITC's management wasn't entirely committed to such a move. The conglomerate's multi-layered structure and the fact that ITC's businesses were managed by a professional management team without any active promoter intervention made the idea of a demerger seem unlikely. We even put up a video that touched upon why this was a pipe dream since 2009.

But in July 2023, ITC's board surprised everyone with its announcement to spin off ITC Hotels. Then recently, on 16th December, 2024, the National Company Law Tribunal's Kolkata Bench gave its stamp of approval for the demerger. And just like that, ITC announced January 1, 2025, as the effective date of the split. ITC is a sprawling conglomerate with interests in cigarettes, FMCG, paperboards, agriculture, and hotels. But hotels always stood out as the odd one in this mix. It was a cash guzzler for the group because it's a capital-intensive business. Building and running luxury hotels doesn't come cheap, and the returns take years to materialize.

That's why in 2018, ITC pivoted to an "asset-right" model. Instead of owning hotels, ITC began managing properties owned by others. This shift reduced capital expenditure and helped ITC Hotels grow its portfolio cost-effectively. It did all this under its brand name without owning the assets or properties. In short, it turned leveraging its hotels management expertise while moving away from owning and shelling out huge sums of money. And today, 55% of ITC's hotel inventory operates under the managed model, and it aims to push this to 65% by 2030.
All this was to make a mark on its profitability. And the strategy worked. Over the past four to five years, ITC Hotels has seen impressive growth in both its revenue and operating profits. It's no longer just a drain on resources.

Add to this ITC Hotels' commitment to the concept of "Responsible Luxury"—a blend of world-class amenities and sustainability—and you have a business that aligns with Environmental, Social, and Governance (ESG) principles. This strategy helped too. Because given ITC's dependence on its tobacco business, which is often seen as a sin product and gets snubbed by ESG-focused investors, the green credentials has helped boost the company's overall appeal
One must also consider the broader industry trends.

India's hospitality sector is still hugely under-penetrated. And rising affluence, favourable demographics, and government initiatives to promote tourism make the future look bright. ITC Hotels, as the second-largest hotel chain in India after Indian Hotels Company Limited (Taj Group), is positioned to ride this wave. The company, with negligible debt, currently operates 140 hotels offering 13,000 keys (rooms). And by 2030, it plans to expand to 200+ hotels with over 18,000 keys, supported by 46 new hotels already in the pipeline.
By spinning off ITC Hotels, ITC achieves two things: First, it gives shareholders direct access to a pure-play hospitality stock. And second, it allows ITC to focus on its high-margin businesses without shelling much on the hotels business.

In fact, the management's rationale for the demerger is also clear: ITC Hotels has matured and is

now ready to chart its growth independently. As a standalone entity, it can optimize its capital structure, raise funds from the markets for expansion, and attract investments that might not come ITC's way due to its tobacco-heavy portfolio – all while also unlocking value for shareholders.
Now, coming on to the technical bits of how the demerger will play out.
ITC has announced that the demerger will occur through a scheme of arrangement, which is a common method for corporate restructuring in India.

Shareholders of ITC Ltd. will receive 1 share of ITC Hotels for every 10 shares they hold. The record date for determining this eligibility is January 6, 2025, which means to qualify, you must own ITC shares by January 3 due to the settlement cycle. Post-demerger, ITC Ltd. will retain a 40% stake in ITC Hotels, while the remaining 60% will be held by existing ITC shareholders.
So, the new company's ownership stays with ITC's existing shareholders, ensuring continuity. Plus, it also opens up cross-synergies: ITC brands like MasterChef and Kitchens of India can enhance ITC Hotels' offerings, while its Agri Business products can also be integrated seamlessly.

But how will ITC Hotels be separated and listed? Well, in simple terms, there will be a pre-open market session where the stock market decides ITC Hotels' starting value. Think of it as a rehearsal to set the stage for price discovery. During this time, ITC Hotels will act as a placeholder in the indices but won't actively trade yet since its shares aren't transferred to shareholders. ITC's stock will continue trading as usual but with its value adjusted for the split. Once all approvals are in place, ITC Hotels will officially trade independently, leaving the indices a few days later. Simple, right? It's like giving ITC Hotels its own platform, with the market setting its value before the big debut
ITC Hotels is gearing up to hit the stock exchanges in the next few weeks. The big question is if it is a good investment option.
Well, we don't know about the post listing price, and the market itself will be a good indicator of price discovery as and when the trading begins on the bourses. If we have to go by analysts' estimates, the shares could be valued anywhere between ₹130 and ₹170, aligning with its peers' valuations in the sector.

But remember, the hospitality sector is cyclical. Revenue and profits can swing dramatically based on economic trends or external shocks. Just think back to how the pandemic decimated the hotel industry. Valuing such businesses requires understanding their position in the economic cycle—whether they're in an uptrend, consolidation, or downtrend phase. And while metrics like EV/EBITDA – which compares a company's enterprise value to its operating earnings – can provide insights, context is key.
Plus, the stock could also see some short-term volatility. Since ITC is part of major indices, index funds who receive ITC Hotels shares might offload them, as it won't be part of the index and it could be a drag for the share price. Something similar happened during the Reliance-Jio Financial Services demerger too. But such selling pressures are usually temporary and don't reflect the company's long-term potential.

Lastly, the demerger also opens the door to intriguing possibilities for ITC's future. With the hotels business out of the picture, will ITC double down on some of its well profiting divisions? Or will it expand into new verticals or consider spinning them off in a way of demerger? Only time will tell. But one thing is certain: this move marks a significant step in ITC's corporate evolution.
Sure, these are a lot of questions and we might get answers from the management soon. But now you get an idea of what's going on with the ITC Hotels demerger and how it's all going to happen.

By Dhriti R

Update for the day #2305| Inclusion of Zomato and Jio Financial in Nifty 50 Index

Shares of Zomato and Jio Financial are likely to remain in focus after the two companies were added to the Nifty 50 index as part of the semi-annual rejig. These stocks made an entry in the index at the cost of Bharat Petroleum Corporation (BPCL) and Britannia.

The decision came in after the NSE sub-committee's meeting which was held on Friday, February 21. However, the changes will become effective from March 28, 2025, i.e. close of March 27, 2025. Their inclusion in the Nifty 50 index comes on the basis of the 6-month average free-float market capitalization within the eligible universe, the note from the committee said, adding that it is at least 1.5 times the 6-month average free-float market capitalization of the smallest constituents Bharat Petroleum Corporation and Britannia Industries.

Zomato's average free-float market capitalization stood at Rs 1,69,837 crore while that of Jio Financial Services was at Rs 1,04,387 crores, an NSE note said. As for BPCL it was at Rs 60,928 crores and for Britannia Industries it was at Rs 64,151 crores.

Domestic brokerage firm JM Financial's projections suggest that Zomato's addition to the index could attract passive inflows of $702 million, while Jio Financial might receive $404 million as index funds rebalance their portfolios. Conversely, Bharat Petroleum and Britannia Industries are expected to witness outflows of $240 million and $260 million, respectively, as they exit the 50-share benchmark.

According to the NSE's note, InterGlobe Aviation (Rs 86,688 crores) and Hindustan Aeronautics (HAL, Rs 82,993 crores) were not considered for inclusion in the Nifty 50 index because their average six-month free-float market capitalizations were less than 1.5 times that of the next lowest-ranked Nifty constituents, Hero MotoCorp (Rs 64,181 crores) and Eicher Motors (Rs 66,764 crores).

Only the stocks that are available for trading in NSE's Futures & Options (F&O) segment are eligible for inclusion in the index.

The Nifty index undergoes semi-annual rebalancing by NSE Indices, a subsidiary of India's largest stock exchange. This process follows a structured timeline, with January 31 and July 31 as the cut-off dates each year. Stocks are assessed based on their average performance over the past six months to ensure the index aligns with current market trends. NSE Indices issues a four-week advance notice before implementing any changes, giving market participants time to adjust.

By Swati Sundar Kulkarni

Update for the day #2306| Carvana vs Hindenburg simplified

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, fuelled 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 #2307| Forest Dispute in Madhya Pradesh

The Ministry of Tribal Affairs (MoTA) has intervened in dispute concerning forest rights in Madhya Pradesh. Recently, 52 villages have raised concerns about the denial of their forest rights and threats of eviction from the Rani Durgavati Tiger Reserve. This situation has arisen after the reserve was established in September 2023, leading to allegations that local communities are being unjustly displaced and restricted from accessing vital forest resources.

-Background of the Rani Durgavati Tiger Reserve
Rani Durgavati Tiger Reserve spans 2,339 square kilometres. It was formed by merging the Rani Durgavati and Nauradehi wildlife sanctuaries. The creation of this reserve was intended to compensate for the loss of 100 square kilometers of forest due to the Ken Betwa River linking project. This initiative aims to support tiger conservation while addressing environmental concerns.

-Allegations from Local Villages
The affected villagers from Damoh, Narsinghpur, and Sagar districts have alleged that their forest rights claims were ignored. They reported being pressured to relocate from their ancestral lands, violating the Forest Rights Act (FRA) of 2006 and the Wildlife Protection Act (WLPA) of 2006. The villagers claim that they have been barred from accessing forest products and resources, which are crucial for their livelihoods.

-MoTA's Response to the Complaints
In response to these complaints, MoTA has directed the Madhya Pradesh government to investigate the situation. The Ministry's letter emphasised that the state should resolve these issues in collaboration with local forest departments and district collectors. MoTA brought into light that the violation of community rights under the FRA is a serious concern that needs immediate attention.

-Legal Framework Governing Forest Rights
The FRA and WLPA provide a legal framework for recognising the rights of tribal and forest-dwelling communities. According to these laws, any relocation of communities from forest areas must be voluntary and based on informed consent. The government must ensure that the rights of local communities are acknowledged before creating protected areas free from human settlements.

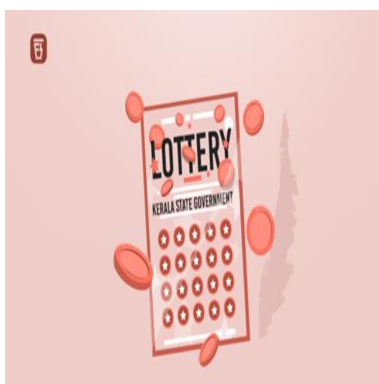
-Current Status of Evictions and Relocations
Abdul Aleem Ansari, Divisional Forest Officer of Nauradehi Wildlife Sanctuary, has denied allegations of forceful evictions. He stated that while some families have been informed about relocation packages, no current evictions are taking place due to budget constraints. Out of the 93 villages within the reserve, 40 have been relocated since 2014, and eight more are in the process of relocation

-Future Steps and Community Participation
The future actions regarding the forest rights dispute will depend on thorough investigations by the Madhya Pradesh government. Community participation and free, prior, and informed consent will be essential in any decision-making processes concerning relocations. The involvement of local villagers in discussions about their rights and livelihoods is crucial for sustainable conservation efforts.

By Harshita Jain B

Update for the day #2308| Is Kerala's lottery system a masterstroke by the government?

A quick question for you before we hop on to the main story...
Would you shell out a couple of bucks for a lottery ticket that could turn you into a Crorepati overnight?
It's tempting, huh? The idea of hitting a jackpot worth lakhs or crores can be oh-so-tempting. And if you said yes, you're not alone. Every day, millions take this gamble in India.
And that brings us to Kerala.



Millions in the state spend a staggering ₹43 crore daily on lottery tickets. Yes! In December 2023 alone, the Kerala State Lotteries Directorate printed over ₹1.8 crore tickets each day.
But it's not just about luck.
You see, Kerala's lottery system, established in 1967, is one well-regulated system in the country.

How so?
It's operated by the state's Finance Ministry, and it's a robust mechanism that runs like clockwork. Weekly lotteries, like the one called Pournami, monthly draws and mega bumper lotteries during festivals such as Onam and Christmas, with prizes soaring up to ₹25 crore, keep the buzz alive throughout the year. Then, to ensure credibility, draws are conducted under strict supervision, and tickets come with advanced security features like QR codes, colour codes and unique barcodes to prevent fraud.

So, after seeing the success, Kerala recently decided to extend its lottery operations beyond state borders. The plan? To appoint authorised distribution agents in selected states, potentially creating another revenue goldmine. And why not... After all, lotteries contribute immensely to Kerala's coffers. In FY24, the state earnings were about a jaw-dropping ₹12,500 crore from lottery sales! YUP. That's up and growing from ₹11,800 crore in FY23 and ₹7,000 crore in FY22. And impressively, lotteries account for 70-80% of the state's non-tax revenue.

Add to this the GST revenue and income from unclaimed prizes, and the financial impact becomes even more significant. After accounting for prize payouts, agent commissions, and other expenses, the government retains about ₹3,500 crore annually.

This money also helps the government fund welfare programs. A portion of the revenue funds the Karunya Benevolent Fund, which provides financial assistance for medical treatments for serious illnesses. The lottery network itself, spanning around 55,000 agents and 1.5 lakh retailers, is a source of livelihood for thousands.

So, all is very well with this plan, yeah?

We don't think so, as the flipside is hard to ignore.

See, lotteries often attract lower-income groups, luring them with the dream of a better life. Many end up spending a significant portion of their earnings on tickets, sometimes at the cost of basic expenses or savings. A single ticket, priced at ₹40, includes ₹9 as GST, placing it in one of the highest tax slabs at 28%.

And while the government benefits from this revenue, the heavy reliance on lotteries—alongside alcohol and petroleum—as key sources of income for the state raises concerns. Together, alcohol and lotteries account for about a quarter of the state's revenue!
This overdependence is risky. If public interest in lotteries wanes, the state's finances could take a severe hit.

Compounding this issue is Kerala's lack of industrial development...
Unlike other states, Kerala hasn't seen a surge in the number of big corporations setting up shop. Instead, it relies heavily on foreign remittances from its diaspora.
Add to this a debt-to-GSDP (gross state domestic product) ratio of 35% which is well above the national average of 25%, and the challenges become glaring. Servicing debt, funding welfare schemes, and managing pensions put immense pressure on the state's finances.

But there's more to unpack here, in simple economic terms. And it's not all glitter and gold.
See, while the system brings in hefty revenues, the social costs could be profound. There's evidence of gambling addiction that ties to lotteries. One might be lured by the dream of a jackpot but soon spiral into financial ruin after borrowing excessively to keep placing bets. This can deepen the already precarious lives of low-income groups.

And one could argue that the constant outflow of small savings into lottery tickets can stifle productive investments. Economists see this redirection of money as potentially hurting microeconomic growth because disposable income that could've been spent on local businesses or bank savings gets funnelled into a gamble.

So, is Kerala's lottery system a masterstroke?
On paper, it's a brilliant strategy. A cash cow that funds welfare programs and props up state finances.
But beneath the glitter lies a fragile foundation. Pinning the hopes of an entire state's revenue on a gamble is a high-stakes bet in itself.
What happens when the allure fades? Or when public sentiment shifts?
So yeah, the Kerala lottery system may be a masterstroke for now, but without bold diversification and a cautious eye on the future, it risks becoming a tale of over-dependence. And success today could very well be the Achilles' heel of tomorrow.

By Mohana Priya E

Update for the day #2309| The truth about modified Green GDP

In 1929, the US stock market collapsed, triggering a global economic meltdown or what we now call the Great Depression.

The stage for this was set years earlier during a decade known as the "Roaring Twenties". After World War I, US factories buzzed with activity. People splurged and businesses thrived.
But beneath the glittering surface, trouble was brewing. The economic optimism meant that many bought stocks with borrowed money, paying only a small upfront margin. So, when stock prices dipped temporarily, these borrowers couldn't repay their loans. Panic spread, desperate selling followed, and banks collapsed. This spiral devastated economies until recovery slowly began after World War II.

It was during this time that US policymakers struggled to figure out how to put numbers to what was happening in the economy. That's when Russian economist Simon Kuznets stepped in. He said, "Hey, I've created a way to measure how much goods and services are produced by American companies, whether at home or abroad. It's called Gross National Product or GNP. But if we tweak it a bit to exclude what American companies produce abroad, we'll get a better sense of how the US economy is doing."

And just like that, we got Gross Domestic Product (GDP).
Simply put, GDP is the annual value of all goods and services produced within a country. By 1944, at the Bretton Woods conference, it became the global standard for measuring economies. But there's one thing we haven't told you yet. Kuznets didn't just create GDP, he also cautioned against relying on it entirely. "The welfare of a nation can scarcely be inferred from a measure of national income", he said.

Simply put, GDP captures production and consumption but ignores critical aspects like environmental damage, resource depletion or even a country's overall well-being. Or as economist Diane Coyle put it; GDP is a "war-time metric". It's useful during crises but says little about creating happiness in peacetime. It tells you how valuable the furniture from the cut tree is, but not what that tree is worth when it stands tall and provides shade.

That's why some countries are experimenting with ways to improve GDP.
Enter Green GDP, a concept that subtracts environmental costs, like pollution and deforestation, from traditional GDP. Factoring these in gives governments more reason to protect the environment, knowing it directly impacts their economic output.

In fact, just a few days ago, Chhattisgarh further modified this concept by becoming the first state to include the economic value of forests in its Green GDP calculation. By doing this, the state is now considering not just the environmental costs but also the benefits that forests offer. In fact, it's addressing one of the main flaws that has long haunted the concept of Green GDP itself.
If you're wondering how, well, you see, Green GDP isn't a new idea. Over three decades ago, the UN (United Nations) proposed a methodology for its calculation. And countries like the US, China, and Norway tried Green GDP by subtracting the suggested environmental costs from the traditional GDP.

But the idea did not take off. For instance, Norway found the valuation techniques for environmental depletion inconsistent. The US abandoned the idea when environmental costs made its GDP figures look weaker. China, too, discontinued it by 2005 after resistance from

local governments.
So, to address these challenges, the UN revised the concept, introducing ways to factor in environmental services like clean air, water and biodiversity. It meant that policymakers could now highlight not just negatives like resource depletion but also positives, such as nature's contributions. And that's precisely what Chhattisgarh is doing today.

But does this truly make sense?
See, Chhattisgarh is a state where 44% of the land is covered in forests, providing livelihoods for millions of people. Its rich natural resources are a lifeline for the region. And recently, the India State of Forest Report (ISFR) nudged it to adopt the concept of modified GDP. Thanks to its findings, which highlight a remarkable rise in forest and tree cover in the state driven by biodiversity protection and conservation efforts.

Here's the problem, though. The ISFR defines forest cover as any area of at least one hectare with a tree canopy density of 10% or more. Now, one hectare is about 10,000 square metres or 1,07,600 square feet. In other words, if 10% or 10,760 square feet of ground is shaded by tree branches, it's labelled a forest — no matter who owns it or how it's used. But let's be real. Can you honestly call that a forest?

Hardly.
This definition of forest includes plantations like oil palm and rubber — a major issue since these often replace natural forests. Unlike thriving ecosystems, these harm biodiversity and disrupt the environment. For example, in India, palm oil plantations have caused deforestation, soil erosion and water cycle disruptions, all while emitting greenhouse gases. Because palm oil plantations, for instance, are often linked to aggressive industrial practices like clearing natural forests, exploiting land and prioritising profit over sustainability. And rubber plantations face more or less similar criticisms.

But the paradox here? Such activities that destroy forests can still count as "forest cover" under these definitions, painting a misleading picture of conservation.

MD Madhusudan, an ecologist, sums it up perfectly: "If what replaces a forest after it is cut down is also termed a 'forest,' can there ever be forest loss?"

Adding to the complexity, planting trees isn't always beneficial. For example, introducing trees into grasslands or wetlands can harm native species, disrupt ecosystems and wreck biodiversity. Even the type of trees matter. Native, mature trees are excellent at absorbing carbon and supporting wildlife, while young or non-native trees often fall short. So, if Chhattisgarh focuses only on increasing forest quantity without considering quality, it risks oversimplifying the story. Then there's the issue of flawed data collection. Environmental degradation is often tracked using satellite imagery taken at specific times. And governments can manipulate this by choosing when to monitor forests, conveniently hiding issues like stubble burning. It's like sweeping dirt under the rug and calling the room clean.

And here's a thought to chew on — governments could often tout Green GDP to serve their own agendas; be it to secure international funding or polish their eco-friendly image. In India, states have used these metrics to justify industrial projects that may harm the environment in the name of development. A case in point are industrial corridors, often branded as 'green' initiatives, despite valid concerns about their ecological fallout.

Now, we're not saying this applies to Chhattisgarh. But without clear methodology, other states could quickly use this strategy and use modified Green GDP as a convenient mask — balancing industrial ambitions with green narratives. It's a slippery slope, and that's why scrutinising these

metrics is crucial.
So yeah, maybe it's time for governments to revisit the drawing board and agree on a standard framework. One that clearly defines what to include and exclude when crunching ecological services into numbers. Plus, they'll need to ensure transparency so analysts and critics can scrutinise the data and trust calculations.

Else the concept risks becoming another empty buzzword.

By Vishnu Shankar

Update for the day #2310| Understanding the USAID fiasco

USAID is in trouble. If you don't know, USAID (the United States Agency for International Development) is the US government's foreign assistance, humanitarian aid and development arm. And the fact that the aid it hands out doesn't add to a country's debt makes a world of difference for nations in crisis.

In 2023 alone, it spent $40 billion in aid programmes worldwide, with a big chunk going to Ukraine. India too has been a long-term recipient of USAID's support. Since 1951 (even before it was officially set up), it has helped save over 2 million children in India, prevented thousands of deaths from pneumonia and diarrhoea, and even pledged nearly $13 million for the country during the pandemic. And this year, India was set to receive another $140 million.

But that money isn't coming anymore because US President Donald Trump and his DOGE (Department of Government Efficiency) buddy, Elon Musk, want to shut USAID down.
Sidebar: The DOGE's purpose is to cut wasteful spending and slash unnecessary regulations.
Why's that, you ask?

Well, three reasons.

1. They believe USAID wastes funds while promoting ideas that contradict American interests.
2. They think it's "a criminal organisation" "run by a bunch of radical lunatics", and that it was "time for it to die".
3. And they argue that USAID acts like a global charity, separate from national interests, wasting taxpayers' money.

But here's the thing. Not all of these reasons hold up under scrutiny. And some of the so-called "evidence" might actually stem from issues beyond USAID's control. Here's what we mean…
Take myth #1 for instance, that the agency spends too much, too wastefully and that foreign aid is unpopular.

Well, the truth is a mix of no, partly yes and a big no.
First, the spending. Yes, the US is the world's largest donor and USAID hands out about 60% of its foreign assistance. But in 2023, USAID's spending was less than 1% of the total US federal budget (government spending). Rich countries are expected to give 0.7% of their GDP in foreign aid to developing countries. And although the US isn't part of this commitment, even if we use it as a benchmark, its total foreign aid is less than 0.2% of its GDP. That's not much.

Now, the wasteful spending part. This argument likely stems from the fact that some USAID funds go to governments in developing countries, some of which are corrupt. But between 2015 and 2022, less than 5% of its budget went directly to foreign governments. And most of the aid flows through private channels like NGOs, community groups, businesses, universities and international organisations to make sure it reaches the right people (and not the officials).

And it makes a difference. Since 2000, extreme poverty has dropped from 36% to 9% globally, maternal deaths have gone down by 34%, and death rates in USAID-supported areas have dropped faster than in other places.

As for aid being unpopular, that perception could come from the fact that less than 5% of USAID's budget goes towards core economic growth programmes which might explain the frustration. Some countries feel like they're getting donations instead of real partnerships. Many

leaders say they want trade, not just aid. So maybe the problem isn't foreign aid being unpopular. It's that USAID needs to prioritise economic growth alongside assistance.

Then you have #2 which says that USAID is a criminal organisation. You've probably heard that it has funded bioweapon research (including COVID-19) or even supported Syrian terrorists. But to see if the allegations hold water, you'll need to dig deeper and understand how USAID actually works.

See, it's not like USAID just cuts a cheque for a cause and walks away. It operates through a mix of civil servants, contract workers and NGOs on the ground. Some of them work like full-time employees, just without the federal perks. And they far outnumber the permanent civil service employees and foreign service officers that normally work for a US government arm. And while this unusual structure may make sense because it enables global reach, it also leaves room for misuse.

Like in the Syria case, USAID had given money to feed refugees. But an NGO agent siphoned off about 10% of it over four years and redirected it to a group linked to al-Qaeda. But it wasn't as if USAID let this slide. Once it uncovered this, it shut the programme down immediately.
So, does that make USAID a terrorist organisation? Not really. The problem isn't its intent, it's the oversight. And instead of calls to shut it down, maybe the focus should be on fixing the cracks in its system.

Because you see, shutting down USAID isn't just about cutting off foreign aid. It goes against the very reason it was created in the first place. (We'll tell you why in a bit)
That brings us to myth #3 that USAID is just a global charity that doesn't resonate with America's interests. Sure, it provides aid, but that's not the whole story.

The idea of international development assistance took off after World War II, when war-torn regions, especially in Europe, needed help rebuilding. But this wasn't pure charity. It was a strategic move. By reducing poverty and boosting production, the US was actually creating future markets for its own goods.

Then in 1961, President John F. Kennedy formalised this effort by setting up USAID as an independent agency. Courtesy: The Cold War. At the time (1945 to 1991), the US and the Soviet Union (coalition between Russia, Belarus, Ukraine, Georgia, Azerbaijan and Armenia) were fighting for global influence. And that's when the US helped poor countries so they wouldn't turn to the Soviet Union.

Now, today even though the Soviet Union is gone, the power struggle isn't. Russia and China are still trying to gain global influence. China, for example, has spent billions on roads, railways and energy projects in Africa in exchange for access to valuable minerals. So, if USAID shuts down, it's not just charity that stops. It's also an open invitation for the US's biggest rivals to step in, play hero and gain influence over economically weaker nations.

So yeah, these claims should be taken with a pinch of salt. Some are stretched, some are myths and some have more to do with politics than facts.
Okay, but what about the part where they allege that USAID is run by lunatics? Now, this isn't something we do at Finshots, but we found some context that's interesting enough to share. Foreign aid has long been seen as a Democratic-backed initiative. After all, President Kennedy, a Democrat, founded USAID. Trump, a Republican, however wasn't exactly a fan of it. So, maybe that's where some of the backlash comes from.

Shutting down USAID though is not so simple. Even with a freeze on approved aid, actually dismantling it would require the Congress (US Parliament) to vote and change the law. And

withholding funds approved by Congress is a tricky move. It could even be unconstitutional and lead to a potential Supreme Court battle.

By Barani Shre S S

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