



## **EMERGING THOUGHTS**

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## Foreword

We, the team at SURESH & CO., are delighted to present the latest edition of "EMERGING THOUGHTS." This publication serves as a reflection of the unique perspectives and fresh ideas from our dedicated assistants, those on their path to becoming Chartered Accountants—as well as the valuable contributions of our experienced team members.

In an ever-changing global landscape, staying up to date with current events is more important than ever. From local happenings to international trends, understanding these shifts helps us navigate the world with greater awareness. We are grateful for the positive responses from our readers, which show that our efforts to share meaningful content have made a real impact. Each achievement along the way brings us closer to our shared goal of growth and continuous learning.

At SURESH & CO., we are committed to creating an environment that encourages continuous growth, both personally and professionally. We celebrate every achievement, whether it's a professional milestone, a learning opportunity, or personal growth. Our culture is one that values progress, and we take pride in supporting each individual's journey toward success. Through these opportunities, we foster an atmosphere of development and collaboration, helping both individuals and teams thrive.

This edition features the early reflections and ideas of our budding talents. While these perspectives are in the initial stages and may not have undergone extensive expert review, we are excited to share them as a starting point for further exploration. We invite our readers to engage with these ideas, offer their feedback, and continue the conversation around these emerging thoughts.

Thank you for being a part of this journey. We hope that "EMERGING THOUGHTS" continues to inspire and empower you to contribute to the ongoing evolution of knowledge and creativity.

**"If we have the attitude that it's going to be a great day it usually is."  
Catherine Pulsifier**

**As a new month starts, let's aim to make every day count. This could be through small acts of kindness, setting fresh targets, or just taking a moment to think. Each moment gives us a chance to create something good. Let's grab these opportunities and move forward with a hopeful and proactive attitude in everything we do.**

## Update for the day #2341 | RBI cuts the Repo Rate

The Reserve Bank of India's decision to cut the repo rate by 25 basis points to 6.25 per cent marks shift in monetary policy. This is the first reduction in nearly five years.

The move is aimed at stimulating economic activity by making borrowing cheaper. The Monetary Policy Committee (MPC) unanimously agreed to this measure on February 7, 2025.

This decision reflects the RBI's response to current economic conditions and its commitment to encouraging growth while managing inflation.

### 1. About Repo Rate

The repo rate is the rate at which the central bank lends money to commercial banks.

A lower repo rate makes borrowing cheaper for banks, which can lead to reduced interest rates for consumers and businesses.

This encourages spending and investment, which can stimulate economic growth.

### 2. Reasons for the Rate Cut

The primary reason for the repo rate cut is to boost economic growth.

The RBI aims to make borrowing more accessible.

As inflation is within the target range, a rate cut supports growth while maintaining price stability.

The MPC has projected GDP growth of 6.7 per cent and retail inflation at 4.2 per cent for the fiscal year 2025-26.

### 3. Impact on Borrowers and Lenders

The cut in the repo rate will lower equated monthly instalments (EMIs) for home and personal loans. Banks are expected to reduce their lending rates, making credit more affordable.

This can lead to increased borrowing, spending, and investment. As a result, job creation may also be supported.

### 4. Potential Risks of Lower Rates

While lower interest rates can stimulate growth, they may also lead to higher inflation. Increased money supply can drive up prices.

Additionally, lower rates can reduce the interest earned on savings, making saving less attractive for individuals.

### 5. Economic Growth and Inflation Outlook

The RBI has revised its GDP growth estimate for FY2025 to 6.4 per cent. This is a decrease from previous projections. Retail inflation is expected to be around 4.2 per cent in 2025-26.

The RBI's flexible inflation targeting approach aims to balance growth and inflation effectively.

### 6. Global Economic Context

The RBI's decision aligns with global trends where many central banks have adopted accommodative monetary policies.

This shift reflects a broader strategy to support economic recovery in the face of various challenges.

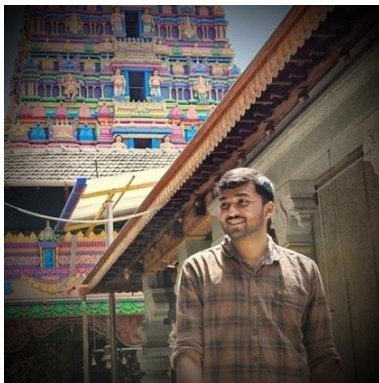
The Reserve Bank of India's decision to cut the repo rate after five years reflects a strategic effort to stimulate economic growth while maintaining inflation stability. By reducing borrowing costs, the RBI aims to encourage spending and investment, which could lead to job creation and economic expansion. Lower lending rates will benefit businesses and consumers alike, providing much-needed financial relief in a challenging economic landscape.

However, while the rate cut is expected to boost liquidity and economic activity, it comes with

potential risks. Increased money supply could fuel inflation, and lower interest rates may discourage savings. The RBI must carefully monitor market reactions and inflation trends to ensure that economic stability is not compromised in the process. Balancing growth and inflation remains crucial in executing effective monetary policy.

Looking ahead, the repo rate cut aligns with global economic trends, where central banks are adopting more accommodative measures to support recovery. As India navigates economic uncertainties, continued policy adjustments, including potential further rate cuts and revised liquidity management strategies, will play a key role in sustaining long-term financial health. The effectiveness of this move will depend on how well the RBI responds to evolving economic conditions and external challenges.

**By Tushar U**



## Update for the day #2342 | The Burning of Washington

What really happened during the War between the United States and the United Kingdom, and how did the British gain entry into the White House itself?

It all began in from the War of 1812, a conflict rooted in maritime disputes and territorial ambitions, saw a dramatic turn in August 1814 when British forces targeted the capital of the United States, Washington D.C. Already engaged in a protracted war with Napoleonic France, Britain initially adopted a defensive strategy against the US, primarily employing a naval blockade and relying on Canadian militia and indigenous allies to counter American incursions into Canada. However, with Napoleon's defeat in April 1814, Britain could redirect its military might across the Atlantic.

Under the direction of the Earl of Bathurst, Secretary of State for War and the Colonies, a British army brigade and additional naval vessels were dispatched to Bermuda. From this imperial fortress, a blockade of the American coastline had been maintained, and now, the decision was made to launch retaliatory raids along the Atlantic seaboard, aiming to divert American troops from the Canadian front. While commanders were instructed against deep inland operations or territorial occupation, Vice-Admiral Alexander Cochrane, the commander-in-chief of the Royal Navy's North America and West Indies Station, envisioned a more aggressive approach, targeting key American cities like Virginia and New Orleans.

Rear-Admiral George Cockburn, who had been commanding the squadron in Chesapeake Bay, astutely observed the weak defenses of Washington D.C. He communicated to Cochrane his belief that the capital was vulnerable and could be easily taken with sufficient force. Cochrane, concurring with Cockburn's assessment and seeking retribution for American actions in Canada, particularly the destruction of private property along Lake Erie and the looting of York (Toronto), authorized the attack. His orders to Cockburn were explicit: to "destroy and lay waste such towns and districts as you may find assailable," while sparing unarmed civilians.

Despite Major General Robert Ross, the commander of the 4,500-man army, harboring initial doubts about capturing the capital with his relatively small force, the British achieved a decisive victory over the American army at the Battle of Bladensburg. This cleared their path to Washington. President James Madison and his government officials fled the city, seeking refuge in the nearby town of Brookeville, Maryland. On August 24, 1814, the British forces, led by Ross and Cockburn, entered Washington. Cockburn had advocated for the complete burning of the city, but Ross, described as an "officer and a gentleman," intended to target only public buildings. However, as the British entered under a flag of truce, they were reportedly fired upon by remaining American soldiers, resulting in casualties and the wounding of Ross's horse. This incident, according to some accounts, led a reluctant Ross to order the burning of the White House and the Capitol Building. The Capitol, considered the most significant structure in Washington, was a prime target for its aesthetic and symbolic value. British troops looted the building, which housed Congress, the Library of Congress, and the Supreme Court, before setting it ablaze. The fire caused extensive damage, including the destruction of the 3,000-volume collection of the Library of Congress and significant damage to the building's neoclassical architecture.

Following the Capitol, the British turned their attention to the White House. First Lady Dolley Madison famously oversaw the removal of important documents and a portrait of George Washington before the British arrived. The presidential residence was then set on fire. However, the destruction was not total, as a sudden and heavy thunderstorm swept through Washington, partially extinguishing the flames and preventing the complete devastation of the city. The burning of the

White House and the Capitol remains a stark reminder of the intensity of the War of 1812 and a significant event in the history of the American capital.

In conclusion, the burning of the White House and the U.S. Capitol in August 1814 stands as a powerful symbol of the War of 1812's impact on the United States. Motivated by retaliation for American actions in Canada and facilitated by British military superiority following Napoleon's defeat, the attack on Washington D.C. exposed the vulnerability of the young nation's capital. While the destruction of these iconic buildings was a significant blow, it also galvanized American resolve and contributed to the complex narrative of the war. The event underscores the brutal realities of conflict and the lasting historical memory of a nation's capital under siege.

**By Aman Jain**





# Update for the day #2343 | Silver's Industrial Demand & Green Energy

## Silver's Industrial Demand: How Green Energy and Tech Are Reshaping Its Market Dynamics

Silver has long been valued as a precious metal, but its industrial applications are now driving a significant shift in its market dynamics. With the rapid rise of green energy solutions and advancements in technology, silver is no longer just an investment asset—it's a critical material powering the future.

From solar panels to electric vehicles (EVs) and semiconductors, silver's demand is surging at an unprecedented rate. This shift is influencing price trends, investment strategies, and long-term supply concerns. Let's explore how these developments are reshaping the silver market.

### 1. Silver in the Green Energy Revolution: The Solar Boom

The global push for renewable energy has made silver an essential component in photovoltaic (PV) solar panels. Its high conductivity improves energy efficiency, making solar power generation more effective. As governments worldwide accelerate clean energy adoption, silver demand in the solar sector continues to rise.

Recent Example: The Silver Institute reported a record demand for silver in solar energy in 2024, driven by large-scale projects in India, China, and the U.S. India's National Solar Mission, aimed at expanding solar capacity to 280 GW by 2030, has led to a significant increase in domestic silver consumption.

This surge in demand directly impacts silver prices, as manufacturers compete for limited supply, making the metal more valuable in the long run.

### 2. The EV and Electronics Boom: Silver's Expanding Role

Beyond solar panels, silver plays a crucial role in electric vehicles (EVs), semiconductors, and next-gen electronics. As industries move toward electrification and automation, silver's industrial demand is rising rapidly.

Recent Example: India's EV market surged by 300% in 2024, with companies like Tata Motors, Ola Electric, and Mahindra leading the charge. Each EV requires 30-50 grams of silver for batteries, wiring, and circuit boards. With India pushing for EV adoption under the FAME-II policy, silver's role in the automotive sector is set to grow even further.

Additionally, silver is a key component in 5G networks, AI-driven computing, and advanced medical devices, ensuring its relevance in future technology.

### 3. Supply Constraints and Future Price Trends

With silver's industrial demand accelerating, supply-side constraints are becoming a growing concern. Unlike gold, silver is mainly extracted as a byproduct of base metal mining, making its production highly dependent on copper and zinc mining outputs.

Recent Example: In August 2024, India's silver imports nearly doubled as industries stockpiled in response to global supply concerns. This trend reflects a broader effort by nations to secure silver reserves for their green energy and tech industries.

Several factors point to potential price surges in silver:

- Declining mining output from key producers like Mexico and Peru
- Rising industrial demand outpacing supply growth



- Limited silver recycling from industrial waste.

With these challenges in mind, experts predict increased silver price volatility in the coming years, making it an attractive commodity for both industries and investors.

### Conclusion

Silver's transformation from a traditional safe-haven asset to a critical industrial material is reshaping its market dynamics. As demand from solar, EVs, and high-tech industries continues to grow, silver is becoming an essential driver of the green economy. Investors and businesses must now look beyond its historical role and focus on its evolving industrial significance to navigate the changing silver landscape.

**By Deepali S Jain**



## Update for the day #2344 | The Carburetor: A Century of Fuel-Air Infusing

The carburetor, a vital component in early internal combustion engines, played a pivotal role in the development of the automobile for nearly a century. Its primary function was to precisely mix air and fuel in the correct ratio before the mixture entered the engine's cylinders for combustion. The earliest rudimentary attempts at fuel-air mixing involved simple surface carburetors where air passed over a fuel-soaked material, picking up vapor. However, these were inefficient and difficult to control.

The late 19th century saw the emergence of more sophisticated designs. Karl Benz is credited with developing an early spray carburetor in 1888 for his pioneering automobile. This design utilized the Venturi effect – a narrowing in the airflow path that increases air velocity and decreases pressure – to draw fuel from a jet into the airstream. Further refinements followed, with engineers like Wilhelm Maybach and Gottlieb Daimler also contributing significantly to carburetor technology. These early carburetors often featured float chambers to maintain a constant fuel level and adjustable air inlets for basic mixture control.

As engine demands increased, so did the complexity of the carburetor. By the early 20th century, multi-jet carburetors with features like chokes (to enrich the mixture for cold starts), idle circuits, and accelerator pumps (to provide a temporary rich mixture during sudden acceleration) became commonplace. Companies like Zenith, Solex, and SU (Skinner Union) became renowned for their innovative and reliable carburetor designs, equipping vehicles from mass-produced family cars to high-performance sports machines.

The mid-20th century witnessed the peak of carburetor technology. Complex designs with multiple barrels (venturis) and intricate mechanical linkages were developed to optimize engine performance and fuel efficiency across various operating conditions. The mechanical limitations of carburetors in achieving precise fuel-air ratios led to the rise of Electronic Fuel Injection (EFI). The oil crises of the 1970s and stricter emission rules further sped up EFI adoption, as it provided more accurate and responsive fuel delivery via electronic controls.

By the late 20th century, Electronic Fuel Injection (EFI) largely superseded carburetors in new cars due to better efficiency, performance, and emissions. Though nearly obsolete in modern vehicles, carburetors still feature in classic/vintage cars, small engines (lawnmowers, motorcycles), and specialized uses. Their history highlights early automotive innovation and a key phase in internal combustion engine development.

**By Dhanush D D**



## Update for the day #2345 | The Shadowy Reality of Animal Factories

"Animal factory" is a stark term used to describe intensive animal agriculture, also known as Concentrated Animal Feeding Operations (CAFOs). These industrial facilities prioritize maximizing output and minimizing costs by housing large numbers of animals in confined spaces, often under conditions that severely restrict their natural behaviors. This system has become the dominant method of producing meat, dairy, and eggs in many parts of the world, driven by increasing consumer demand and economic pressures.

The history of animal factories is relatively recent, gaining significant traction in the mid-20th century with advancements in technology, genetics, and agricultural practices. Innovations like automated feeding systems, climate control, and selective breeding allowed for unprecedented scales of production. While proponents argue that CAFOs provide affordable food and meet global consumption needs, the ethical and environmental consequences are significant and widely debated.

One of the primary concerns surrounding animal factories is animal welfare. Overcrowding, lack of space to move freely, barren environments, and painful procedures performed without anesthesia are common practices. Animals may suffer from chronic stress, injuries, and diseases due to these conditions. The focus on maximizing output often overshadows the biological and behavioral needs of the animals, leading to ethical dilemmas regarding their treatment as commodities rather than sentient beings.

Beyond animal welfare, CAFOs have substantial environmental impacts. The massive concentration of animal waste generates significant amounts of greenhouse gases, contributing to climate change. Manure lagoons can leak, polluting soil and water sources with nitrates, pathogens, and antibiotics. The land required for feed production often leads to deforestation and habitat loss. Furthermore, the energy and water demands of these large-scale operations are considerable.

The economic benefits of animal factories, such as lower production costs and increased efficiency, are often weighed against these ethical and environmental costs. While providing affordable food for a growing population is a crucial consideration, the long-term sustainability and societal implications of intensive animal agriculture are increasingly scrutinized. Calls for more humane and environmentally responsible farming practices, including pasture-raised and free-range systems, are gaining momentum as consumers and policymakers become more aware of the hidden costs associated with the shadowy reality of animal factories.

**By Manu M**



## Update for the day # 2346 | Why CEOs and economists look at trucks

When we talk about understanding the economy, most people immediately think of complex indicators like GDP growth, inflation rates, or interest rate trends. These are essential, but they also have limitations—they are often backward-looking, meaning they tell us what has already happened rather than what's happening right now.

But what if there was a simpler, more immediate way to gauge economic activity? What if we could just look at... trucks?

Yes, truck rentals and sales can reveal a lot about the state of the economy. When rentals rise, it often signals increased movement of goods, a rise in manufacturing, or strong agricultural demand. On the flip side, when rentals drop, it can indicate sluggish business activity.

### Truck Rentals Are on the Rise

In January 2025, the cost of hiring a truck on major routes like Delhi-Mumbai-Delhi increased by 4%, while the Mumbai-Kolkata-Mumbai route saw a 3.7% rise.

This increase in rental prices suggests that businesses are gearing up for strong demand. The logistics sector is witnessing higher movement of goods, which is a positive sign for the overall economy.

One major reason for this surge is the ongoing Maha Kumbh Mela, which has created a fivefold increase in trucking activity compared to 2013. FMCG giants like PepsiCo, Coca-Cola, Dettol, and Dabur are pushing large volumes of products, leading to a spike in logistics demand.

### Agriculture and Manufacturing Are Also Driving the Trend

Truck rentals are also reflecting strong agricultural activity. Seasonal transportation of winter fruits and vegetables has boosted demand in Kolkata and nearby regions. Moreover, higher kharif crop production and increased rabi crop sowing indicate that agricultural transportation remains robust.

On the manufacturing side, rising rentals suggest that businesses are willing to pay higher logistics costs, which usually means strong demand. In January 2025, 99,425 commercial vehicles were sold, marking an 8.22% year-on-year growth.

### The Big Picture

Truck rentals act as leading indicators of economic trends, meaning they provide early signals of where the economy is headed. While traditional indicators like GDP tell us what happened last quarter, truck rental prices change in real-time, reacting immediately to supply and demand.

However, they aren't perfect. In 2018, truck sales soared even as rentals dropped, giving mixed signals due to inventory clearance discounts. So, while trucks tell an important story, they should be tracked alongside other indicators for a complete economic picture.

The analysis of truck rentals as an economic indicator highlights a unique and immediate way to gauge business activity, transportation trends, and overall market health. The recent surge in rental prices and vehicle sales suggests strong demand across sectors, including logistics, agriculture, and manufacturing. This real-time reflection of economic movement provides an early glimpse into growth patterns, complementing traditional economic measures like GDP and inflation.

While truck rentals and sales provide valuable insight, they should not be viewed in isolation. Factors such as seasonal demand, major events like the Maha Kumbh Mela, and external influences like fuel prices and government regulations can also impact trends. Additionally, past inconsistencies—such as rising truck sales amid falling rentals—underscore the importance of cross-referencing multiple economic indicators for a holistic understanding.

Looking forward, tracking logistics trends alongside traditional metrics can enhance economic forecasting and policy decisions. By recognizing the role of transportation in economic movement, businesses and policymakers can anticipate shifts and respond proactively. Whether through infrastructure development or refining trade strategies, leveraging transportation insights could lead to smarter economic planning and stability.

**By Raki Saha**



## Update for the Day #2347 | Corruption Perceptions Index explained

India ranks 96th out of 180 countries in the 2024 Corruption Perceptions Index (CPI). And if that number doesn't immediately make sense, what it really means is that India is the 96th least corrupt country in the world. Not exactly a stellar position, we know. But who decides this ranking? Well, it's not Transparency International, the organisation that has been publishing the CPI since 1995. Instead, 13 global institutions, including the Asian Development Bank, World Bank and World Economic Forum, conduct surveys. They ask business leaders, analysts and experts simple questions like: How common is it for firms to pay bribes in your country?

Now, their answers aren't necessarily based on hard data. Some might answer based on first-hand experiences. Like dealing with red tape or bribes. Others might form opinions from media reports, past trends or even global rankings. Each institution then assigns corruption scores based on its own scale. Some could use a 0-10 scale, where 0 is highly corrupt and 10 is least corrupt, while others might go with 0-50, flipping the scoring rules altogether.

And that's where Transparency International steps in. They take this jumbled mess of numbers and standardize everything onto a scale of 0 to 100, where 0 means highly corrupt and 100 means squeaky clean. Once that's done, countries are ranked accordingly. And that's how India, with a score of 38, landed at 96th place. So, how bad is it? Well, it's worse than last year. In 2023, India had a CPI score of 39 and ranked 93rd. What's worse is that the global average CPI score is 43, and two-thirds of the 180 countries have scored below the 50 score, India included.

But why does the CPI even matter, you ask? Well, you see CPI isn't just a score. It has real-world implications. For policymakers, it's a public report card on corruption and it helps them gauge where their country stands. That could ideally help them push for stronger anti-corruption measures. So, a better score could mean better governance. Investors around the world keep a close eye on the CPI too. If a foreign company is considering expansion in a particular country, they would want to know how much red tape they'll have to cut through there.

A low CPI score signals trouble. It could mean bureaucratic hurdles, bribery risks and inefficiencies, all of which could make setting up shop a nightmare. And this isn't just speculation. The numbers back it up. A study that analyzed ICRG's corruption index data from 1960 to 1985 found that a one-point improvement in a country's corruption index boosted investment rates by over 4% and increased per capita GDP (Gross Domestic Product) growth by more than 0.5%. Sure, the data might be old, but it gives you a fair idea of why the perception of corruption matters to investors.

That's not all. CPI scores can even influence sovereign credit ratings, which is basically a key measure of a country's ability to repay its debts. If a country wants to borrow from global lenders like the IMF or World Bank, a low CPI score could work against it, leading to higher interest rates on loans. That, in turn, could put pressure on its budget and widen the fiscal deficit (the gap between government spending and income). But here's the thing. Not everyone's a fan of the CPI. In fact, many experts dislike using a country's CPI score to gauge its corruption levels, because they think that it could actually be based on a flawed statistical model. Their argument is simple.

How do you measure something as subjective as corruption? Unlike hard data like GDP or inflation, corruption is a perception-based concept, much like democracy or fairness. So, what one person sees as a minor inconvenience might be outright corruption for someone else. Businesses, policymakers and organizations all have different lenses, which means the CPI is built on opinions rather than concrete evidence. Then there's another big problem. Who's actually answering these surveys? It's mostly business elites and industry experts, which means that the voices of folks like you and me who also deal with corruption firsthand, aren't really factored in. That's not all. CPI



only looks at corruption in the public sector, completely ignoring what happens behind closed doors in the private sector.

**By Sree Harshitha**





## Update for the day # 2348 | DeepSeek - the model that broke the market

Until recently, the predominant belief was that you needed a lot of compute to build a foundational AI model—ChatGPT for instance. “Compute” may seem like a foreign term, but it’s really not. Compute means computers, only these are highly customized chips best suited to train an AI model.

And “compute” costs money. Tens of billions of dollars.

And since there are limited companies that build these chips (Nvidia being the forerunner with the best chips), there was a general expectation that supply constraints would prevent new players from creating foundation models (unless they also had tons of money and access to these chips). And then, DeepSeek broke those expectations.

DeepSeek is a foundational AI model from China. And nobody expected it to be as good as it has been. Sure, China has always had the talent and the money to build something like this, but they didn’t have access to chips (or “compute”). The US government made sure the likes of Nvidia did not bulk export their latest chips to China or Chinese affiliated companies. So, researchers in China only had access to limited compute (sourced before the export controls) or those in the wild. They couldn’t buy them at scale (or so everyone believes).

And yet, just last week, they released an AI model that competes with some of the best models from the US. And they did this at a fraction of the cost. They say that the whole training gig cost them \$6 million. And even with the additional overheads (of people and their salaries), you are still looking at a tight ship. Meanwhile companies in the US have spent billions of dollars building the same models.

So, as it stands, DeepSeek breaks a few big assumptions:

- Maybe you don’t need a lot of compute to build and train an AI model
- Maybe you don’t need a lot of money to build and train an AI model
- OpenAI, Microsoft, Google, Amazon have been grossly overpaying for building and training their models. Bad news!
- Fewer chip sales also affects Nvidia’s sales projections. Really bad news!

This explains why all the tech stocks have been crashing. Because this may set a new precedent for the future. But that’s one version of the story.

So, let’s go over this report once again, but this time with a little more nuance.

Alright! So, China has figured out a way to build and train a foundational model with very little money. Great! But what’s preventing other more well-funded players from doing the same thing? Why can’t they adopt the same approach, lower costs and rake in outsized profits as they keep refining their models even further?

Well, they could and they will likely do so. But DeepSeek is open source. This means anyone can access, configure, add inputs and deploy the model on their own terms. And that just opens the field now. Most tech companies in the US have been guarded in fully opening up their models. Even when they did, the models themselves weren’t all that great. But DeepSeek is all out there. For everyone. And it’s really really good. So now the US isn’t just competing with one model. They’re competing with an open-source model where anybody can contribute.

So, the big question is—Where is the competitive advantage for the likes of Microsoft, Google and OpenAI.

That's something for investors to ponder.

But that's not to say that everything about this story is squeaky clean. The researchers' claims of using limited compute and resources to train a foundational model is just that—claims. It's pretty fair to say that there are academics out there going over the research papers and trying to replicate the results. We will probably know for sure if the model is in fact as cheap as they claim pretty soon.

But even if we were to take the claims at face value, there is an added distinction here. The training cost of \$6 million is likely the cost of renting the chips and not the cost of chips themselves. You can find this in the paper:

| Training Costs    | Pre-Training | Context Extension | Post-Training | Total    |
|-------------------|--------------|-------------------|---------------|----------|
| in H800 GPU Hours | 2664K        | 119K              | 5K            | 2788K    |
| in USD            | \$5.328M     | \$0.238M          | \$0.01M       | \$5.576M |

Table 1: Training costs of DeepSeek-V3, assuming the rental price of H800 is \$2 per GPU hour.

If you assume the cost of renting a chip is \$2 per hour, then the total comes out to \$5.57 million. This is not the actual cost of those chips. Also, this excludes the cost of experimentation, prior research, salaries and other overheads. So no, it did not take just \$6 million to build this. It likely took a lot more.

And finally let us also address another popular question that's been doing the rounds of late—Why didn't India do it? Why can't we build our own DeepSeek?

Protectionism! India is not a protected market. US companies can offer their AI services here and it will likely outperform any new Indian upstart—both in terms of service quality and price. China on the other hand is a protected market. US companies don't have free rein and as a consequence, the consumers will have to adopt Chinese counterparts even if they are suboptimal at first. So, there's every incentive for a Chinese researcher to invest in building a foundational AI model because they have a ready market to tend to. India is different and as a consequence, researchers here have to work around the incentive problem to make their mark.

By Lakshi Solanki



## Update for the day #2349 | 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.

The UK real estate market has long been a preferred investment destination for wealthy individuals, including Indian ultra-high-net-worth individuals (UHNIs). The stability of property rights, strong rental yields, and currency diversification make it an attractive option. However, many of these investors have historically used offshore companies based in tax havens to minimize taxes and maintain anonymity. By structuring their purchases through these entities, they have managed to avoid capital gains tax, stamp duty, and inheritance tax while benefiting from lower

rental income tax rates.

Despite efforts by the UK government to tighten regulations—such as removing tax exemptions and introducing Beneficial Ownership disclosure rules—loopholes still exist. Investors can buy shares in offshore companies holding UK properties rather than directly purchasing real estate, allowing them to remain hidden from public records. Meanwhile, India's stricter laws under FEMA prohibit such investments, leading to investigations by authorities into wealthy Indians' offshore dealings, especially concerning concerns about money laundering and capital outflows.

This disparity in regulations raises critical questions about whether India should revise its foreign investment rules to align with global practices. While loosening restrictions might boost international investments, it could also lead to increased tax avoidance and economic inequality. As long as tax havens continue operating with lenient rules, the wealthy will likely exploit legal loopholes, making global financial reforms essential to ensuring transparency and fairness in real estate investments.

**By Sudarshan Shanbhag**



## Update for the day # 2350 | Are unlisted companies giving listed one's tough competition?

Today's story isn't just about the markets, it's also about those companies that operate away from the spotlight of the listed exchanges. The ones that don't sell their shares in stock markets and don't get as much attention. But it turns out they are doing some amazing things and growing fast. The proof is in the pudding.

A study by CMIE looked at 4,231 unlisted companies and 3,575 listed ones. And it found that unlisted companies grew their revenue by about 8% in FY24, compared to just 1.7% for listed firms. In terms of profits, unlisted companies saw around 29% increase in profit after tax, while listed ones grew by 27%. Now, the difference here might not seem massive. But it tells us how unlisted companies can be more flexible, take bigger risks and move faster because they don't have to appease shareholders every three months. And this shows up clearly in how they're expanding their capacity.

Unlisted companies increased their net fixed assets like machinery and equipment by 7.5%, compared to 6.4% for listed firms. They're also investing heavily in fixed assets that will pay off in the future, like new factories or projects still under construction. This is called capital work in progress (CWIP) and unlisted companies increased their CWIP by nearly 7%, while listed firms barely grew by 0.3%. In simple terms, unlisted companies are betting big on what's next. Maybe they're seeing demand uptick in the coming months.

Take the aviation sector as an example. Unlisted companies there grew fixed assets by a massive 58%! Why? Because more people are traveling, and these companies are preparing for a demand boom. Similar trends are visible in consumer goods and real estate, with significant investments flowing in. Another crucial aspect that outranked their listed peers is financial discipline. Unlisted companies have an interest coverage ratio of about 3, which is the highest in 30 years. This means they can easily pay off the interest on their loans. Their debt-to-equity ratio, which shows how much debt they use compared to their own money or equity, is also at a healthy level of 1.1. But hold on... You see, listed companies have their own advantages.

For starters, listed companies bring transparency. Their financial performance, corporate governance, and strategic decisions are regularly disclosed, offering investors a clear picture of what's happening behind the scenes. This level of accountability fosters trust and attracts a broader pool of investors. They also have the advantage of size. Listed firms are usually bigger and can survive tough times better. In times of crisis, this stability can be a lifeline, ensuring continued operations and preserving shareholder value. Plus, they can raise money more easily by selling shares or issuing bonds, which helps them grow or fund new projects quickly. Being part of major indices like Nifty or Sensex further boosts credibility and attracts institutional capital for them. And listed companies also have the power to buy unlisted ones. These acquisitions allow listed firms to let unlisted ones take risks and then step in to benefit from their success. What about the unlisted companies though?

They can thrive by breaking free from the quarterly-results treadmill. They can focus on long-term goals and invest in bold ideas, especially in capital-intensive sectors like semiconductors or green energy which require a lot of money upfront and patience to see results. This is where venture capital and private equity come in. They fund unlisted companies, helping them scale quickly without worrying about quarterly results. But there's always the risk that unlisted firms heavily rely on external funding. And if that funding dries up, trouble looms. Listed firms, with their access to public markets, provide a counterbalance. They bring stability and transparency, which are crucial



for the overall economy.

It's important to note that all the metrics we saw above, like CWIP, debt levels, interest coverage, and sales growth, might not tell the full story. These figures can be influenced by short-term factors like industry cycles, demand spikes, or even favorable credit conditions.

What matters is how these companies maintain or improve numbers over the long haul. It's not about who's winning today but who can thrive across economic ups and downs.

For now though, this interplay between listed and unlisted firms could give us some broader insights. If unlisted companies continue to outpace their listed counterparts, the appeal of private investments could grow. For investors, unlisted firms offer a chance to back high-growth, innovative companies without the volatility of public markets. And this could create a cycle where more capital flows into the market, driving further growth and innovation.

But here's what we didn't tell you.

Capital inflows into unlisted companies can often depend on how listed companies perform in a particular year. Let's look back at FY24 itself as an example. It was a blockbuster year for Indian IPOs. Stock exchanges saw 76 mainboard IPOs, which was a whopping 110% jump from the previous year. On the flip side, global IPO activity showed a slow down during the same period, dipping by about 16%. And that sort of made investors go "Hey, if Indian IPOs are doing so well, why not invest in unlisted Indian companies that could go public soon?" Money started flowing into these unlisted companies. And that sort of drummed up more interest in them.

And that tells you something interesting.

Unlisted companies can attract more capital if listed companies and the IPO markets shine. Simply put, these unlisted companies can be at the mercy of the listed markets. Now think what happens if the IPO market slumps in 2025. It could slow down the capital that unlisted companies attract. This dynamic highlights the complementary roles of listed and unlisted companies. And it tells us how the markets are always dynamic. Listed firms bring transparency and stability, while unlisted ones drive innovation and bold bets. And together, they fuel economic growth and offer insights into emerging trends.

So yeah, unlisted companies are clearly shining right now, but instead of framing this as a competition with listed firms, we can use this to understand how private and public growth models are evolving. As India's markets evolve, the gap between listed and unlisted firms may narrow. For now, unlisted firms are proving that the real action is happening away from the limelight.

**By Sughosh Joshi**





## Update for the day # 2351 | ETF Mispricing: Causes, Risks, and How to Navigate It

We've all heard that ETFs are designed to track an index, but did you know they don't always trade at their true value? Sometimes, due to market factors, ETFs can be mispriced—trading at a premium or discount to their actual worth—which can impact both traders and long-term investors.

Exchange-Traded Funds (ETFs) are designed to track the performance of an underlying index, commodity, or basket of assets. Ideally, the market price of an ETF should closely match the net asset value (NAV) of its holdings. However, due to various market factors, ETFs can sometimes trade at a premium (above NAV) or a discount (below NAV). This phenomenon is known as ETF mispricing.

### Causes of ETF Mispricing:

#### 1. Market Liquidity and Supply-Demand Imbalances

If demand for an ETF significantly increases or decreases due to investor sentiment, market trends, or large institutional trades, its price may temporarily deviate from NAV.

#### 2. Underlying Asset Liquidity

ETFs tracking illiquid or volatile assets (such as emerging market stocks, corporate bonds, or commodities) are more prone to mispricing because their NAVs are harder to calculate in real-time.

#### 3. Trading Hours Mismatch

If an ETF tracks assets traded in different time zones (e.g., a U.S.-listed ETF tracking Asian stocks), price discrepancies can occur due to differences in trading hours.

#### 4. Market Stress and Volatility

During periods of high market volatility (e.g., financial crises or major economic events), the price of an ETF may move more erratically than its NAV, leading to mispricing.

#### 5. Arbitrage Mechanism Inefficiencies

ETFs rely on authorized participants (APs) to create and redeem shares, helping align prices with NAV. If APs face trading restrictions, increased costs, or delays, the arbitrage process may not function efficiently, allowing mispricing to persist.

### Implications of ETF Mispricing:

#### - For Short-Term Traders:

Mispricing can create profit opportunities through arbitrage strategies. Traders can exploit price differences by buying undervalued ETFs or short-selling overvalued ones.

#### - For Long-Term Investors:

Persistent mispricing may affect investment returns. Buying an ETF at a premium means overpaying for the underlying assets, while selling at a discount results in a loss compared to NAV.

### How to Manage ETF Mispricing Risks:

- Monitor the Bid-Ask Spread – A wide spread may indicate poor liquidity and potential mispricing.
- Compare ETF Price to NAV – Check whether the ETF is trading at a premium or discount to NAV.
- Trade During Overlapping Market Hours – If possible, trade ETFs when their underlying assets' markets are open to reduce price discrepancies.
- Use Limit Orders Instead of Market Orders – This helps avoid executing trades at unfavorable prices due to temporary mispricing.
- Be Cautious in Volatile Markets – Avoid panic trading during extreme market conditions, as price deviations can be more frequent.

ETF mispricing is an important factor for investors and traders to consider, especially in volatile markets or when dealing with less liquid assets. By understanding the causes and implications, investors can make more informed decisions and mitigate risks.

**By Chirag R**



## Update for the day #2352 | 2012 as the end of the world - Debunked!

The Mayan civilization, renowned for their advanced understanding of astronomy and mathematics, developed a complex calendar system, including the Long Count calendar. This calendar, which tracked vast cycles of time, reached the end of a major cycle on December 21, 2012.

Misinterpretations and the Doomsday Prophecy:

This date coincided with a rare astronomical alignment, which some interpreted as a sign of impending doom. However, Mayan scholars have clarified that there is no evidence in Mayan texts or traditions to support the idea that this date signified the end of the world. The Mayan calendar, like our own, simply began a new cycle.

The misconception of a Mayan doomsday prophecy likely arose from a combination of factors, including:

- Misinterpretation of Mayan texts: Some interpretations of Mayan hieroglyphs and prophecies were taken out of context or misinterpreted, leading to apocalyptic predictions.
- Astronomical alignments: The alignment of planets and celestial bodies on this date was seen by some as a harbinger of catastrophic events.
- Popular culture: The idea of a 2012 doomsday was popularized by books, movies, and internet speculation, further fueling the misconception.

The Truth about the Mayan Calendar:

The Mayan Long Count calendar is a sophisticated system that tracks vast periods of time, with each cycle lasting approximately 5,126 years. The end of a cycle was not seen as the end of the world but rather as a transition to a new era. Mayan inscriptions and traditions emphasize renewal and transformation rather than destruction.

Conclusion:

The belief that the Mayans predicted the end of the world in 2012 is a misinterpretation of their calendar system and beliefs. Mayan scholars have debunked this notion, emphasizing that the Mayan calendar simply marked the end of a cycle and the beginning of a new one. The 2012 phenomenon serves as a reminder of the importance of accurate interpretation and understanding of ancient cultures and their knowledge systems.

**By Deekshitha P B**



## Update for the day # 2353 | Can GIFT City take off as India's aircraft leasing hub?

Let's start today's story with some stats. Roughly 90% of Indian airlines lease their fleets. This simply means that airlines don't own most of their planes. They rent them from leasing companies, often based in countries like Ireland, Hong Kong, Dubai and Singapore.

And there's a good reason why. Buying a plane is ridiculously expensive. Take the aircraft that Indian airlines commonly fly — Airbus A320s, Boeing 777s, 787s and 737s. One of these could cost anywhere between ₹700 crore to ₹1,100 crore. Now, although these costs are negotiable based on aircraft type and order size, you would agree that these are gigantic, to say the least.

So, yes, leasing makes more sense. It helps airlines avoid these upfront investments, preserve cash for other operational expenses, or expand their fleet while avoiding significant debt.

Leasing clearly helps airlines, but what about those who provide the planes? Well, it turns out leasing is a massive cash cow for aircraft leasing and financing companies. For perspective, leasing companies own over 50% of the world's airline fleet, and as of 2024, they leased over \$180 billion worth of commercial aircraft globally.

Here's how it works. Lessors buy planes, often in bulk, at discounted rates from manufacturers like Boeing or Airbus. Then, they lease them out to airlines, earning a steady monthly income. And while it's a capital-intensive business, the returns are solid. Even if an airline goes bust, the lessor can simply lease the aircraft to another carrier. With a lifespan of 20-25 years, the same plane can generate revenue multiple times. Given the size of the leasing business globally, it was only a matter of time before India wanted a slice of the pie. Nearly six years ago, in her 2019 Budget speech, the Finance Minister announced that the time was ripe for India to enter the aircraft financing and leasing game. This was a great move, as Indian airlines, which had to rely on other countries, can now lease aircraft for their own airlines in their home country.

That's where GIFT IFSC (Gujarat International Finance Tech-city-based International Financial Services Centre) comes in (We'll just call it GIFT City from hereon). For the uninitiated, GIFT City works like a Special Economic Zone that offers incentives and tax benefits to businesses that set up shop here instead of elsewhere in the country.

For example, aircraft leasing businesses in GIFT City get a 10-year tax holiday on lease rentals and don't have to deduct tax before paying rent to a lessor in another jurisdiction. The Directorate General of Civil Aviation (DGCA) has also exempted lessors registered in GIFT City from obtaining prior approval for importing or acquiring aircraft on lease. And for the past few years, the government has been trying to attract global leasing and financing companies to set up shop in GIFT City. To some extent, this has worked. Since 2019, more than 26 aircraft leasing entities, including some global players, have been registered there. However, only a handful of these established entities have actually engaged in leasing transactions.

One big reason was that India's leasing ecosystem didn't match global standards, and legal protections for lessors were weak. This kept investors wary. But now the government wants to change that.

Just last week, the government introduced the Protection of Interests in Aircraft Objects Bill, which will give GIFT City a much-needed boost. The bill gives lessors something they've wanted for years: clarity and confidence. Their biggest fear was getting stuck in endless legal battles to get back their aircraft if an airline they rented to went bankrupt, which happened in the cases of Kingfisher, Jet Airways and Go First Airlines. Lessors just couldn't reclaim their planes because insolvency courts got in their way.

The new bill sets a clear rule. Lessors can reclaim their planes within two months if an airline defaults. Plus, any disputes will go straight to the High Court for quick resolution.

That's not all. Last year, the UK-based Aviation Working Group (AWG) downgraded India's rating to 'high risk' due to poor protection for lessors. This made leasing more expensive for Indian airlines. But now, with the bill in place, AWG has already bumped India's rating back to 'medium-risk jurisdiction' and it could climb higher once the bill becomes law.

For Indian airlines, this is great news; it could lower leasing costs and make aircraft procurement easier. But for GIFT City, it's even bigger. With stronger laws, global leasing giants might finally start serious business here.

But despite these incentives and even the provisions of the recent bill, India still lags behind established leasing hubs like Ireland. It would be a tough battle to convince these Irish-based companies to consider setting up shop in India.

Why, you ask?

See, Ireland has long been the top pick for aircraft leasing companies, mainly because of its extensive double taxation agreements (DTAs). These treaties prevent income from being taxed twice, reducing the tax burden on lessors. And thanks to them, leasing companies often pay little to no tax in the lessee's country and minimal tax in Ireland. But sometimes, these leasing companies operate with minimal real presence in Ireland, like just a registered office and some paperwork. Though, that's getting harder with tighter global tax rules. In contrast, India's tax approach is stringent. The 2017 General Anti-Avoidance Rule (GAAR) allows tax officials to scrutinise and deny tax benefits in case a leasing company exists solely for tax-saving purposes in the GIFT City without real commercial activity. This means lessors can't just set up a shell entity in GIFT City and expect Ireland-style tax perks.

While strict tax laws ensure genuine business activity, India's history of retrospective taxation (the practice of applying new tax laws or rates to transactions that occurred before the laws were enacted) has often made foreign investors nervous. For example, in 2025, Volkswagen faced a \$1.4 billion tax demand from Indian authorities after 12 years of scrutiny, highlighting how prolonged and unpredictable tax investigations can be. Then, we didn't talk about the elephant in the room: financing. These global leasing companies survive on the support of financial institutions. For instance, European banks support leasing businesses in Ireland. Similarly, the government-owned Temasek Holdings and Singaporean banks support leasing firms in Singapore.

There is no such provision in India because banks are reluctant to fund anything related to aviation. Thanks to past experiences with Indian airlines going bust. As a result, lessors operating from GIFT City have to rely on overseas funding. And that comes with additional costs, making the GIFT City less attractive.

Sure, the bill is a step in the right direction. But if India really wants to compete with Ireland and the like, it needs more than one law. The government must provide clear, long-term policy assurances, global-standard legal protections and a dependable financing framework

**By Aastha Jain**





## Update for the day #2354 | Reliance, ONGC and the missing unitisation agreement

The government wants Reliance Industries Limited (RIL) and its partners, BP and Niko, to pay \$1.5 billion in compensation. And if you've been following the news, you've probably seen how the Delhi High Court recently overturned an International Tribunal's ruling that had earlier cleared RIL of the burden of paying this hefty amount.

But this legal battle has been years in the making. And how did it all start?

Well, it goes back to the New Exploration Licensing Policy (NELP), which opened up oil and gas exploration to private and foreign companies. These companies could now bid for oil and gas blocks in a competitive auction, which was, until then, the domain of state-run giants like ONGC and OIL.

The first NELP bidding round in the year 2000 opened up a jackpot for RIL as it got its hands on one of the gas exploration blocks. And coincidentally, RIL's block sat right next to the block awarded to the Cairn (which was later taken over by ONGC) in the Krishna-Godavari (KG) Basin. PS: These gas fields lie deep under the sea in the Bay of Bengal, off the Andhra coast.

By 2009, RIL had begun digging wells and pumping gas from its awarded block, while ONGC had yet to start exploration. However, the real twist came when, in 2013, ONGC observed something anomalous. It suspected that the underground gas reservoirs in both blocks were connected, allowing gas to flow from ONGC's block into RIL's. And since Reliance had begun production first, it might have inadvertently extracted ONGC's gas as well. Sensing a major issue, ONGC took the matter to the Directorate General of Hydrocarbons (DGH). After this, the dispute landed in court, which eventually, in 2015, ordered a probe by DeGolyer and MacNaughton (D&M). Their report confirmed that gas had indeed migrated from ONGC's block into RIL's fields and that Reliance had extracted and sold it.

Following this, the government set up the Shah Committee, which gave its verdict in 2016: while there was no criminal intent, it concluded that Reliance had unfairly benefited. Since RIL had gained \$1.7 billion from gas extracted from its KG Basin block, the government felt it should pay back at least \$1.55 billion in compensation.

Now, Reliance wasn't going down without a fight. It challenged the compensation demand in international arbitration – and won. And for a moment, RIL might have breathed a sigh of relief, thinking that the matter was settled. But the saga wasn't over, and just days ago, the Delhi High Court turned the tribunal's ruling upside down, this time in favour of the Indian government. So, that's the backstory.

Now, all of this led us to wonder could this entire mess have been avoided in the first place? And that's when we came across the concept of a "unitisation agreement", the main talking point of today's story. Let's understand this with a climactic scene from the 2007 film *There Will Be Blood*. In the film, Eli, who's desperate for money, approaches Daniel, a ruthless oilman, to sell a piece of his land that's sitting atop vast oil reserves. In response, Daniel exclaims: "If you have a milkshake, and I have a milkshake, and I have a straw that reaches across the room, I drink your milkshake! I drink it up!" Simply put, Daniel mocks Eli, revealing to him that he has already drained all the oil beneath Eli's land, without actually needing to buy it.



And this perfectly illustrates what was called the “rule of capture”, which was prevalent in the United States (US) in the 20th century. It stated that whoever extracts the oil first owns it, regardless of whether it migrated from another property. This means oil from one property can be extracted using wells on a neighbouring property and be owned; you just have to be quick! Naturally, this led to some serious disputes as companies rushed to drill and extract the oil as fast and as much as possible before their neighbouring landowners did. And the result was over-drilling, poor planning, massive wastage and inefficient oil recovery.

And at its core, the Reliance-ONGC dispute also boils down to this same issue—gas migration. If an underground reservoir is shared across two blocks and one company starts extracting first, does that mean they own everything that flows into their wells?

Well, this is where the unitisation agreement comes into play.

Look, oil and gas fields often transcend land and water boundaries, sometimes even creating conflicts between nations. And history is full of such cases. And unitisation helps solve this problem by treating shared reservoirs as a single entity. So instead of competing, companies or nations holding rights to different parts of the field combine their interests into a "unit". Production is then decided and shared based on a pre-agreed formula called tract participation (i.e., how much oil or revenue each party gets after selling it). The United Kingdom and Norway were among the first to embrace unitisation. In 1976 they signed the unitisation agreement for the Frigg gas field, which sprawled the maritime boundary between the two nations. They agreed to jointly develop and operate this field as a single unit, essentially setting a precedent of sorts for the world for handling such disputes. And they didn't stop there. In 2005, they signed another agreement which outlined how they would collaborate and operate under the supervision of both nations' regulatory authorities.

Now, coming back to the Indian case of RIL vs ONGC—could India have avoided this mess? Maybe. The government or the Directorate General of Hydrocarbons (DGH) could have foreseen the possibility of gas migration and implemented a unitisation agreement in place before allocating the blocks to different parties. If that had happened, RIL and the government might have avoided this elaborate legal dispute, which is still sub judice, and saved involved parties from years of legal trouble.

Anyways, what's our take? Should Reliance pay the government \$1.5 billion?

Well, that's where things get tricky. As we saw, on the one hand, the "Finders, Keepers" rule suggests that whoever extracts the gas first owns it—just like in the old oil rush days. RIL started drilling before ONGC, and there was no unitisation agreement in place to dictate otherwise. By that logic, Reliance could argue that it did nothing wrong.

On the other hand, without a unitisation agreement, ONGC never had a fair shot at extracting gas from its own block. And expert committees have already proved that RIL extracted more than 11.2 billion cubic metres of gas from ONGC's block, sold it, and profited from it. Then it's only fair that RIL compensates the government or ONGC, yeah? Ethically and economically, ONGC had a claim to a share of that wealth. So maybe a fair resolution might not mean RIL paying the full \$1.5 billion, but some compensation? And that again raises questions about regulatory oversight and whether clear rules should have been in place from the start.

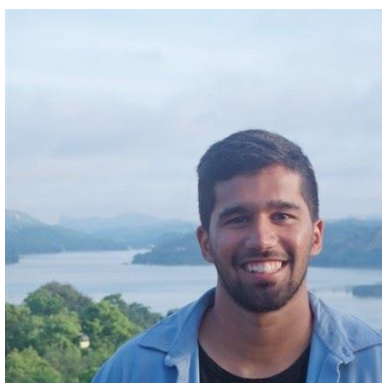
The legal dispute between Reliance Industries Limited (RIL) and the Indian government stems from gas migration in the Krishna-Godavari (KG) Basin. RIL began production in its awarded block before the state-owned ONGC could commence extraction in its neighboring block. However, investigations confirmed that gas from ONGC's block had flowed into RIL's wells, leading to claims that RIL unfairly benefited. While an international tribunal initially ruled in RIL's favor,

the Delhi High Court has now overturned that decision, backing the government's demand for \$1.5 billion in compensation.

At the core of the issue lies the absence of a **unitisation agreement**, a globally recognized framework for managing shared reservoirs. Such agreements ensure equitable resource extraction by treating connected reserves as a single unit. Countries like the UK and Norway have successfully used unitisation agreements to prevent disputes, yet India lacked such regulations before awarding these exploration blocks. Had proper oversight been in place, this prolonged legal battle might have been avoided, saving stakeholders time and financial strain.

The debate now is whether RIL should compensate the government in full. While it followed the existing rules at the time, ONGC never had a fair opportunity to extract gas from its own block. Ethically, sharing profits from the extracted gas seems reasonable, but determining the extent of compensation is complex. This case highlights the need for clearer resource management policies in India to prevent similar conflicts in the future.

**By Shravan Prabhu N**



## Update for the day #2355 | Pakistan's solar frenzy has hidden costs and lessons, too

China is the leader in producing and exporting solar equipment.

While that might be unsurprising, here's something you might not expect: Pakistan, our neighbor, is the third-largest buyer of Chinese solar panels. It's also the sixth-largest solar market in the world!

And this solar boom isn't just an elitist trend. Factories are covering their rooftops with solar panels. Farmers are using solar power for irrigation pumps. And middle-class households are joining the fray, too, thanks to affordable imports from China. To put it in perspective, in the first nine months of 2024, Pakistan imported a whopping 17 gigawatts (GW) of solar modules from China. If fully utilised, this capacity could generate over a third of Pakistan's total power capacity. That's impressive, right?

This rapid solarisation is reducing the government's fuel import bills. It's also nudging the country closer to its ambitious goal of doubling renewables to make up to 60% of the total energy mix by the end of this decade. All this sudden transition to solar energy happened without government advocacy or subsidies. Sounds like a dream scenario worth replicating, doesn't it?

Except, this solar power boom is not as sunny as it seems.

Let's take it from the top. And we'll start with Pakistan's shaky power grid, which is in shambles. Many areas face up to 12 hours of daily load shedding, and for many regions, electricity access is either nonexistent or limited to a few hours a day. And this isn't a recent phenomenon either; Pakistani citizens have been grappling with erratic power supply for decades. Grid electricity supplied by the government is prohibitively costly, which again pushes households and industries alike to make the solar switch.

However, this solar frenzy is also causing new challenges for Pakistan's economy.

Look, people switching to solar power are either using very little of the state-supplied electricity or abandoning it altogether. This cuts into the revenues of national power grid suppliers, which are already about \$8 billion in debt. The government hikes electricity tariffs to stay afloat, which again drives more people away from the grid and towards solar.

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

So, it all seems like a vicious cycle!

Adding to the complexity is China's dual role.

You see, under the China-Pakistan Economic Corridor (CPEC), China invested heavily in Pakistan's power infrastructure—mainly in coal-based IPPs that operate on the same fixed-payment models we just spoke about. And Pakistan is drowning in dues here, too. It owes these China-controlled plants over \$2 billion in unpaid operational costs.

At the same time, China profits as the world's largest supplier of solar tech, cashing in on Pakistan's transition to renewables. It's a double-edged sword for Pakistan. Also, amid all this is the government's net-metering scheme introduced in 2017, which allows solar users to sell excess electricity back to the grid. While this incentivized solar adoption, it also reduced grid revenues, exacerbating the financial strain.

So, currently, amidst all this unfolding, the government is in a muddle. A few experts argue that Pakistan must continue to invest heavily in solar parks, thanks to its abundantly available sunshine, to prepare for future energy needs. But again, incentivizing or supporting solar energy usage would undermine its grid electricity consumption and, more so, the ability to repay its debts.

So, what's the way out for Pakistan?

The World Economic Forum (WEF) offers a blueprint: modernise the grid to be more flexible and sustainable. This means adopting advanced AI-driven monitoring to predict energy demand more accurately and optimize power flow. Additionally, upgrading the grid with digital metering can help track energy use in real time and reduce inefficiencies as well as wastage.

Sure, it sounds great and the perfect solution on paper.

But modernizing the grid requires massive investments and political consensus, both of which seem challenging for Pakistan, given its economic struggles. So yeah, dealing with rising debts is a lurking question facing the Pakistani government. And it seems the government is stepping up. It recently revised contracts with the IPPs and also announced that it will stop buying electricity from some of them to bring reforms to its debt-laden power sector. Nevertheless, there's still a long way to go before the nation could see significant results.

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

**By Sreenadh Chakka**



## Update for the day #2356 | Why Trump sent Canada and Mexico into a tariff panic

On February 1, 2025, US President Donald Trump issued three executive orders to impose tariffs on Canada, Mexico and China.

A 25% tariff on all goods imported from Mexico and Canada and a 10% tariff on all imports from China. But before we get ahead of ourselves, let's understand tariffs a little better.

Tariffs are taxes placed on goods imported from other countries. When you place tariffs on imports, those goods suddenly become more expensive. This hurts the countries exporting the said goods. So, by all accounts, this is a move intended to hurt Mexico, Canada and China.

Also, these tariffs are what you call “ad valorem tariffs”, a Latin term meaning “according to value”. This means the tax is calculated as a percentage of the goods’ value.

And starting February 4th, it was expected that all goods coming in from Mexico, Canada and China would carry this additional tariff.

The only problem was — The reasons for these drastic moves weren't quite clear.

According to this factsheet released by the White House, the executive action boils down to two simple things.

Firstly, fentanyl.

Fentanyl is a synthetic opioid used in the treatment of pain. When prescribed by doctors in a controlled manner, it can be an effective tool for managing severe pain, especially in patients who have developed tolerance to other opioids. However, when used without supervision, fentanyl can be an extremely dangerous drug even in small doses. In 2023, fentanyl overdose was responsible for over 70,000 deaths in the US. The very next year officials seized nearly 21,000 pounds of fentanyl at the US-Mexican Border. And President Trump has maintained that the “deadly fentanyl”, pouring through the Mexican border constitutes a national emergency.

So, while the Mexican government may not be complicit in this action, you can see why President Trump should think this is a problem. However, the Canadian-US border doesn't really have this problem. Border security forces only seized 40 pounds on fentanyl during 2024 and that's inconsequential in the grand scheme of things.

So why is Canada caught up in all of this?

Well, it's not just the Fentanyl Trump's worried about. There's also the illegal alien issue.

According to an article in the Forbes — “Border Patrol apprehended 23,721 people who illegally crossed the US-Canada border.” That's a lot of illegal immigrants and you can see why this should be a point of concern for both Trump and the American people. However, headlines can be misleading. The 23,000 figure represents just 1.5% of all apprehensions in the US. In fact, along the US-Mexico border, security forces arrested more than 1.5 million people in the same year.

So, in reality, while there may be a legitimate problem along the US-Mexico border, it doesn't seem as if Canada really poses this grave threat that the White House has described in its fact sheet outlining its tariff policy.

Which brings us again to the more fundamental question — “Why is Canada being pulled into this mess?” Well, maybe because President Trump is pandering to his voter base. He was elected on the back of these very promises and he's just following up on it. As a bonus, maybe Trump also feels that this move could be a way to garner some much-needed respect. The only problem is — If the White House listed this as the official reason, it would open a can of worms. It would be a public declaration that America is now turning its back on free trade. Or perhaps it could be seen as a violation of his own trade agreements and possibly even the World Trade Organization (WTO)

rules. Specifically, Article XXVIII which states that tariffs can only be imposed for specific purposes, such as to protect national security.

And the Fentanyl and the illegal aliens? That's a "National Security" problem. So, you can see why the official reason may not make a lot of sense until you dig a little deeper.

There's also a third party in this equation — China. Trump imposed a 10% tariff on the red dragon and lumped them together alongside America's neighbours. But you may ask — "China doesn't share a border with the US. So how come they're caught up in all of this?"

Well, China may not be facilitating the flow of Fentanyl directly. But they do have a role to play in this. Fentanyl can be prepared in many ways. But irrespective of the method you choose, you have to start with something called a precursor. It's like the main ingredient in a recipe. You take the precursor and change it chemically, one step at a time until you get the final product. In this case — Fentanyl. And Chinese pharmaceutical companies are low-cost producers of precursors. In fact, there's a big nexus between Mexican cartels and Chinese pharmaceutical companies and even though the Chinese government has tried controlling the supply of precursors, this trade is thriving. So yeah, China is in the crossfire as well.

Now that we have listed all the reasons for the tariffs, let's talk about the implications of such a drastic step. Well, actually, we don't need to talk about the implications. Because right after he imposed the tariffs, both Mexico and Canada imposed retaliatory tariffs on the US. And just a day later, President Trump seemingly negotiated a "deal" to resolve the crisis. Both the Canadian Prime Minister and the Mexican President have vowed to deploy additional security forces to control the flow of drugs and illegal aliens. And there will be a temporary freeze on all additional tariffs imposed for the next 30 days, as stakeholders continue to find a more permanent solution.

But... At the time of writing this story, the tariffs on China are still in place and China has reciprocated with its own set of tariffs on some American imports including crude oil, agricultural machinery and liquefied natural gas.

And that kind of makes us think...

Trump slapped tariffs on Canada and Mexico, citing national security concerns. But just days later, he cut deals with both countries, got them to beef up border security, and conveniently pressed pause on additional tariffs. Meanwhile, China's tariffs remain untouched.

It almost feels like Canada and Mexico were just pieces in a larger game — a way for Trump to justify the trade war he always wanted with China. He scored quick wins with his neighbours, but the real target may have been China all along. A classic Trump masterstroke or just a well-timed coincidence? We'll leave you with that thought. Either way though, the tariff game as it seems is far from over. And it's going to disrupt a lot of supply chains in the process.

**By Barani Shre S S**





## Update of the Day #2357 | India's First RMBS Listing: A Milestone in Financial Market Deepening

India has achieved a significant financial milestone with the launch of its first-ever listed Residential Mortgage-Backed Securities (RMBS). This landmark initiative, led by the National Housing Bank (NHB), is set to transform how housing finance companies access long-term capital — and how institutional investors deploy funds.

### What Happened?

The RMBS market, already well-established in developed economies, has finally seen its first listing in India. The transaction involved LIC Housing Finance, which issued ₹1,000 crore (₹10 billion) in securities backed by a pool of housing loan receivables. These securities were structured via the India Residential Mortgage Trust 2025 01 and listed on the National Stock Exchange (NSE).

The securities have a 20-year maturity, a monthly coupon of 7.26%, and received top-tier AAA (SO) ratings from credit agencies CRISIL and CARE, indicating strong creditworthiness.

### Why It Matters

This marks a new era in the Indian debt market for several reasons:

1. **Diversified Funding for Lenders:** Housing finance companies, like LIC Housing Finance, can now access more stable, long-term funding sources, reducing their dependency on short-term borrowings and bank loans.
2. **New Asset Class for Investors:** Institutional investors — including insurance firms and pension funds — now have access to a new, low-risk, asset-backed product, ideal for long-term investment horizons.
3. **Market Development:** The NHB plans to facilitate 7 to 10 more RMBS listings in the current fiscal year, aiming to raise up to ₹20,000 crore (\$2.4 billion). A dedicated NHB subsidiary has also been established to ensure structural standardization and investor confidence.

With India's mortgage market still relatively underpenetrated compared to global standards, this move could unlock greater liquidity and help bring home loans to more underserved segments of the population. Moreover, a deep and liquid RMBS market aligns with India's ambition to make housing more accessible while strengthening the overall financial system.

**By Nisarga S Kundapur**





## Update for the day #2358 | Update on U.S. Tariffs Announced by President Trump

U.S. President Donald Trump has confirmed that the proposed 25% tariffs on Mexican and Canadian goods will go into effect on March 4, 2025, as originally scheduled. Additionally, a further 10% tariff on Chinese goods will be imposed on the same date, increasing the total duty on Chinese imports to 20% following a previous 10% tariff implemented on February 4, 2025.

The decision, announced via Trump's Truth Social account, reaffirms his administration's stance on border security and the ongoing fight against drug trafficking, particularly the influx of fentanyl into the United States. Trump emphasized that these tariffs will remain in place "until the drug crisis is seriously limited or stopped."

### Clarification on Deadline Confusion:

Recent discussions within the Trump administration led to speculation that the tariff deadline might be pushed back to April 4, 2025. However, Trump's latest statement clears the uncertainty, ensuring that the tariffs will take effect as planned on March 4. The April deadline is now linked to a broader study on "reciprocal tariffs" concerning import duty rates of other countries, including Europe's value-added tax (VAT) systems.

Kevin Hassett, White House economic adviser, stated that this study will conclude by April 1, 2025, at which point Trump will make further tariff decisions for all trade partners.

### Economic Impact:

The tariffs are expected to have significant economic implications:

- **U.S. Consumers and Businesses:** Higher tariffs may lead to increased prices for imported goods, potentially affecting inflation, consumer spending, and retail sales.
- **Manufacturing and Trade Relations:** U.S. manufacturers reliant on imported materials from Mexico, Canada, and China may face higher production costs, which could result in reduced profit margins and potential layoffs.
- **Stock Market Volatility:** The announcement has already led to fluctuations in financial markets, with analysts predicting potential economic ripple effects in the coming months. Investors are closely monitoring trade policies for further developments.
- **Supply Chain Disruptions:** Companies that depend on raw materials and components from affected countries might experience delays and increased costs, impacting various industries, including automotive, electronics, and consumer goods.
- **Potential Retaliatory Measures:** Mexico, Canada, and China may introduce their own tariffs on U.S. exports, affecting American farmers, manufacturers, and businesses engaged in international trade.

### Diplomatic Reactions

- **Mexico:** Economy Minister Marcelo Ebrard is set to meet with U.S. Trade Representative Jamieson Greer and Commerce Secretary Howard Lutnick to negotiate terms and potentially mitigate the impact of these tariffs. Mexican officials have expressed concerns about the economic ramifications and are seeking exemptions or adjustments.
- **Canada:** Public Safety Minister David McGuinty highlighted Canada's recent security measures and anti-drug trafficking initiatives, expressing optimism that they will satisfy the Trump administration's concerns. Canadian trade officials are working on contingency plans to address potential economic disruptions.
- **China:** The Chinese government has urged the U.S. to engage in "equal dialogue and consultation" to resolve economic and trade issues. Additionally, China is exploring countermeasures.

that could affect American exports, including potential restrictions on key industries such as agriculture, technology, and energy. Beijing has reiterated its stance on free trade and multilateral cooperation.

The situation remains dynamic, and further updates will follow as discussions and trade negotiations progress. Stakeholders in affected industries are advised to monitor developments closely and prepare for potential economic adjustments.

**By Akhilesh Mandavilli**



## Update for the day # 2359 | Can India's IMEC trade corridor vision become a reality?

In 2023, at the G20 summit in New Delhi, a big announcement shook up global trade discussions. India, the US, the European Union (EU), and key West Asian nations signed a memorandum of understanding (MoU) to build a new trade route. They called it India-Middle East-Europe Economic Corridor (IMEC). The idea? A sea-to-rail corridor linking Asia and Europe via the Middle East.

Here's how it would work: A ship carrying goods leaves an Indian port, docks in Dubai, where cargo is quickly shifted onto a railway network. From there, it travels through Saudi Arabia and Jordan, reaching Haifa in Israel. Then, it's loaded onto another ship that sails across the Mediterranean to Greece in Europe. So, the goods are now moved from India to Europe.

The promise here was faster, cheaper trade. The European Commission (EC) claims IMEC could slash travel time by 40% and costs by 30% compared to the traditional Suez Canal route. Plus, it's not just about moving goods. Because the IMEC corridor will also lay undersea Fiber-optic cables to improve digital connectivity between Asia, the Middle East, and Europe. And it also aims to boost clean energy trade by exporting green hydrogen from the Middle East to Europe.

And for India? It could mean better market access in Europe and the Middle East. Stronger energy security with green hydrogen imports. And it could mean a larger role in global trade. Some even see it as a counter to China's Belt and Road Initiative (BRI) by offering a competing trade route. So that's a lot of good that the IMEC is said to do. And on paper, it sounds like a perfect plan. But if you take a closer look, you'll spot several roadblocks.

First, geopolitics could throw a wrench in the works.

You see, IMEC needs seamless cooperation between countries that don't always get along. Take Israel and Saudi Arabia, for instance. While diplomatic ties have warmed, they lack formal agreements, and that could make trade negotiations a bureaucratic nightmare.

And that's just one piece of the puzzle. The region is riddled with conflicts—Saudi Arabia and Iran's historical rivalry, civil unrest in Syria and Yemen, and threats to Israel from Iran-backed groups in Syria and Lebanon. So, any escalation could derail IMEC's progress.

Let's not forget the countries that aren't on board. Egypt, for instance, relies heavily on revenue from the Suez Canal. If IMEC diverts trade away, Egypt could fight back with policy barriers to keep the Suez route more competitive.

And all that's just the political side of things. Let's now look at the economics of it.

IMEC isn't just another infrastructure project; it's a multi-billion-dollar gamble. While \$20 billion has been pledged, mostly by Saudi Arabia and the UAE, the EU is yet to roll out a solid investment plan. And considering each section of the corridor could cost about \$3 to \$8 billion, funding gaps remain a major concern. There's also the cost of logistics. Nearly 40% of IMEC's route is rail, and rail freight is three times costlier than ocean freight. Add the constant loading, unloading, and reloading of cargo between ships and trains, and costs could quickly spiral. Then there's the Chinese threat looming.

China has mocked IMEC as a "knockoff" of its Belt and Road Initiative (BRI) route. And it has reasons to be smug. China produces 3 million shipping containers a year, while India barely makes

20,000 to 30,000. So, if China decides to restrict container supply to India, it could slow IMEC's rollout. And something more concerning here is Haifa, the crucial Israeli port on IMEC's route. The catch? A Chinese company runs it. And that gives China significant leverage over the corridor's operations. And lastly, we have the environmental hiccup.

Rail transport emits more carbon than maritime shipping. And a study by Fraunhofer ISI and CE Delft confirms that IMEC, with its heavy rail reliance, could be less eco-friendly than the existing Suez Canal shipping route. So yeah, ironically the proposed IMEC trade route is filled with obstacles.

But is it doomed? Not necessarily.

One thing that could turn it around is if the US steps up, which is already wary of China's growing influence in the Middle East. If key stakeholders, including the US, back the project with financial and diplomatic efforts, it could gain the momentum needed to succeed.

Also, if member nations align their interests and invest wisely, the corridor could turn into a viable alternative to existing trade routes.

And while the road ahead is anything but smooth, with the right and timely push, this corridor could prove to be a game-changer.

**By Sakshi G Mudigoudar**



# Update for the Day #2360 | The Ultimate End of the Universe

## Introduction-

The theoretical scientific exploration of the ultimate fate of the universe became possible with Albert Einstein's 1915 theory of general relativity. General relativity can be employed to describe the universe on the largest possible scale. There are several possible solutions to the equations of general relativity, and each solution implies a possible ultimate fate of the universe.

Initially the belief was that the universe was static, based on the "cosmological constant" that Einstein had used in his calculations. However, after Hubble announced his conclusion that the universe was expanding, Einstein would write that his cosmological constant was "the greatest blunder of my life."

## The Theories about the End

### 1) Big Freeze or Heat Death

The Big Freeze, also known as Heat Death, is a possible ultimate fate of the universe in which the universe continues to expand indefinitely. As it expands, the average density and temperature of the universe will continue to decrease. Stars will eventually burn out, black holes will evaporate, and all matter will decay into radiation. Eventually, the universe will reach a state of maximum entropy, where energy is evenly distributed and no further work can be done. This state is characterized by a cold, dark, and lifeless universe.

### 2) Big Rip

The Big Rip is a hypothetical scenario for the end of the universe where the accelerating expansion of the universe becomes so powerful that it tears apart everything, from galaxies and stars to atoms and even subatomic particles. Imagine the universe stretching and expanding so rapidly that it eventually overcomes the forces holding matter together. First, galaxies would fly apart. Then, stars within galaxies would be ripped apart. Finally, even atoms themselves would be torn asunder, leaving behind a universe of isolated fundamental particles. The Big Rip is the most probable end of the universe based on current evidence, since we observe that the acceleration of the universe is actually increasing and shows no signs of decreasing in the near future.

### 3) The Big Crunch

The Big Crunch is a cosmological hypothesis about the ultimate fate of the universe. In this scenario, the expansion of the universe, which is currently observed, would eventually slow down and reverse. Gravity would then pull all matter back together, causing the universe to collapse in on itself. This would result in an incredibly hot and dense state, potentially similar to the conditions that existed before the Big Bang. While the Big Crunch was a popular theory for a time, recent observations, such as the accelerating expansion of the universe, have made it less likely.

The fate of the universe remains one of the most intriguing mysteries in cosmology, with theories like the Big Freeze, Big Rip, and Big Crunch offering different possibilities based on our current understanding of physics. Each scenario presents a distinct outcome, from a cold and lifeless universe to a dramatic end where matter is torn apart or collapses back into a singularity. While scientific advancements continue to refine these theories, the sheer scale of cosmic evolution ensures that such events lie far beyond human lifetimes.

Despite the uncertainties, ongoing research into dark energy, cosmic expansion, and gravitational interactions will help scientists gain deeper insights into the universe's long-term trajectory. Obser-

vational data, such as those from deep-space telescopes, will further clarify whether expansion accelerates indefinitely or if hidden forces could eventually reverse it. These discoveries not only shape our understanding of the cosmos but also challenge fundamental assumptions about the nature of existence and physics itself.

Ultimately, while the universe's end may be a distant concern, the pursuit of knowledge in this field remains invaluable. The exploration of cosmology fosters technological innovation, expands our comprehension of fundamental laws, and enriches our perspective on humanity's place in the vast expanse of space. Though we may never witness the final fate of the universe, unravelling its mysteries continues to inspire scientific curiosity and intellectual growth.

Although there are multiple theories on how the Universe might end, there is no reason to puzzle over this or give it much serious thought for us common folk, since we will be long before the universe even starts to show signs of ending. Let's leave the physics to the Physicists!

**By Aniket R Patil**





## Update for the day # 2361 | Why Goldman Sachs is betting big on BSE?

It's not every day that a financial giant like Goldman Sachs makes a big bet on a company. So, when it picked up 7,28,000 shares or about 0.5% of BSE Ltd., everyone sat up and took notice. Now, big institutional investors don't just throw money around. Their moves are strategic, calculated, and backed by research. And in this case, Goldman's vote of confidence has sent BSE's stock soaring.

But what makes BSE such a compelling bet? You might've heard the phrase "The house always wins" in casino gambling, yeah? What it simply means is that casinos rake in profits regardless of whether gamblers win or lose.

Well, the stock exchange business works similarly. Traders and investors might make profits or losses, but intermediaries like stock exchanges, brokers and depositories always take their cut. And that's where BSE (formerly Bombay Stock Exchange) comes into the picture. No matter which way the market moves, BSE makes money.

And that happens in several ways — charging transaction fees on every trade, collecting listing fees from companies going public, earning income from margins deposited by members, selling market data (data dissemination) and offering corporate bond listing and training services.

Source: so, you could say that it has a well-diversified revenue model spanning throughout financial markets. And what makes it even stronger is that its business is built for long-term retention and growth. Because once companies list on exchanges or traders start using its platform, switching isn't easy. And this creates a sticky customer base. Plus, as more participants join the exchange, trading volumes increase, liquidity improves and more businesses and investors are drawn in. This is what we call the network effect and it makes the platform even more valuable over time. That aside, we also have to consider that BSE is an integral part of India's financial market. It runs BOLT Plus, the world's fastest trading platform, executing transactions in microseconds.

It facilitates trading across equities, debt, derivatives, mutual funds and commodities like gold and silver. And with a 15% stake in CDSL, one of India's two major depositories, BSE has a strong grip on the financial ecosystem. Put all that together and you'll see why BSE is a solid business to bet on. Then there's the fact that BSE's earnings and profits have been soaring, which is probably what Goldman Sachs is watching too. To break that down, a major chunk of its revenue flows from trading & clearing services. And right now, the real cash cow is Securities Services, the segment that directly rakes in transaction fees from trading activity.

In FY24, this segment contributed 59% of BSE's total revenues, up from 46% in FY23. And the quarterly performance tells a similar story. That's because, more the trading volume, higher BSE's transaction income in this segment. So yeah, steadily rising volumes is great news for equity cash, equity derivatives, mutual funds and clearing house income, the segment's key contributors. For context, revenues from this segment jumped to ₹ 511 crores in Q3FY25, a whopping 157% increase from the previous quarter. And this growth wasn't driven by just one factor.

All major income streams played their part. And let's not forget BSE Starr MF, India's largest mutual fund distribution platform. This segment delivered record-breaking performance in Q3FY25, with revenues soaring 92% YoY to ₹ 63.5 crores. The platform processed 17.99 crore transactions, a 39% increase over the previous quarter. On a monthly average, transactions jumped from 3.21 crore last year to 5.37 crore this year, proving that mutual fund activity is only gaining momentum. So, the securities services segment is one of the key growth drivers for BSE. In fact,

if you take a step back and look at FY24 revenues, they surged 70% year-on-year, with the securities services segment alone growing by a massive 118%. And the momentum hasn't slowed. Every revenue stream has been consistently expanding quarter after quarter.

Source: But it won't be fair if we only sing praises of one segment without talking about the other, the corporate services. This segment, which handles IPO listings and other corporate transactions, contributes 22% of the business revenues and has been thriving. Again, the proof is in the pudding. In the last quarter (Q3FY25\*), BSE saw 30 new listings, raising a record-breaking ₹ 95,512 crores — a staggering 261% jump year-on-year. And there are 108 active applications in the pipeline, signaling sustained momentum. \*Just a note here though. BSE's latest concall transcript says that this income belongs to Q3FY24, but we believe this could be a mistake since the concall focuses on the latest quarter results. This boom naturally reflects in BSE's earnings.

Listing fee income surged from ₹ 197 crores in 9MFY24 to ₹ 250 crores in 9MFY25. Meanwhile, other corporate services such as book-building fees more than doubled, jumping from ₹ 50 crores to ₹ 112 crores in the same period. So, looking at both the key segments — the securities services and corporate services, delivering blockbuster growth, we could say that BSE clearly is on a roll. But the real magic lies in BSE's future plans. A focus area for BSE is StAR MF Plus, the next evolution of its mutual fund platform.

Designed for better scalability and a seamless user experience, this could be a game-changer as India's financialization of savings accelerates. Then there's derivatives trading, where NSE has ruled for years. But BSE is pushing back, tweaking its model to attract more traders and expand its share of this high-volume market. Beyond that, BSE's subsidiaries are thriving in their respective domains. Its index business, run through Asia Index Private Limited (AIPL), has launched 15 new indices this year, creating fresh benchmarks for passive funds.

Meanwhile, in a global push, India INX, BSE's subsidiary exchange at GIFT City, is expanding its product offerings and attracting international investors into Indian markets. And it doesn't stop there. BSE is stepping beyond traditional trading, venturing into insurance distribution (BSE Ebix), power trading (Hindustan Power Exchange), and agricultural markets (BSE E-Agricultural Markets). Each of these is a strategic move to diversify its revenue streams.

And when you put all these pieces together, BSE's growth story becomes crystal clear. It's the perfect mix of industry tailwinds, sharp strategic moves and a relentless focus on scaling its thriving businesses. Beyond expansion, BSE has also been smart with its finances. How? Well, its financial performance has been nothing short of impressive. In FY24, revenue surged 70% year-on-year.

Net profit skyrocketed too — 275%, with net margins doubling to 50%. The best part? It's a debt-free company with good return ratios. And for those who love dividends, BSE doesn't disappoint. Even after trimming its dividend payout ratio in FY24, the actual dividend per share rose from ₹ 12 in FY23 to ₹ 15 in FY24, so investors are getting rewarded every year and they're happy about it. So, are you saying that BSE is bullet proof and destined to be the next multi-bagger? Nope. Every business faces risks, and BSE is no exception. NSE is still the go-to platform for derivatives trading, and when it eventually goes public, it could attract even more institutional interest.

Then there's the pricing game. Stock exchanges operate in a commoditized market where raising fees is tough, especially in India where BSE and NSE operate in a duopoly market. So, BSE's best bet is to increase market share, but that's easier said than done. And finally, regulatory risks loom large. SEBI's rules can impact everything from margins to listing procedures, affecting profitability. BSE has navigated these waters well so far, but staying nimble will be key.

But yeah, that said, the bigger picture still favors BSE. More Indians are entering the markets. The IPO boom continues. Financial products are becoming mainstream. And as India's high-

growth economy keeps expanding, the stock market and stock exchange's business will only expand further. And maybe that's why Goldman Sachs wanted a piece of BSE. It sees the potential. Do you?

**By Shriya G B**



## Update for the day # 2362 | Reliance, ONGC, and the missing unitization agreement

### The Story

The government wants Reliance Industries Limited (RIL) and its partners, BP and Niko, to pay in compensation. And if you've been following the news, you've probably seen how the Delhi High Court recently overturned an International Tribunal's ruling that had earlier cleared RIL of the burden of paying this hefty amount.

It goes back to the, which opened up oil and gas exploration to private and foreign companies. These companies could now bid for oil and gas blocks in a competitive auction, which was, until then, the domain of state-run giants like ONGC and OIL. The first NELP bidding round in the year 2000 opened up a jackpot for RIL as it got its hands on one of the gas exploration blocks. And coincidentally, RIL's block sat right next to the block awarded to the Cairn (which was) in the Krishna-Godavari (KG) Basin.

By 2009, RIL had begun digging wells and pumping gas from its awarded block, while ONGC had yet to start exploration. However, the real twist came when, in 2013, ONGC observed something anomalous. It suspected that the underground gas reservoirs in both blocks were connected, allowing gas to flow from ONGC's block into RIL's. And since Reliance had begun production first, it might have inadvertently extracted ONGC's gas as well.

Sensing a major issue, ONGC took the matter to the Directorate General of Hydrocarbons (DGH). After this, the dispute landed in court, which eventually, in 2015, ordered a probe by DeGolyer and MacNaughton (D&M). Their report confirmed that gas had indeed migrated from ONGC's block into RIL's fields and that Reliance had extracted and sold it.

Following this, the government set up the Shah Committee, which gave its verdict in 2016: while there was no criminal intent, it concluded that Reliance had unfairly benefited. Since RIL had gained \$1.7 billion from gas extracted from its KG Basin block, the government felt it should pay back at least.

Now, Reliance wasn't going down without a fight. It challenged the compensation demand in international arbitration – and won. And for a moment, RIL might have breathed a sigh of relief, thinking that the matter was settled. But the saga wasn't over, and just days ago, the Delhi High Court turned the tribunal's ruling upside down, this time in favor of the Indian government.

And this perfectly illustrates what was called the “rule of capture”, which was prevalent in the United States (US) in the 20th century. It stated that whoever extracts the oil first owns it, regardless of whether it migrated from another property. This means oil from one property can be extracted using wells on a neighboring property and be owned; you just have to be quick!

Naturally, this led to some serious disputes as companies rushed to drill and extract the oil as fast and as much as possible before their neighboring landowners did. And the result was over-drilling, poor planning, massive wastage and inefficient oil recovery. and at its core, the Reliance-ONGC dispute also boils down to this same issue—gas migration. If an underground reservoir is shared across two blocks and one company starts extracting first, does that mean they own everything that flows into their wells?

Look, oil and gas fields often transcend land and water boundaries, sometimes even creating conflicts between nations. And history is full of such cases. And unitization helps solve this problem by treating shared reservoirs as a single entity. So instead of competing, companies or nations holding rights to different parts of the field combine their interests into a "unit". Production is

then decided and shared based on a pre-agreed formula called tract participation (i.e., how much oil or revenue each party gets after selling it).

They were among the first to embrace unitization. In 1976 they signed the, which sprawled the maritime boundary between the two nations. They agreed to jointly develop and operate this field as a single unit, essentially setting a precedent of sorts for the world for handling such disputes. And they didn't stop there. In 2005, they signed another agreement which outlined how they would collaborate and operate under the supervision of both nations' regulatory authorities.

Now, coming back to the Indian case of RIL vs ONGC—could India have avoided this mess? Maybe. The government or the Directorate General of Hydrocarbons (DGH) could have foreseen the possibility of gas migration and implemented a unitization agreement in place before allocating the blocks to different parties. If that had happened, RIL and the government might have avoided this elaborate legal dispute, which is still sub judice, and saved involved parties from years of legal trouble.

Anyways, what's our take? Should Reliance pay the government \$1.5 billion?

Well, that's where things get tricky. As we saw, on the one hand, the "Finders, Keepers" rule suggests that whoever extracts the gas first owns it—just like in the old oil rush days. RIL started drilling before ONGC, and there was no unitization agreement in place to dictate otherwise. By that logic, Reliance could argue that it did nothing wrong.

On the other hand, without a unitization agreement, ONGC never had a fair shot at extracting gas from its own block. And expert committees have already proved that RIL extracted more than from ONGC's block, sold it, and profited from it. Then it's only fair that RIL compensates the government or ONGC, yeah? Ethically and economically, ONGC had a claim to a share of that wealth. So maybe a fair resolution might not mean RIL paying the full \$1.5 billion, but some compensation? And that again raises questions about regulatory oversight and whether clear rules should have been in place from the start.

**By Neethu R**



## Update for the day #2363 | The curious case of Gensol Engineering |

If you look at Gensol Engineering Limited's (GEL) stock price graph over the past two weeks, you'll see a staircase that's spiraling downwards. We're talking about a whopping 40% price drop.

But anyone who knows Gensol, knows that it went public in 2019 through an SME IPO. And working in renewable energy and EV mobility, two fast-growing sectors, meant that there was a lot of excitement around it. The IPO saw good demand, the stock price soared, profits grew and by 2023, it had moved to the NSE and BSE main platforms. Add to it the fact that the company had a solid order book, rising revenues and big expansion plans, and Gensol looked like a great investment.

So then why are investors getting nervous about its stock now?

Well, turns out, something wasn't quite adding up beneath the surface. And it all started bubbling up when two ratings agencies, ICRA and Care Ratings, recently downgraded its credit ratings.

You see, credit rating agencies act as watchdogs, checking how healthy a company is and warn investors and lenders about risks. They assign grades from AAA (top-tier) to D (default risk)—just like school report cards. A AAA rating means the company is thriving and can borrow money easily, while a D rating's a financial flatline, signaling imminent default. And Gensol? It just got downgraded from BBB- to D for its bank loans, meaning it's struggling to pay its dues. And the reasons behind this are quite something to know about.

First up is the fact that Gensol has huge debts to pay – about ₹ 1,146 crores. Compare this to its reserves and equity of ₹ 589 crores and you get a debt-to-equity ratio of about 2x (a sign of financial stress). The bigger problem? It's struggling to pay back its loans (which means troubles in cash flows). Even murkier? GEL has been telling rating agencies that all debts are being paid on time. so, think about it – if a company starts doctoring its paperwork to appear financially stable, it raises big questions about what else could be hidden. It throws the governance and credibility in question. And when lenders and banks lose trust, funding dries up quickly.

Does Gensol need funding though? Yup, a lot. Because it boasts a ₹ 7,000 crore order book, which, on paper, should mean stable revenues for the next few years. But securing orders and executing them are two very different things. And with its debt servicing ability in question, it's a long shot to think that it will get fresh funding or smoothly complete its big projects.

This is already becoming clear. Because Gensol planned to raise ₹ 244 crores through warrants by March 2024, but so far, it has only managed to secure ₹ 140 crores. The rest? Pushed to December 2025. That means it's running on less cash than it expected, which is a big issue for a company in an industry that needs huge and constant money flow.

But cash flow isn't the only problem, and a major issue lies with Gensol's promoters.

Right now, about 82% of promoter shares are pledged as collateral for loans, up from 80% in September 2024. That's a lot. What does this mean, you ask?

You see, when a company's owners need money, they often use their shares as security to borrow cash. And that's sometimes fine when the stock price is stable or rising, or the company is funding growth with that collateral. But when the stock price crashes, lenders panic. They might ask for more shares as security or start selling the pledged shares—which can drive the stock price down



even further. Normally, you wouldn't expect a promoter to pledge shares of a company as profitable as GEL. But a pledge that went as high as 85% and swung wildly in a matter of months sure rings alarm bells.

Then to make things worse comes Gensol's subsidiary – Blusmart Mobility. The problem? Blusmart is struggling too, with no profits and it recently defaulted on its non-convertible debentures (NCDs). This makes Gensol's financial position even weaker and makes it even harder to find new investors.

Now, could we be wrong about all this? Maybe. After all, we're looking at what the credit rating agencies flagged. And within a day of the downgrade, Gensol's management rushed in with clarifications.

Their defense? They say that a mismatch in cash flow from big projects put pressure on their working capital, but insist that there was no financial misreporting and an independent committee is put up to verify this. They also point to their ₹ 7,000 crore order book as a sign of revenue stability. And they also shared some strong numbers: revenues up 42%, operating profit up 89%, and net profit up 34% in FY25. To calm fears, they announced plans to sell assets and cut debt by ₹ 665 crores and noted that they had already repaid ₹ 230 crores this year.

So basically, Gensol insists that things aren't as bad as they seem.

The only problem is that investors don't seem to be convinced as the stock keeps falling.

And it makes sense because at this point, Gensol's response feels like pouring buckets of water on a fire that has already gutted the house. The stock has taken a beating, and there were no warning signs or preventive steps taken early on.

And this brings up a few questions...

Why did ratings agencies take so long to flag these issues? Were there red flags earlier that the market simply ignored?

Next up, how can retail investors spot these troubles before it's too late? This is especially crucial for SME-listed companies transitioning to the main market. Many of them lack long-established track records, making them riskier bets. And in Gensol's case, the debt buildup, promoter pledging, and struggling subsidiaries should have been ringing alarm bells. And instead of hoping for a turnaround, it would have been wiser to look elsewhere.

And lastly, apart from the clarifications, what's the company doing to make good for shareholder losses for the financial mismanagement which was on their part because of excessive borrowing and share pledging? Are the promoters going to put in their personal funds and buy some shares from the open market to give a vote of confidence and bring some relief in the stock's downfall?

Some also see this stock crash as a buying opportunity, betting on the management's word that ratings could improve in the next three months—giving Gensol room to borrow again. But isn't three months a long time when a stock's already stuck in a lower circuit? The company already has ₹ 20 crores in monthly debt obligations (₹ 60 crores over three months), and shareholders can't even exit as of now. If things go further south (and they often do in situations like this) how much more damage will it cause?

Sure, these are many but valid questions to look at.

so, if you're invested, or thinking about it, ask yourself—where does Gensol go from here?

Well, it needs to prove it can consistently repay debt—not just talk about liquidity. It must show real profitability growth, not just wave around an order book that may or may not materialise into revenue. And its promoters need to step up, reduce their pledged shares or buy more stock to show they have skin in the game.

So yeah, only time could tell if Gensol can turn things around. And if there's one thing market participants can take away from this, it's that when numbers and narratives don't align, caution is key.

**By Chethan N**



## Update for the Day #2364 I The FII Dilemma: Taxes, Depreciation, and Market Impact

### The FII Dilemma: Taxes, Depreciation, and Market Impact

Since October last year, Indian stock markets have been slipping, with the Sensex and Nifty falling about 15% from their peaks, wiping out lakhs of crores in value. It's not just large-cap stocks—broader markets are struggling too. Reports indicate that nearly 321 companies in the BSE Small-cap index have dropped over 20% in just a month, while many others trade at less than half their 52-week highs. The NSE 500 tells a similar story, with nearly 400 stocks losing between 20% and 50% of their value. One of the biggest reasons for this downturn? Foreign institutional investors (FIIs) have been aggressively selling. In 2025 alone, FIIs have pulled out a staggering ₹ 1.5 lakh crores. Since FIIs hold a significant chunk of the market, their exit reduces liquidity, dragging prices down unless domestic investors step in.

So why are FIIs moving their money out? One major reason is that Indian markets are no longer as attractive compared to global alternatives. In 2024, the US stock market delivered 23% returns, the Middle East topped at 26%, and even Japan and Hong Kong saw 15-19%. India, in contrast, only returned 8%. The outlook for 2025 isn't great either, with markets already trading at high valuations, leaving little room for growth.

As valuation expert Aswath Damodaran points out, India is one of the most expensive markets in the world, making its upside potential limited. Additionally, India has a small presence in the MSCI World Index, which influences global fund allocations. With better returns and lower risks elsewhere, FIIs see little reason to stay.

Taxation further adds to the problem.

While FIIs in most global markets pay zero tax on stock gains, India imposes a 12.5% tax on long-term capital gains (LTCG) and a 20% tax on short-term gains (STCG). A simple calculation shows that if an FII invests ₹ 100 and earns ₹ 10, they lose ₹ 1.25 to LTCG or ₹ 2 to STCG, making India less appealing compared to tax-free markets. Currency depreciation worsens the situation. When FIIs invest, they convert dollars to rupees, but the rupee tends to weaken over time. In 2024 alone, it lost 3% against the dollar, meaning even a solid 12%-rupee return translates to just 9% in dollar terms. With taxes factored in, real returns shrink further.

With US Treasury bonds offering 4-5% risk-free returns and India grappling with weaker corporate earnings, changes in Futures and Options (F&O) markets, global tariffs, and geopolitical tensions, FIIs have even more reasons to exit. But if FIIs leaving hurts the market, why does the government keep raising taxes on them? The answer lies in revenue generation.

Unlike market trends or currency fluctuations, taxation is one of the few levers the government can control. However, pushing FIIs away also reduces market liquidity and tax collections, creating a self-defeating cycle. Many experts argue that cutting capital gains taxes could help bring FIIs back. While their exit increases short-term volatility, long-term investors should focus on economic fundamentals and domestic market strength rather than panic over foreign outflows.

The exit of Foreign Institutional Investors (FIIs) from Indian markets highlights the delicate balance between taxation, market attractiveness, and global investment dynamics. While high valuations and weaker returns make India less appealing compared to global alternatives, taxation policies and currency depreciation further drive FIIs away. The government's push for tax revenue must be carefully weighed against the risks of declining liquidity and market instability.

However, despite short-term volatility caused by FII outflows, long-term investors should focus on domestic economic fundamentals and market resilience. Strategic policy adjustments—such as reconsidering capital gains taxation—could encourage FII participation, stabilizing the markets and ensuring sustainable growth in the future.

**By Ananya Sudharsan**



## Update for the day #2365 | The Extinction of the Tasmanian Wolf: A Tragic Loss of Nature

The Tasmanian wolf, more accurately known as the thylacine (*Thylacinus cynocephalus*), was a remarkable carnivorous marsupial native to Tasmania, mainland Australia, and New Guinea. Despite its nickname, it was not a wolf but resembled one due to convergent evolution, where unrelated species develop similar traits. With its distinctive striped lower back and dog-like appearance, the thylacine was the largest known carnivorous marsupial of modern times.

### What Led to Its Extinction?

#### 1. Human Hunting:

One of the primary reasons for the thylacine's extinction was relentless hunting by humans. European settlers in Tasmania saw the thylacine as a threat to their livestock. This perception led to government-supported bounty programs, encouraging widespread hunting. Between 1888 and 1909, hundreds of bounties were paid for killed thylacines.

#### 2. Habitat Loss:

As settlers expanded their agricultural activities, the thylacine's natural habitat was cleared for farming and grazing. This loss of habitat disrupted their food sources and shelter, making survival increasingly difficult.

#### 3. Competition with Introduced Species:

The introduction of dogs, including feral dogs and dingoes (though dingoes never reached Tasmania), created competition for prey. These animals often outcompeted the thylacine, further reducing its chances of survival.

#### 4. Disease:

While hunting and habitat loss were significant factors, disease may have played a role in the species' decline. Some reports suggest a mysterious illness affected the population in the early 20th century, weakening their numbers.

### Key Dates in the Thylacine's Demise

- 1930: The last known wild thylacine was shot by a farmer named Wilf Batty.
- 1936: The final known thylacine died in captivity at Hobart Zoo on September 7. Tragically, this occurred just months after the species received protected status.
- 1986: The thylacine was officially declared extinct by international conservation organizations.

### Why Does the Extinction Matter?

The loss of the thylacine is a stark reminder of the profound impact humans can have on wildlife. It serves as a cautionary tale, highlighting the importance of conservation and the need to protect endangered species before it's too late. The thylacine's extinction also raises questions about our responsibilities toward the environment and the creatures that share our planet.

### Could the Thylacine Return?

In recent years, advances in genetic technology have sparked discussions about the possibility of de-extinction. Scientists are exploring ways to use preserved DNA to potentially bring the thylacine back. While the idea is fascinating, it raises ethical and ecological questions: Should we bring back a species that went extinct due to human actions? And if we do, how would it survive in today's environment?

### Conclusion

The extinction of the Tasmanian wolf is more than just a historical event—it's a lesson in the consequences of unchecked human activity. Protecting the species we still have is crucial to prevent future losses. While we cannot change the past, we can learn from it and strive to be better stewards of the natural world.

**By Lakshya Bansal**





## Update for the day #2366 | How India is buckling up for US tariff as Donald Trump calls it ‘very high tariff nation’

US President Donald Trump said in his address to Congress on Tuesday that he will impose reciprocal tariffs on countries that impose levies on American goods on April 2. This includes India, along with Canada and Mexico.

On Thursday, Trump postponed 25 percent tariffs on many imports from Mexico and some imports from Canada for a month. He said that the delay on tariffs is only for a short-term period before the “big one” is imposed from April 2.

Trump reiterated his decision to impose reciprocal tariffs on Thursday, saying, “And the big one will be on April 2, when reciprocal tariffs, so if India or China, or any of the countries that really...India is a very high tariff nation. Trump was speaking in the Oval Office on Thursday as he signed some executive orders. But, “most of the tariffs go on April the second,” Trump said before signing the orders. “Right now, we have some temporary ones and small ones, relatively small, although it’s a lot of money having to do with Mexico and Canada,” he was quoted by the Associated Press as saying. Trump said he was not looking to extend the exemption on the 25% tariff for autos for another month.

How India plans to face Trump tariffs?

External Affairs Minister S Jaishankar said at an event hosted by Chatham House in London on Wednesday that India and the US are working on a separate bilateral trade agreement. “We had a very open conversation about it, and the result of that conversation was that we agreed on the need for a bilateral trade agreement. Our trade minister is, in fact, there in Washington doing exactly that right now,” Jaishankar said. The statement came at a time when Indian commerce minister Piyush Goyal is on a nearly week-long visit to the US for the trade negotiations.

Indian chemical industry to benefit

The Indian chemical industry is set to gain from the United States recent decision to impose strict tariffs on China, Canada, and Mexico, according to a report by Prabhudas Lilladher. The report highlighted that Indian chemical exports to the US could see a rise as American companies seek alternative suppliers to replace Chinese imports.

It said “We believe that USA levying severe tariffs on Canada, Mexico and China may benefit export to USA market for Indian chemical companies as they may seek alternative to China”. The US has levied a 20 per cent tariff on Chinese chemicals, making Indian companies a more attractive option. Since India faces only a 10 per cent retaliatory tariff, it enjoys a 10 per cent cost advantage over China in the US market.

The announcement of reciprocal tariffs by the U.S. has created significant trade implications for India, Canada, and Mexico. While India faces challenges due to the high tariff structure perceived by the U.S., efforts are underway to negotiate a bilateral trade agreement to mitigate potential disruptions. Indian leaders are engaging in diplomatic discussions to ensure a balanced trade framework that minimizes the negative impact of these tariffs.

Despite concerns surrounding tariff hikes, the Indian chemical industry appears to be well-positioned to benefit. With increased levies on Chinese chemical imports, U.S. companies may turn to India as a viable alternative, potentially boosting Indian exports. The competitive advantage of lower retaliatory tariffs compared to China presents an opportunity for Indian businesses to expand their presence in the American market.

Overall, while the tariff changes bring uncertainty, India's proactive trade negotiations and sector-specific advantages may help navigate the evolving global trade landscape. The effectiveness of these strategies will depend on diplomatic engagements and India's ability to adapt to shifting trade policies. Long-term stability will likely hinge on how well India can leverage its strengths while addressing concerns raised by international trade partners.

**By N Sujith Sai**



## Update for the Day #2367 | Are Coca Cola, Nestle, L'Oréal fueling a war economy?

If the title led you to expect something scandalous, let me assure you, there is nothing like it. To-day's story is about a little-known but essential ingredient that keeps some of your favourite products together, quite literally.

Think about Coca-Cola, Nestle pet food, L'Oréal cosmetics, and even pharmaceutical tablets. What's the common link between them all? It's Gum Arabic, also known as Acacia Gum — a natural resin extracted from Acacia trees. And when you crush and mix it with water, it transforms into a smooth, gel-like solution, almost like runny glue or thin honey. This unique property makes it an irreplaceable stabilizer, thickener, emulsifier, and binding agent across industries.

In soft drinks, it prevents essential components from separating, preserving flavour. In chocolates and candies, it stops sugar from crystallising. In pharmaceuticals, it helps encapsulate pills and bind tablets. Even your lipstick and mascara owe their smooth application to this versatile ingredient. And the list goes far and wide, from finding utility in cigarette rolling papers, pet food, textile printing and dyeing — Gum Arabic plays a crucial role.

Today, upwards of 80% of the world's Gum Arabic comes from Sudanese Acacia trees. Sudan has historically dominated its production and export. And for global billion-dollar consumer companies, uninterrupted access to this key ingredient is non-negotiable.

The only problem? Sudan seems to be in a turmoil today. And to understand why, let's take it from the top.

You see, the Sudanese government primarily controlled the Gum Arabic trade. But after 2009, as international pressures to liberalise the trade increased, private entities also entered the picture. And things were going great until April 2023, when Sudan got embroiled in a brutal conflict between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF), a powerful paramilitary group. And unfortunately, the RSF gained extensive control of the trade in Acacia gum-producing regions.

RSF's control made it challenging to maintain regular harvesting and production activities of Gum Arabic. To add to it, the conflict also caused significant disruptions in transportation networks, making it ever more-tricky to move it from production sites to export points.

Now, on paper this looks like RSF has a monopoly over the trade and they have control over all the exports of Gum Arabic. But instead of facilitating exports through formal channels, they're letting traders smuggle it across borders to neighbouring countries like Chad, Nigeria and South Sudan.

Why is that, you ask?

For starters, smuggling keeps profits off the books. And that lets RSF impose its own informal taxes or fees on traders sneaking Gum Arabic into neighbouring countries. So compared to regulated exports, this shadow economy funds their war effort while keeping them outside the reach of government oversight.

Next, it weakens Sudan's formal economy. Gum Arabic has long been the Sudanese government's primary foreign exchange earner. And by cutting off exports, RSF is depriving the Sudanese government of a crucial revenue stream. And finally, controlling gum Arabic means controlling traders. By dictating prices, imposing levies, and deciding who gets access to supplies, RSF ensures that local businesses stay dependent on them and not the Sudanese state.

So, the interesting thing for us to check could be if global internationals are still buying it? And that's where the trade gets tricky.

If RSF formally controlled it, countries and companies would shun the supply because it fuels the war economy. But RSF-controlled Gum Arabic is still finding its way to global consumer companies – just indirectly through Sudan's neighbouring countries. And it is coming at a cheaper price, too. The only thing missing in this trade is the necessary certification that ensures these global buyers that a supplier of Gum Arabic is meeting sustainable and ethical standards.

And that effectively means that while multinational brands may not be sourcing from Sudan directly, they're still fuelling an economy controlled by militia forces. The same economy that the Sudanese government is fighting against.

So what's the solution to this?

Well, some companies, like Ingredion (a US-based supplier of food ingredients) claim to have switched their sourcing of Gum Arabic to Cameroon (a country in Central Africa).

But this won't weed out the problem altogether. Because as we saw, Sudan dominates the supply of Gum Arabic, and completely replacing it is easier said than done.

Nevertheless, there's hope as companies are working with a few potential and emerging alternatives that can be used as emulsifiers. A study from Malaysia suggests that replacing Gum Arabic with low levels of pectin could act as an emulsifying agent. And the US Department of Agriculture is also studying the potential of gum produced from corn to be used as an emulsifier.

There's no denying that this is good news as diversifying supply sources is generally a smart economic move. But Gum Arabic is a naturally produced substance with unique properties that make it an excellent choice for a range of industries. And finding a perfect substitute for all its functions could be extremely difficult to say the least.

But until the civil and political unrest in Sudan continues and military groups control the gum supply, the corporates and the gum industry do have a choice. They can push for, or even impose, stricter certification processes, greater transparency, and possibly increased investment in alternative sources to fix the issue.

But till that happens, consumers may unknowingly be purchasing products tied to a war-torn economy.

**By Shreya Venkatesh Bhat**



## Update for the day #2368 | India's Liquidity Crunch: What's Draining It and Can We Fix It?

India's Liquidity Crunch: What's Draining It and Can We Fix It? Understanding the Crisis

Imagine walking into a bank to withdraw cash, only to find it struggling to meet India's Liquidity Crunch: What's Draining It and Can We Fix It?

demand. Or picture a business seeking a loan but facing sky-high borrowing costs due to a cash shortage. These are classic signs of a liquidity crunch—a scenario where the financial system runs short on readily available funds. And right now, India is grappling with its worst liquidity crisis in over a decade.

Liquidity is the backbone of the banking system, ensuring smooth lending, transactions, and cash availability. Banks manage liquidity through four key mechanisms:

1. **Maintaining Cash Reserves:** Setting aside a portion of deposits as a buffer against sudden withdrawals.
2. **Investing in Liquid Assets:** Parking funds in easily accessible assets like government securities.
3. **Interbank Borrowing:** When reserves run low, banks borrow from each other at the repo rate set by the RBI.
4. **Last-Resort Borrowing from RBI:** If all else fails, banks turn to the RBI through the Marginal Standing Facility (MSF) at a slightly higher interest rate.

When liquidity tightens, banks restrict lending and hike interest rates to attract deposits, making borrowing difficult and injecting uncertainty into the economy. Presently, India's daily liquidity deficit has surged from ₹ 1 lakh crore in early January to over ₹ 3 lakh crore—the worst since 2010.

What's Causing the Liquidity Drain?

This crisis didn't emerge overnight. Several factors have contributed to the tightening of liquidity:

1. **RBI's Forex Market Interventions:** To prevent excessive rupee depreciation, the RBI has been selling US dollars, reducing its forex reserves from \$700 billion in October to \$623 billion by mid-January. While this stabilizes the rupee, it also drains rupees from the banking system.
2. **Government's "Just-in-Time" Payment System:** Previously, the government would transfer funds to states in advance, keeping cash circulating in the economy. Now, it releases money only when needed, leading to liquidity sitting idle in government accounts instead of being available for banks.
3. **HDFC-HDFC Bank Merger:** The newly merged entity has been aggressively raising deposits to maintain lending capacity, intensifying competition among banks for funds.
4. **Shifting Savings Patterns:** More Indians are moving money from fixed deposits to mutual funds, reducing bank deposits and drying up liquidity.
5. **Rise of Digital Transactions:** The boom in UPI and RTGS payments has made liquidity needs more unpredictable.
6. **RBI's Tightening Measures:** To combat inflation, the RBI raised the Liquidity Coverage Ratio (LCR), locking up ₹ 4 lakh crore in government bonds that banks would otherwise use for lending.

All these factors combined have squeezed liquidity, reducing surplus reserves from ₹ 3-4 lakh crore in the past two years to just ₹ 64,350 crore by December 2024.

Steps Taken to Address the Crisis

Recognizing the severity of the crunch, the RBI has initiated several measures:

1. Cash Reserve Ratio (CRR) Cut: The CRR was reduced from 4.5% to 4%, injecting ₹ 1.13 lakh crore into the system.
2. Expanded Repo Operations: Short-term lending to banks was increased from ₹ 50,000 crore to ₹ 2 lakh crore within weeks.
3. Government Bond Purchases: The RBI announced an open market operation (OMO) to buy ₹ 60,000 crore in government bonds to boost liquidity.
4. 56-Day Variable Rate Repo Auction: A special program to help banks manage cash flow over a longer period.
5. \$5 Billion Dollar-Rupee Swap Auction: Allowing banks to trade dollars for rupees temporarily, injecting further liquidity.

While these measures will release ₹ 1.5 lakh crore into the system, they still fall short of fully addressing the ₹ 3 lakh crore liquidity deficit.

What More Needs to Be Done?

Despite these efforts, additional steps may be necessary:

- Further CRR Reductions: Cutting CRR again could free up more funds for banks to lend.
- Interest Rate Cuts: A potential repo rate cut of 0.25% in February and up to 1% by the end of 2025 is being considered.
- Rethinking Liquidity Management: The inflation-targeting framework introduced in 2014 has successfully controlled inflation but may need to evolve to address modern liquidity shocks.
- Improving Banking Liquidity Tools: Banks need more flexible instruments like quicker forex swaps, long-term lending options from the RBI, and linking CRR with broader liquidity needs.
- Strategic Liquidity Reserve: India could consider maintaining a reserve to buffer against sudden capital outflows without draining forex reserves.
- Government-RBI Coordination: Unlocking idle cash in government accounts could provide a more sustainable liquidity source.

### The Bigger Picture

Liquidity shortages affect more than just banks. Homebuyers face difficulties securing loans, financial markets experience increased volatility, and corporate borrowing costs rise. Investors demand higher returns, leading to spikes in bond yields, as seen in January when Indian government bond yields hit 6.85%, the highest since November 2022.

However, excessive liquidity can also lead to inflation and asset bubbles, making liquidity management a delicate balancing act for the RBI.

### The Road Ahead

With digital payments revolutionizing money flows, banks must rethink liquidity strategies beyond traditional buffers. Smart tools, dynamic liquidity rules, and proactive management could help prevent future crises rather than merely reacting when one hits.

Ultimately, India's liquidity management must evolve with the times to ensure financial stability and economic growth. The question remains: Will policymakers make the necessary adjustments before the next liquidity crisis unfolds?

India's ongoing liquidity crunch highlights the delicate balance between maintaining financial stability and ensuring adequate cash flow in the economy. The crisis has stemmed from a combination of factors, including RBI's forex interventions, shifts in government fund transfers, and evolving banking dynamics. With the daily liquidity deficit reaching unprecedented levels, businesses and consumers alike are facing the repercussions, from restricted lending to elevated borrowing costs.

The Reserve Bank of India has responded with several measures, including CRR cuts, expanded



repo operations, and bond purchases to inject liquidity into the system. While these interventions provide temporary relief, they may not be sufficient to fully counteract the liquidity shortfall. Further strategic actions, such as additional CRR reductions, interest rate cuts, and enhanced banking liquidity tools, could help address the crisis more effectively and ensure long-term financial stability.

Looking ahead, policymakers must adopt a dynamic approach to liquidity management, integrating modern financial tools with proactive strategies. Digital payments and evolving economic patterns require a rethink of traditional liquidity frameworks. A collaborative effort between the government and RBI could unlock additional resources, ensuring India's financial system remains resilient. The path forward will depend on whether decisive actions are taken to mitigate liquidity risks before another crisis unfolds.

**By Varsha G Bhatt**



## Update for the day #2369 | Sunita Williams transfers ISS Command to Roscosmos

Stuck in space for over 9 months.

NASA Astronauts Sunita Williams and Butch Wilmore, initially planned for an 8-day stay and arrived at the International Space Station (ISS) on June 6th 2024 onboarding Boeing's Starliner spacecraft. But due to experiencing technical issues in the spacecraft like multiple thruster failures and helium leaks, prompting NASA to deem it unsafe for a crewed return and facing a nine-month ordeal on the ISS. Sunita Williams served as the commander of the ISS during her extended stay and set a new record for total spacewalks time by a woman, clocking 62 hours and 6 minutes.

In a significant transition of leadership aboard the International Space Station (ISS), Russian cosmonaut Alexey Ovchinin has officially taken command from NASA astronaut Sunita Williams. The ceremonial handover marks yet another instance of international collaboration between NASA and Roscosmos, despite geopolitical tensions on Earth. Sunita Williams, who has played a crucial role in ISS operations, is now preparing for her journey back to Earth alongside her fellow crewmates. The event underscores the continued partnership between space agencies and the rotational leadership structure aboard the ISS.

Williams' tenure as commander ensured smooth operations amid preparations for the arrival of the SpaceX Crew-10 mission. The transition not only highlights the importance of global cooperation in space exploration but also paves the way for the next phase of research and operations aboard the station. As Ovchinin assumes control, the station's daily activities and scientific experiments will continue under his leadership until the next change in command.

In a formal ceremony aboard the ISS, Sunita Williams officially transferred command to Alexey Ovchinin before departing for Earth. During the event, Williams expressed gratitude to her team, mission control centers, and everyone involved in preparing her for the spaceflight. She thanked fellow astronauts, ground support teams, and engineers who played a role in ensuring a successful mission.

Williams stated, "We will miss you," as she handed over the command, according to a report by USA Today. This change in leadership ensures the seamless continuation of ISS operations, with Crew-10 preparing for their arrival.

Ovchinin's leadership will guide the ISS for the upcoming weeks as NASA, Roscosmos, and other international partners coordinate ongoing experiments, station maintenance, and crew activities.

Sunita Williams, along with Roscosmos cosmonaut Aleksandr Gorbunov and NASA astronauts Butch Wilmore and Nick Hague, is scheduled to return to Earth. However, their departure is contingent upon the launch and arrival of the SpaceX Crew-10 mission.

The Crew-10 mission is expected to launch between March 12 and March 13, following which a week-long handover process will take place. Once Crew-10 is fully integrated into the ISS, Williams and her crewmates will depart on March 19.

The upcoming return marks the conclusion of another successful mission for Williams, who has made significant contributions to space exploration throughout her career.

Crew-10 will bring a fresh team of astronauts to the ISS, ensuring the continuation of research and operations aboard the station. The new team includes:

- Kirill Peskov (Roscosmos cosmonaut)
- Takuya Onishi (Japan Aerospace Exploration Agency astronaut)
- Anne McClain (NASA astronaut)

- Nichole Ayers (NASA astronaut)

Once they arrive, they will officially become members of Expedition 72, taking over duties and responsibilities from the departing crew.

Ovchinin is expected to remain in space until mid-April, overseeing station operations alongside Roscosmos Flight Engineer Ivan Vagner and NASA Flight Engineer Don Pettit. The transition period between commanders ensures that all critical procedures continue without disruption.

His tenure will involve managing scientific research, station maintenance, and preparing for future crew rotations. Roscosmos and NASA will continue their coordinated efforts, reinforcing the importance of international partnerships in space missions.

**By Rajbalam**



## Update for the day #2370 | Short-Term Pain, Long-Term Gain: Trump's Bold Economic Gamble

When Donald Trump ran for president, one of his biggest promises was to boost the stock market. He's always been vocal about it. But reality is painting a different picture. In the past month, US stock indices have plunged 8%, wiping out a staggering \$4 trillion in market value.

So, what's going on?

There are two compelling theories behind this unexpected market dip.

Theory 1: A Globalist Conspiracy?

Trump often blames “globalists” for economic downturns. While their identity remains vague, they might refer to foreign investors holding massive amounts of US Treasury bonds—China being a prime example.

Here's how it works:

- The US runs a trade deficit with China, meaning it buys more from China than it sells.
- This leaves China with excess US dollars, which it reinvests by purchasing US Treasury bonds—essentially lending money to the US government.
- If Trump shrinks the trade deficit, China has fewer dollars to invest, meaning less money flows into US banks.
- Lower capital inflows hurt banking profits and could trigger another financial crisis.
- Sensing this risk, investors are selling stocks before things get worse, leading to the market's plunge.

Theory 2: Trump is Engineering the Crash on Purpose

Sounds bizarre, right? But there's a method to the madness.

Trump's economic team believes that the US economy under Biden has disproportionately benefited the wealthy, while the bottom 50% have gained little. Their solution? Shake up the system by creating controlled economic chaos.

The Strategy: Flip the US Economy from Consumer-Driven to Investment-Driven

For decades, the US economy has relied on consumer spending, but this dependence has led to:

1. High debt
2. Asset bubbles
3. Inflationary pressures

Consider this:

US national debt stands at a staggering \$34 trillion.

\$7 trillion of that needs refinancing soon at interest rates as high as 4.8%—a nightmare scenario.

How a Stock Market Drop Helps Trump

A falling market scares investors, prompting them to:

1. Pull money from stocks
2. Move funds into safer US bonds
3. Increase demand for bonds, driving their yields (interest rates) down

This is already working—10-year Treasury yields have dropped from 4.8% in January to 4.25% today. A small shift, but when you're dealing in trillions, even a 0.5% reduction saves billions of dollars in interest payments.

### The Role of Tariffs in This Strategy

Trump's unpredictable tariff policies are also playing a crucial role.

Normally, tariffs increase inflation by making imports costlier.

But investors are more worried about market instability than inflation.

The result? They flee stocks and buy bonds, reinforcing Trump's desired outcome.

### The Final Piece: Slashing Government Spending

Trump's economic advisors believe the US is addicted to public spending and needs a "detox."

This involves:

1. Cutting government jobs
2. Reducing Medicare and food assistance
3. Shrinking housing aid

By weakening consumer-driven demand, Trump aims to force the economy to transition toward a business-investment-led model.

### Will This Gamble Work?

This approach follows the 'kitchen sink' strategy—inflicting maximum economic pain now for long-term gains.

But there's a major risk:

1. If the economy slows too much, it could tip into a full-blown recession.
2. Prediction market Kalshi now pegs US recession odds at 40% this year.
3. JPMorgan's Jamie Dimon warns that "America First" could become "America Alone", potentially backfiring.

Even Federal Reserve Chair Jerome Powell is skeptical, saying:

"The economy's fine. It doesn't need us to do anything, really. And so, we can wait, and we should wait."

But Trump doesn't believe in waiting. He thrives on immediate action and disruption.

### The Big Question: Will This Work or Backfire?

Trump's supporters argue that short-term economic pain is necessary for long-term recovery. But for everyday Americans, a crashing stock market could wipe out retirement savings and wealth.

If Trump's transition plan takes too long, the pain may linger far longer than he anticipates.

So, is this a masterstroke of economic restructuring or a reckless bet that could send the US economy into chaos?

Only time will tell.

**By Sourabh Jain**





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