



## EMERGING THOUGHTS

11 June, 2025

VOLUME 8 | ISSUE 2

**SURESH & CO.**

Chartered Accountants

## Contents

Foreword .....	3
Update for the day #2371   Do we need 24-hour stock markets? .....	4
Update for the day #2372   Who watches the watchdog? .....	7
Update for the day #2373   India's Pickleball boom.....	9
Update for the day #2374   When derivatives go wrong .....	11
Update for the day #2375   China's Jan-Feb industrial output slows; retail sales growth picks up speed.....	13
Update for the day # 2376   Amtek Auto's ₹27,000 crore bank loan fraud. ....	15
Update for the day #2377   The Reality of Indian Startups .....	17
Update for the day #2378   What keeps Coke out and Pepsi deep in the snacking market? .....	19
Update for the day # 2379   The "Backdoor" Into the \$15.7 Trillion AI Boom— Why Smart Investors Are Betting Big on GaN .....	22
Update for the day # 2380   Those receiving ICICI Bank shares as part of share-swap deal in delisting process may have to pay capital gains tax.....	24
Update for the day #2381   Will LIC change the health insurance market in India? .....	27
Update for the day #2382   Goodbye apps, hello AI agents? .....	29
Update for the day # 2383   When derivatives go wrong.....	31
Update for the day # 2384   Trump wants European eggs, but what about tariffs? .....	33
Update for the day # 2385   India's high taxes are proving to be a buzz-kill for global investors ...	35
Update for the day # 2386   AI & Management of Funds.....	37
Update for the day # 2387   UK's waste tyres .....	39
Update for the day # 2388   OpenAI's new AI model just made everyone a designer overnight ...	41
Update for the day # 2389   Why's Mastercard .....	43
Update for the day # 2390   Can Tether sustain its dominance? .....	45
Update for the day #2392   Risdiplam & the cost .....	50
Update for the day #2393   Why Warren Buffet isn't a fan of gold.....	52
Update for the day #2394   The economics of rising natural gas prices .....	55
Update for the day #2395   Why all the helium might disappear into space forever.....	58
Update for the day #2396   How BharatPe Went From INR 5,000 Cr Loss To Break-Even.....	60
Update for the day #2397   Warren Buffett wanted you to buy this market dip .....	62
Update for the day #2398   Goodbye apps, hello AI agents? .....	64
Update for the day #2399   A simple explainer on tariffs and the new world order.....	66
Update for the day #2400   Trent's dream run just .....	69

## 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.

**“Success is not final; failure is not fatal: It is the courage to continue that counts.” — Winston Churchill**

**As we begin a new month, let's focus on making each day meaningful. Whether through small acts of kindness, setting new goals, or simply pausing to reflect, every moment is an opportunity to make a positive impact. Let's seize these moments and carry forward a spirit of optimism and progress in all that we do.**

## Update for the day #2371 | Do we need 24-hour stock markets?

Until 1952, Wall Street didn't believe in taking Saturdays off. The US stock markets ran for five and a half days a week. Until September that year, when they finally switched to a five-day trading schedule. To make up for the lost hours, they simply stretched weekday sessions by half an hour. It was likely part of a broader post-World War II trend where industries everywhere were moving towards shorter workweeks.

But here's something funnily interesting. Trading hours have gradually crept upward since then. In 1974, the New York Stock Exchange (NYSE) pushed its closing bell from 3:30 p.m. to 4 p.m., adding an extra half-hour. Then, in 1985, it started opening its doors 30 minutes earlier at 9:30 a.m. Fast forward to October 2024, and NYSE Arca made an even bolder move. It announced plans to extend trading to 22 hours on weekdays.

Yup, you read that right. They want to keep the markets running practically all day, pausing only for a two-hour break to wrap up and reset. But this isn't some radical idea NYSE cooked up. The US SEC had already paved the way by approving 24-Exchange (or 24X), a new stock exchange designed to allow trading for 23 hours a day, 5 days a week.

And now, the craze is catching on. Just days ago, NASDAQ's President Tal Cohen revealed plans to enable 24-hour trading on weekdays.

So, why is every stock exchange on Wall Street chasing this 'why should markets sleep?' trend, you ask?

Well, you see, trading isn't what it used to be. Gone are the days when traders had to physically crowd the stock exchange floor, shouting buy and sell orders at the top of their lungs. But now all it takes is a few taps on a phone or clicks on a computer. Open your trading app, check your stocks, do a bit of research, hit buy or sell and boom! Your trade is executed in seconds. With that kind of ease, it's no surprise that more people want longer trading hours. Maybe you're stuck at work all day and don't have time to focus on stocks. So, wouldn't it be nice to trade after hours when you can actually think? That's one reason for the shift.

But it's also about globalisation. Investors across the globe are trading in markets outside their own countries. And we're not just talking about big institutions, but regular retail investors too. As Cohen pointed out, foreign holdings of US equities hit a staggering \$17 trillion in June 2024. That's a whopping 97% jump since 2019. And that also means over a quarter of the total \$62 trillion US equity market is now held by investors outside the country. Take the Asia-Pacific region, for instance. Investors there are drawn to the depth of the US markets and access to booming sectors like tech and healthcare. But time zones are a problem. When the US market is open, these investors are often asleep. And by the time they wake up, they've already missed the action. Longer trading hours solve that.

Then there's price discovery or the process of figuring out the right price of a stock based on market conditions. The more time people have to trade, the quicker stock prices can adjust to news and events as they unfold, rather than waiting for the next day's opening bell.

And, of course, the ones who benefit the most? The stock exchanges! They earn fees from every trade. So more trading hours naturally mean more trades, and more trades equal more money in their pockets.

But hey, there's a reason why stock markets have always had fixed trading hours. It's because fixed timings play a crucial role in keeping markets efficient, especially when it comes to liquidity. Think about what happens when trading volumes are low during certain hours of the day. Orders don't always get executed at the right price because there just aren't enough buyers and sellers. A classic liquidity problem.

So, what do traders do?

They wait until the market's closing time. Because when traders know there's a fixed deadline, they also know that everyone else is rushing to settle their positions before the bell rings. That last-minute surge boosts liquidity and makes trades easier to execute. It's something called endogenous behaviour, which is a fancy way of saying that when people expect a market event like closing time, they adjust their actions, accordingly, leading to higher participation and better efficiency.

You could compare it to a small town with just one grocery store. If the store has fixed hours, customers can plan their shopping, and the store can prepare for peak demand. Maybe it even offers discounts at certain times to attract more buyers. But imagine if the store never closed. People would trickle in at random hours, and the bustling energy of peak shopping times would disappear.

That's exactly what could happen with stock markets if they stay open round the clock. Liquidity might get spread too thin. Sure, there would be more trading opportunities, but what if there aren't enough buyers and sellers at certain times, especially late at night? A single big trade could cause wild price swings, leading to more volatility. And this could be true especially for stocks with already low liquidity or small market capitalisation.

Then there's the effect on corporate announcements. Companies like to control when investors receive news about them. Earnings reports, for instance, are usually released before or after regular market hours to prevent massive panic-driven buying or selling. But with 24/5 trading, that buffer disappears. Stocks could react instantly to every piece of news, leading to impulsive trading and even more unpredictable swings. That's not great for them or for the market.

And the biggest twist? Longer hours might end up costing stock exchanges more.

Just think about it. Extending trading hours doesn't just mean letting computers do all the work. You still need people — traders, brokers, compliance officers, exchange staff, working in shifts to keep things running smoothly. More hours mean hiring more people, and that's an added expense. And there's also the lingering issue of settlements. Unlike crypto, where transactions happen instantly, US stock markets still operate on a T+1 settlement cycle. Meaning, trades don't settle the same day (T+0). Instead, if you buy or sell a stock, it takes a day before the shares actually hit or leave your demat account. India has already started experimenting with T+0 settlements for a few stocks, but the US hasn't. So in a market that never sleeps, settlements still lag behind, and that makes NASDAQ's dream logistically complicated.

If trading runs 24/5 with no breaks, when does the exchange actually pause for system

maintenance and clearing? Right now, exchanges rely on those overnight hours to reset and prepare for the next day. And without a pause, things could get messy.

Interestingly, a research paper backs this up. It says, “We estimate that, as long as there is a closure for some time, most of the benefits are accrued, implying that it is likely a 23/7 exchange would be beneficial over the current popular market design of 6.5/5.”

In other words, markets could stay awake, but perhaps they shouldn’t stay awake all night. And having a break would still be valuable.

So yeah, continuous trading might seem like the future, especially with crypto markets never sleeping. But the reality is that the stock market is different, and its setup might not be ready for this shift just yet.

**By Mohana Priya E**



## Update for the day #2372 | Who watches the watchdog?

Why Governments—whether central or state or even government-controlled institutions like public sector undertakings (PSUs)—spend a lot of money every day. Think of building highways, funding welfare schemes, procuring defence equipment, and maintaining public healthcare systems. The list is endless. And the money they use for this is public money, so ensuring it's spent efficiently and legally is crucial. That's where the Comptroller and Auditor General of India (CAG) comes into the picture.

The CAG audits government spending, making sure it's used legally and for its intended purpose. These reports then land in Parliament or State Legislatures, where the Public Accounts Committee (PAC) sifts through them. If any major irregularities pop up, the PAC then summons officials, questioning them on what went wrong and recommending fixes to prevent future mess-ups.

And over the years, the CAG has exposed some shocking lapses. Like the 2G spectrum scam, where it found that telecom licenses were handed out at outdated prices, potentially costing the Indian exchequer a revenue loss of ₹1.76 lakh crore. Or the coal block allocation scam, where the CAG flagged that coal mines were allocated without competitive bidding, causing a loss of ₹1.86 lakh crore. So yes, you can call the CAG the official watchdog of public money and the government's auditor, keeping it accountable.

The fun fact is that the acronym CAG is used for both a person and an institution. The CAG (the person) is appointed by the President (after consultation with the Prime Minister) to head the CAG (the institution), which is an independent constitutional body.

But why are we talking about the CAG today?

Well, because the Supreme Court just got a petition calling the CAG's appointment process unconstitutional. The public interest litigation (PIL) argues that the CAG shouldn't be handpicked by the ruling government. In simple terms, it means that the person auditing public finances must not be chosen by the very people they're supposed to keep in check. And it suggests that an independent panel, featuring the Prime Minister, the Leader of the Opposition, and the Chief Justice of India must choose the CAG instead. And the Supreme Court isn't brushing it aside. It has not only admitted the plea but has also sought a response from the central government.

So is the CAG's independence being compromised?

The Probe cites the example of Maharashtra. In 2024, just weeks before state elections, a directive from the CAG's headquarters suddenly put all crucial audits in Maharashtra on hold. No explanation. No justification. Just a sudden, quiet pause. And these weren't minor audits. These were the ones that typically dig up inefficiencies and financial mismanagement—the kind that governments don't really like.

A much bigger example? The National Project Audit. It was supposed to review massive infrastructure projects across India. You know, the kind that gets billions in funding. But it was abruptly put on hold, again without any official explanation. And while some audits were quietly shelved, others were blowing up into full-blown political storms.

Take Delhi's liquor policy. Back in 2021-22, the Delhi government rolled out a new plan to boost



revenue and streamline alcohol sales. Sounds great on paper, but when the CAG took a closer look, it found a ₹2,000 crore hole—thanks to faulty implementation, shady licensing, and a bidding process that lacked transparency.

But not all audits are getting stalled. Some, like in Uttarakhand, are going through but they're causing an entirely different kind of controversy.

Take the CAMPA (Compensatory Afforestation Fund Management and Planning Authority) Fund. It's meant to help with afforestation. Companies pay a fee when they use forest land, and that money is supposed to go into planting new trees. Simple, right? Well, not in Uttarakhand. The CAG found that forest land was being diverted for other purposes. The afforestation projects were either delayed or just never happened, and funds meant for trees were being used for altogether different purposes. So naturally, this raised a bigger question: was the state government misusing environmental funds? However, instead of fixing the issue, a new debate kicked in: was the CAG exposing genuine mismanagement, or was it overstepping into state affairs?

And if Uttarakhand's CAMPA audit was about financial mismanagement, Kerala's fight with the CAG was all about control: who really gets to decide how states handle their finances?

So, the real problem isn't just financial irregularities. It's how the CAG's findings are used, ignored, or twisted to suit different agendas. And reports suggest that while the central government is influencing CAG audits, state governments are accusing the CAG of overstepping their jurisdictions.

And this is where the PIL in the Supreme Court becomes crucial.

If the CAG appointment process is made independent of the federal government, it could solve two problems. First, CAG could conduct audits impartially, without external pressure. And second, it wouldn't have to deal with state governments blaming it for overstepping its powers.

Because at the end of the day, a watchdog that is influenced by the very people it's supposed to monitor isn't really a watchdog, no? The verdict will decide whether that changes or stays the same.

**By Yogesh K Bagrecha**





## Update for the day #2373 | India's Pickleball boom

India is witnessing a sporting revolution, and at the heart of it is a game that, until a few years ago, few had even heard of—pickleball. In just three years, the number of active pickleball players in the country has surged by an astounding 275%, reaching 60,000 by 2024. If one includes casual players who play occasionally or recreationally, the number easily crosses one lakh. This meteoric rise is no accident. Once virtually unknown, pickleball is now featured on podcasts, supported by celebrities, and aired on major networks like Sony Sports, signalling its arrival in the Indian mainstream.

This transformation in the Indian sports landscape reflects a broader trend that began a decade ago. Cricket, long the undisputed leader in the hearts of Indian sports fans, saw its television viewership decline steadily, with Gross Rating Points falling from 105 in 2008 to 61 in 2014. As digital entertainment platforms gained traction, viewers diversified their interests, creating space for alternative sports to grow. The success of the Pro Kabaddi League in 2014, which drew a massive 435 million viewers in its debut season, showed that Indian audiences were ready to embrace new, homegrown sporting experiences.

Pickleball's popularity in India received a significant push during the COVID-19 pandemic. With gyms closed and traditional sports facilities inaccessible, people began looking for new ways to stay active. Unlike tennis or squash, which often require specialized coaching and higher physical intensity, pickleball offered a far more approachable alternative. Its simple rules and minimal equipment needs made it attractive to people of all ages, allowing it to spread rapidly across cities and communities.

Interestingly, pickleball wasn't even created with professional sport in mind. It originated in 1965 in the United States, when congressman Joel Pritchard and businessman Bill Bell, looking to entertain their families, invented a new game using table tennis paddles and a plastic ball. Its ease of play and inclusive nature helped it grow globally over the years, eventually catching on in India as well. A major milestone came in 2022 when India hosted the Bainbridge Cup, its first international pickleball tournament, offering a prize pool of \$50,000. That moment firmly established India as a serious player in the global pickleball community.

From an economic perspective, pickleball is proving to be a goldmine for entrepreneurs. One of its greatest advantages is its low cost of infrastructure. Building a pickleball court typically costs around ₹3–5 lakhs, which is less than one-third of the ₹15 lakhs needed for a badminton court. In cities like Mumbai and Bengaluru, where demand is high, businesses are often able to recover their investment within just three months. As a result, the number of courts in India has exploded. From just 200 courts in early 2024, the figure crossed 1,200 within months, with an estimated three to four new courts being added weekly in major metros like Delhi, Hyderabad, Ahmedabad, and Surat. If growth continues at this pace, India could see over 2,500 courts by 2028, with the number of active players projected to touch one million—a 1,500% increase from today's numbers.

This growth isn't limited to courts alone. An entire ecosystem is developing around pickleball, including paddle and ball manufacturing, sports apparel lines, rental services, and tech-enabled booking and coaching platforms. Drawing inspiration from the United States, Indian entrepreneurs are beginning to explore social and lifestyle integrations—pickleball-themed cafés, community events, and even data-driven training tools—all aimed at enhancing the experience for both casual and competitive players.

Investors are taking notice of this momentum. Startups in the space have begun attracting serious capital. Goodland Pickleball received ₹80 lakhs on Shark Tank India, earning a valuation of ₹13 crore. Another promising venture, Go Rally from Bengaluru, raised \$750,000 from prominent investors such as Sujeet Kumar of Udaan and Abhishek Goyal of Tracxn. These investments signal confidence not only in the game's popularity but in its long-term potential as a business opportunity.

Yet, despite its impressive trajectory, pickleball in India is not without challenges. Urban real estate constraints pose a major hurdle. For instance, Mumbai's limited and expensive land makes it difficult for new players to enter the market. In such an environment, those who have already secured prime locations for courts hold a clear advantage. There's also the risk that as the sport grows, it could become increasingly exclusive. If pickleball becomes confined to premium sports clubs or luxury communities, it may follow the same path as tennis or golf—popular among a select few but inaccessible to the broader public. Such a shift could severely limit its growth potential.

Nonetheless, the rise of pickleball in India is both remarkable and rapid. Whether it remains an inclusive, accessible sport or transitions into an elite offering will largely determine its sustainability. The next few years will be crucial. Will pickleball maintain its mass appeal and continue to grow organically across age groups, cities, and income levels? Or will it peak early, only to plateau as a niche activity? As it stands today, India's pickleball boom is no passing trend—it is a powerful movement with the potential to redefine how the nation plays, socializes, and builds community through sport.

**By S Akash Venkataraman**



## Update for the day #2374 | When derivatives go wrong

Barings, the UK's oldest merchant bank, appointed Nick Leeson as a derivatives trader for its Singapore office.

Leeson's job was to make low-risk profits through arbitrage. Now it's a fancy way of saying buy low in one market, sell high in another simultaneously, and pocket the difference. Specifically, Leeson's job was to profit from minor price differences in Nikkei 225 futures contracts between the Osaka Securities Exchange in Japan and the Singapore International Monetary Exchange (SIMEX). For the uninitiated, futures contracts are a type of derivative or simply financial contracts that derive their value from the underlying assets (here, the Nikkei 225).

Pretty straightforward, right?

However, Leeson didn't just stick to arbitrage. Instead, he retained the futures contracts for longer periods, hoping to make much larger profits by betting on the rise of the Nikkei 225 Index. And his crafty strategy bore fruit, too. He made massive sums for the London bank, sometimes to the tune of 10% of the bank's overall profit.

Rather than reporting the losses, Leeson hid them in a secret account, initially meant for tracking trading errors. But that wasn't his only trick. Since he was trading futures contracts, which settle at a later date, he didn't immediately have to book losses. Further, instead of closing bad trades and accounting for losses, he doubled down, placing even bigger bets in hopes of recovering what he had lost.

Essentially, he was gambling on the market bouncing back in his Favour. This allowed him to push losses into the future, never booking them in the present. Meanwhile, he recorded any small profits that he made immediately. Thus, this accounting mismatch created a financial illusion that Barings Bank was making money when, in reality, it was drowning in losses, ballooning to twice the bank's capital. And when the truth finally surfaced, Barings Bank collapsed overnight in 1995! But why are we talking about it today?

Because just a few days ago, IndusInd Bank disclosed lapses in its derivatives accounting. Here, we are emphasizing the accounting mismatches in the banks' derivatives exposure. The news sent IndusInd's stock nosediving over 27%, wiping out ₹19,000 crores in market value. While there's no rogue trader here, unlike the infamous Barings Bank collapse, it still raises concerns about how banks handle complex financial instruments. For more context, let's unwrap what exactly happened at IndusInd Bank.

IndusInd had a large forex derivatives exposure. The problem was that it didn't account for losses properly. While other banks followed RBI's instructions and accounted for mark-to-market (MTM) losses on their forex derivative books, IndusInd didn't. Worse, it didn't hedge its forex positions either.

Now, MTM simply means valuing assets at their current market price, not the price at which they were initially bought. So if a bank holds forex derivatives and their value drops, it must immediately record the loss in its books. IndusInd, however, chose not to do this.

Then there's hedging. When a bank takes on foreign currency exposure, it's exposed to fluctuations in exchange rates. To avoid surprises, it can hedge the risk, where the bank pays a

small fee upfront to lock in exchange rates and shield itself from future losses. And when these forex trades are settled, the bank either books a gain or a loss.

But IndusInd had massive unhedged forex positions, and when things went south, it racked up huge losses. Worse, instead of booking them outright, the bank disguised them as “receivables” and even classified them as intangible assets on its balance sheet.

Now, they would have accounted for these losses gradually, but the RBI’s 2023 rule came their way. Now they had to classify their derivatives portfolio and disclose this information in their financial statements. It was then that IndusInd’s major gaps in managing its risks got exposed. But why do banks even deal with derivatives, in the first place? Look, banks are constantly trading. Currencies, bonds, stocks, interest rates, commodities, you name it. But they don’t just buy and sell these assets outright. They often use derivatives to hedge risks, speculate, or enhance returns.

For instance, say a bank lends money in dollars but collects payments in rupees. If the rupee weakens, it loses money. To avoid this, it can lock in exchange rates using a forex swap or forward contract, shielding itself from currency swings.

Second, managing interest rate risks. Banks borrow and lend at different interest rates. If rates suddenly spike, their cost of borrowing rises, squeezing margins. To protect themselves, they use interest rate swaps, where they agree to exchange fixed-rate payments for floating-rate ones or vice versa to balance risks.

Last but not least, derivatives are speculation for profit. Not all derivative trades are for risk management. Banks also actively bet on movements in interest rates, commodities, or currencies to make quick gains. But if these bets go wrong, the losses can quickly spiral out of control. That’s where mismanagement comes in.

While IndusInd’s case isn’t a scandal, it reminds us of the importance of confidence in the banking system. Folks like you and me place our trust in banks. And if their internal systems aren’t in place or their accounting isn’t done correctly, they might incur losses, eroding our trust.

That’s exactly what happened to IndusInd, which lost a whopping market value in a matter of a few hours.

Needless to say, banks can’t afford to be careless with their risk management. One slip-up, and public trust goes out of the window and winning it back is an arduous climb back.

**By Anusha M**



## Update for the day #2375 | China's Jan-Feb industrial output slows; retail sales growth picks up speed

China's economic performance in the opening months of 2025 has presented a mixed picture, reflecting both areas of resilience and signs of mounting stress as the country grapples with external trade headwinds and persistent domestic challenges.

According to official data released by the National Bureau of Statistics (NBS), industrial output grew by 5.9% year-on-year in January and February combined. While this marks a moderation from December's 6.2% growth, the figure still exceeded analysts' expectations, which were pegged at 5.3%, based on a Reuters poll. Despite this outperformance, the deceleration signals caution, especially amid rising global trade tensions, notably from the United States.

In contrast, retail sales, which serve as a crucial gauge of domestic consumption, showed modest improvement. They rose 4.0% in the first two months of 2025, an uptick from the 3.7% growth seen in December 2024. This marks the fastest pace since November 2024, aligning with analysts' forecasts and suggesting that household consumption may be regaining some momentum—albeit fragile. A significant contributor to this boost was holiday-related spending during the 8-day Lunar New Year break, when consumers flocked to entertainment venues and shopping centres. Notably, the box office recorded record earnings, led by the popular animated film "Nezha 2".

To avoid distortions caused by the timing of the Lunar New Year, which can fall in either January or February, China combines economic data for the two months. This helps smoothen out seasonal variations and provides a more accurate snapshot of early-year activity.

Still, deeper issues linger beneath the surface. Export performance, a historic engine of China's growth, has come under significant pressure. Earlier this month, data revealed weaker-than-expected export and inflation figures, exacerbated by a fresh wave of U.S. trade tariffs. U.S. President Donald Trump has imposed an additional 20% tariff on all Chinese goods and is reportedly mulling further trade actions. This escalates fears of a prolonged trade conflict, potentially disrupting China's already fragile external demand environment. Exports had been a rare bright spot in 2024, helping cushion the impact of declining domestic demand and the property sector's downturn.

In this environment, China's top leadership has reaffirmed its economic growth target of "around 5%" for 2025, a figure that many analysts view as ambitious, given the constraints the country is currently facing. These include not only trade-related challenges but also weak household demand, ongoing deflationary pressure, and a protracted property crisis that continues to weigh heavily on investor and consumer confidence.

Despite these hurdles, there are signs that the government is willing to step up its policy support. During the annual parliamentary meetings earlier this month, Chinese leaders pledged stronger fiscal and monetary measures to shore up growth. A centerpiece of this push is the emphasis on expanding domestic demand. One major initiative includes a 300 billion yuan (approximately \$41.5 billion) consumer goods trade-in scheme aimed at stimulating purchases of electric vehicles, home appliances, and other consumer products.

Further policy measures are already in motion. On Sunday, the State Council announced a "special action plan" to boost consumption, outlining steps such as increasing residents' income and introducing a childcare subsidy program—aimed at reducing household financial burdens and encouraging spending. Top economic officials are also expected to brief the media soon, offering more clarity on these consumption-boosting efforts.

At the same time, labour market stress is re-emerging. The urban survey-based unemployment rate in February rose to 5.4%, marking the highest level in two years. This indicates growing challenges in ensuring job stability, especially as industries adjust to softer demand both at home and abroad.

Another component of the economic puzzle is fixed asset investment, which includes spending on infrastructure and real estate. In the January-February period, it grew 4.1% year-on-year— above the 3.6% growth forecast by economists, and better than the 3.2% annual growth in 2024. This suggests that investment activity, particularly in infrastructure, has picked up, likely driven by public sector spending. However, the property sector remains weak, and without a comprehensive recovery in real estate, overall investment growth may remain subdued in the longer term.

In summary, China's economy in early 2025 is showing signs of resilience, but also clear vulnerability. Industrial production remains strong but has slowed; retail consumption is picking up modestly thanks to holidays and subsidies; and investment is rising amid government support. However, external risks from trade tensions, domestic deflation, employment concerns, and a fragile property sector are significant headwinds. While policymakers have outlined ambitious plans to stabilize and stimulate the economy, the path to a sustainable and broad-based recovery remains uncertain and will depend heavily on the effectiveness of policy implementation and the evolution of global economic conditions in the months ahead.

**By Swati Sundar Kulkarni**





## Update for the day # 2376 | Amtek Auto's ₹27,000 crore bank loan fraud.

Banks love lending to big corporations, especially when they look like bright stars of the business world. And if it's a blue-chip company, the money flows even faster! But sometimes, that trust is thrown out of the window when these seemingly trustworthy companies default on their loans, leaving banks scrambling to recover losses. And that's exactly what happened with Amtek Auto. Now, you might or might not have heard of Amtek Auto. So, let's give you some context.

See, Arvind Dham was an ambitious man. Despite coming from a family business in construction, he chose to start Amtek, a company that supplied auto components to car manufacturers. And it rose to popularity when a contract from auto giant Maruti to supply brake pads came its way. Soon after, it tasted more success when the Indian economy opened its doors to the world via the liberalisation (LPG - liberalisation, privatisation, globalisation) reforms. It won contracts from Tata Motors and Ford Fiat, and the business started booming. Since then, there was no looking back for Amtek. Then came the 2000s, when Dham went on a shopping spree. To expand Amtek's business, he acquired one of its biggest competitors in the UK and upwards of 20 other overseas companies.

But here's the catch. The money for these big-ticket acquisitions (ranging from ₹500 to ₹700 crore) didn't come from Amtek's revenue or profits but from debt. Yup, the debt that Amtek took from multiple Indian banks. And banks were more than happy to fund this expansion spree. After all, it had built a reputation that made it trustworthy and simply too big to fail. And that's probably where things started to go downhill. Amtek kept expanding, but by 2015, the cracks began to show. Its bank debt had nearly quadrupled from ₹3,800 crores to a staggering ₹14,200 crores, and defaults had already started.

Now, ideally, that should have been the moment for banks to step in and sound the alarm. But they didn't. Maybe because banks have their own way of doing things. In the case of listed companies, they don't immediately flag defaults as NPAs. Doing so requires setting aside higher provisions for the defaulted amount, which can impact their balance sheets. That's why they wait and watch for a while.

Anyway, coming back that same year, Amtek also defaulted on its bond payment of ₹800 crores. And that's when banks began to realise that the auto giant may be a lost cause. In 2017, Dham's house of cards fell when banks finally stopped trusting him and took Amtek to bankruptcy court under India's Insolvency and Bankruptcy Code (IBC). Enacted in 2016, the IBC was meant to clean up a growing pile of corporate bad loans in the banking sector. And Amtek became one of the first 12 big firms (nicknamed the "Dirty Dozen") to be dragged to court under the new code. But here's the thing. Despite his company being in bankruptcy court, Dham's life was going smoothly. In fact, a few buyers pitched in to buy it too. So yeah, everything was great. He had set up a company, accumulated debt, filed for bankruptcy and was getting bids from buyers. Dham would have been unperturbed, as he didn't have to pay back those hefty loan amounts to the banks.

However, the real twist came in May 2022, when a whistleblower blew the lid off the scam, quietly brewing under wraps for years. The whistleblower filed a complaint with the Prime Minister's Office, CBI and ED, revealing that Amtek was toying with its lenders' trust behind their backs. Not all the borrowed money went into acquiring the business as intended. And with no one suspecting foul play, Dham had been quietly siphoning funds from the Amtek Group of listed companies into a web of shell companies that had no real businesses. Only then did the investigation authorities pitch in and launch a full-fledged probe.

For starters, there wasn't just one shady shell company. There were hundreds of them, and that too was with dummy directors — some of whom were peons and office boys at Amtek Auto who had no clue their identities were being misused. Imagine earning a modest salary and suddenly being listed as the director of a company handling crores of rupees. That's exactly what was happening there. These shell companies existed solely to move money around from Amtek Group-listed firms, making it nearly impossible to trace where the funds ultimately landed.

While Amtek Auto was in bankruptcy proceedings (2017), he and his family were invested in multiple businesses, including the famous coffee chain Barista. They held directorial positions in companies linked to real estate and steel. When the ED finally intervened last year, they unearthed massive commercial properties and prime-location farmhouses worth thousands of crores. If that wasn't enough, the ED also froze shares worth over ₹2,000 crores held by the Dham family across listed and unlisted companies.

So, while banks and creditors were bleeding, the Dham family secured its financial future. But the real question is: Where were the audit teams when all this was happening?

Well, in 2018, a forensic audit by EY raised red flags. Their report uncovered hundreds of crores funnelled through undisclosed related-party transactions. Yet, nothing solid happened for almost four years until 2022. There was no major investigation and no accountability. That is, until a whistleblower's complaint reached the Supreme Court, forcing authorities to act. Even the Court had the same question: Why was this not investigated earlier, despite EY's findings? At first glance, it seems baffling. And there's actually no buzz about why no probes or investigations took place. But when a second audit was done in 2020, it unequivocally reported that there were no fraudulent transactions at all, contradicting EY's earlier findings. So yeah, this may have given the investigation agencies sort of an excuse to let it go.

There's another factor too. By then, Amtek was already deep into insolvency proceedings, and banks were desperate to recover their losses. A full-blown investigation could have complicated things, making it even harder for banks to reclaim their funds. So they may have chosen to keep mum and that may have been a costly mistake because, despite all the scrutiny now, only a fraction of the ₹20,000 crores+ loaned to Amtek has been recovered. A US-based hedge fund that took over Amtek paid merely a few hundred crores, a drop in the ocean compared to what banks had lent. Simply put, the banks will never wholly recover their money.

But Amtek and Arvind Dham's saga has become a cautionary tale of ultra-high ambitions, greed and corporate fraud in India. It must be seen as a case study of unchecked debt-fuelled acquisitions, weak regulatory oversight, and financial mismanagement — where a once-thriving company collapsed under its own weight, and banks paid the price for looking the other way.

**By Kavya Hebbar**



## Update for the day #2377 | The Reality of Indian Startups

India's startup ecosystem has grown remarkably over the past decade, emerging as the third-largest in the world, trailing only the US and China. With more than 100 unicorns—startups valued at over \$1 billion—the country has become a hotspot for venture capital and entrepreneurial ambition.

However, behind this impressive growth lies a challenging truth: nearly 90% of Indian startups fail within their first five years, largely due to operational inefficiencies, flawed financial planning, and misreading the market.

While success stories like Zomato, Flipkart, and Paytm have showcased the potential of Indian startups, many others struggle to sustain operations because of overestimated market potential, impractical business models, and poor execution.

A deeper look into the ecosystem reveals some of the recurring issues that hinder long-term success.

One of the most prevalent challenges is overestimating market demand. Many startups expand too quickly, assuming high customer engagement, only to later find that the actual market size falls short of projections. For instance, ShareChat laid off 20% of its workforce in 2023 after realizing its anticipated advertising revenue didn't match user engagement levels.

Similarly, Zomato exited 225 smaller cities due to lackluster demand, despite aggressive expansion plans. Meesho, another high-profile startup, faced mounting losses owing to excessive marketing spends and a misjudged user base, ultimately leading to profitability concerns.

Another common pitfall lies in the misinterpretation of India's middle-class consumer behavior. A widespread belief among startups is that India has a vast base of high-spending middle-class customers. However, this assumption often proves misleading.

A 2015 Pew Research study found that only about 2% of Indians fall under the "global middle class" category with enough disposable income to consistently afford premium products and services. This misconception has led many startups to design products and pricing strategies better suited for wealthier markets, not taking into account India's relatively modest purchasing power.

For example, the quick-commerce sector—represented by companies like Blinkit, Zepto, and Swiggy Instamart—banked on the idea that Indian consumers would pay extra for rapid 10-minute deliveries.

But by 2024, reports revealed that such a model was unsustainable. Many middle-class customers prioritized affordability over speed, making it difficult for these businesses to justify the high costs involved in delivering convenience at scale.

Overall, while India remains a fertile ground for innovation and entrepreneurial ventures, understanding the real dynamics of the market and consumer behavior is essential.

Startups that succeed in navigating these challenges with grounded expectations and efficient operations are more likely to survive and scale in the long run.

SURESH & CO.

EMERGING THOUGHTS

By Shankar B S



## Update for the day #2378 | What keeps Coke out and Pepsi deep in the snacking market?

Let's delve deeper into a cautionary tale that's reverberating across India's financial ecosystem—a story that has gripped investors, rattled regulators, and left countless retail participants questioning how they missed the signs. This is the saga of Mishtann Foods Limited, a company whose meteoric rise turned out to be built on smoke and mirrors. More than just another financial scandal, the Mishtann case serves as a textbook example of how perception can be manipulated in public markets—and how dangerous it can be for those who don't look beyond the surface.

### The Rise: A Perfectly Crafted Illusion

Mishtann Foods didn't begin its journey in the food business. In fact, its origins trace back to 1981, when it operated under the name HICS Cement. For years, it flew under the radar. Then came a strategic pivot: a rebranding and a shift in business model to the food processing industry. With its entry into the production and marketing of basmati rice, salt, and wheat, the company found itself in a sector with massive potential and global appeal.

To the casual observer, Mishtann's growth was nothing short of phenomenal. Between FY14 and FY24, revenues skyrocketed from a modest ₹5 crores to over ₹1,200 crores—a staggering 240x increase in just a decade. On paper, this trajectory was a dream come true, a potential multi-bagger in the making. Analysts began touting its potential, retail investors jumped aboard, and its stock price mirrored the enthusiasm. But in hindsight, the warning signs were always there.

Despite soaring revenues, net profits remained stagnant, and more importantly, free cash flows were consistently negative. Inventory numbers ballooned without matching sales velocity, and receivables piled up faster than industry norms. The financial statements seemed glossy, but the fundamentals—liquidity, solvency, operational metrics—didn't align with the growth narrative. Unfortunately, the excitement around potential future gains overshadowed these inconsistencies for many investors.

### The Scheme: Financial Engineering Gone Rogue

As SEBI and independent analysts would later uncover, the numbers were too good because they were never real to begin with. A large portion of Mishtann's reported sales had no economic substance. The company was using an elaborate network of shell companies, many linked to insiders and family members, to generate fake purchase and sales transactions.

The scheme worked like this: shell entities would be created, sometimes registered in the names of employees or associates. These companies would supposedly supply goods to or purchase from Mishtann, allowing the company to create artificial revenue. Money would flow in circles—round-tripped from Mishtann to group companies, and then back under the guise of business transactions. This web gave the illusion of a thriving enterprise, complete with fake invoices, inflated inventories, and circular funds.

One of the standout examples was a ₹175 crore deal with an entity named Arihant Corporation. While the transaction appeared legitimate on paper, deeper scrutiny revealed it was merely an accounting trick, with money being routed from one Mishtann-linked firm to another.

### The Reckoning: Whistleblowers, Investigations, and Exposure

The house of cards began to crumble in 2022 when whistleblowers approached SEBI with internal documents, emails, and financial inconsistencies. What followed was a series of revelations that turned the company from a market darling into a cautionary tale. Allegations included:

- Dummy sales to inflate revenue
- GST evasion through false invoicing
- Money laundering via shell entities
- Diversion of funds raised through rights issues
- Income tax evasion using cooked-up expense claims

As SEBI's forensic audit progressed, more damning facts came to light. The company had raised ₹50 crores through a rights issue, promising to use the funds for capacity expansion. However, investigations showed that a large portion of these funds was siphoned off to insiders under the pretext of “vendor payments” and “consulting fees.” When asked to produce supporting documentation, the company claimed a fire had conveniently destroyed its financial records in 2022—a story SEBI didn't buy.

#### The Fallout: Bans, Blacklisting, and Investor Losses

Following its findings, SEBI acted decisively. Mishtann Foods and its promoters were banned from participating in the securities market for seven years. Key executives were barred from holding any position in publicly listed entities, and SEBI ordered the recovery of misappropriated funds. The company's stock, once a retail investor favorite, plummeted—wiping out wealth and eroding trust.

The reputational damage extended beyond the company. Auditors, merchant bankers, and rating agencies associated with Mishtann came under fire for failing to spot the irregularities—or worse, turning a blind eye. It sparked renewed debate about the adequacy of corporate governance and audit oversight in India's capital markets.

#### The Takeaway: Red Flags Ignored, Lessons to Remember

The Mishtann episode is not just about one rogue company—it's a reminder that in the stock market, appearances can be deceiving. Retail investors, lured by rapid revenue growth and seemingly low valuations, often overlook key fundamentals. But flashy topline growth without profit, poor cash flow, rising receivables, and insider transactions should immediately trigger caution.

Here are some of the key red flags that were visible—yet ignored:

Consistently negative free cash flow despite rising revenue

Aggressive rights issues with vague usage of proceeds

Poor disclosures around related-party transactions

Rapid expansion into low-margin, commoditized products without a clear differentiation

An unexplained fire that destroyed financial records—an excuse used often in frauds

As Charlie Munger once wisely observed, “The wise investor is not the one who is trying to be smart, but the one trying to avoid being stupid.” In other words, successful investing isn't always about identifying the next multi-bagger—it's often about steering clear of the next implosion.

#### In Conclusion: Caution is the Best Strategy

Mishtann Foods was a mirage, but it wasn't the first—and won't be the last—company to fool investors with inflated numbers. In an age where narratives can go viral, and share prices can double overnight on speculative buzz, it's more important than ever to adopt a cautious, fundamentals-first approach. Always ask: Where is the profit? Is the cash flow healthy? Is the promoter credible? Are there signs of manipulation?



Because in investing, as in life, the smartest move may not be chasing hype—it may be avoiding disaster.

**By Sudarshan Raju C**



## Update for the day # 2379 | The "Backdoor" Into the \$15.7 Trillion AI Boom— Why Smart Investors Are Betting Big on GaN

Is Artificial Intelligence (AI) is no longer a futuristic concept—it's here and rapidly transforming the global economy. Analysts predict that AI could contribute up to \$15.7 trillion to the global GDP by 2030, making it one of the most transformative technological waves in history.

While most investors are focused on AI software platforms, algorithms, and chatbots, an equally powerful opportunity lies beneath the surface—in the hardware infrastructure powering AI computing. This is where a stealth-mode startup called Mivium is quietly making waves.

### The Hidden Hero: Gallium Nitride (GaN)

Mivium is developing cutting-edge semiconductor technology that uses Gallium Nitride (GaN) instead of traditional silicon. Though still under the radar, GaN is being recognized as a next-generation material with the potential to reshape the \$600 billion semiconductor industry.

Here's why this matters:

#### Higher Energy Efficiency

GaN-based chips are significantly more efficient than their silicon counterparts. They reduce energy loss during power conversion, which is crucial in high-performance AI computing and electric vehicles (EVs), where energy savings directly translate to performance and cost advantages.

#### Superior Speed and Power Handling

GaN allows for faster switching speeds, better voltage handling, and improved thermal management. These features are essential for AI servers, data centers, and power-hungry EV platforms where speed and reliability are non-negotiable.

#### Compact Design and Higher Power Density

GaN chips can handle more power in smaller packages. This makes them ideal for use in environments where space and efficiency are critical—such as automotive electronics, industrial systems, and AI edge devices.

#### Why Smart Money Is Moving In

The numbers speak for themselves:

\$4.3 million raised out of a \$5 million funding round, reflecting strong investor confidence in Mivium's vision and technology.

Backed by influential investors like James Altucher and Asymmetric Ventures, known for spotting breakthrough opportunities early.

The GaN market is projected to grow 10x by 2030, reaching \$26.8 billion, driven by demand from EVs, 5G, AI infrastructure, and green energy systems.

#### Led by a World-Class Team

Mivium's leadership team brings over 100 years of combined experience in the semiconductor space. They have a track record of successful exits and deep expertise in chip design, manufacturing, and commercialization. This significantly increases the odds of Mivium becoming a major player in the coming hardware revolution.

While AI is grabbing headlines, the real enablers of this revolution are the power systems and chips that keep everything running behind the scenes. Mivium's GaN-based technology is positioned as the “picks and shovels” in the AI gold rush—a strategic and potentially high-reward entry point for those seeking to invest in the infrastructure layer of AI.

As history has shown, those who invest in the foundation—not just the hype—often stand to gain the most in the long term.

**By Narayan Lal V**



## Update for the day # 2380 | Those receiving ICICI Bank shares as part of share-swap deal in delisting process may have to pay capital gains tax

The delisting of ICICI Securities and the subsequent share-swap arrangement with ICICI Bank has sparked significant discussion in the financial and tax advisory space, particularly because of an unexpected tax implication. While mergers, acquisitions, and corporate restructurings often come with tax-neutral provisions to protect investors from incurring liabilities on paper-based transactions, this deal is an exception, and many retail investors could face a real capital gains tax hit—even without selling a single share.

### Understanding the Deal

Under the scheme of arrangement approved by the National Company Law Tribunal (NCLT), ICICI Bank will absorb ICICI Securities, leading to the delisting of the latter. As part of this arrangement, public shareholders of ICICI Securities will receive 67 shares of ICICI Bank for every 100 shares they currently hold. The last day of trading for ICICI Securities on the Indian stock exchanges is Friday, and the record date to identify eligible shareholders is Monday, March 24.

On paper, this seems like a routine corporate restructuring—but there's a twist in the tale.

### Why Capital Gains Tax Applies

Typically, under Section 47 of the Income Tax Act, 1961, certain transactions—like mergers, demergers, or share swaps in amalgamations—are exempt from capital gains tax, provided specific conditions are met. For instance, if shares are swapped between companies as part of a merger sanctioned by law and the acquiring company is an Indian entity, the shareholder doesn't have to pay capital gains tax until they eventually sell the new shares.

However, in the ICICI Securities–ICICI Bank case, the swap does not qualify as a tax-exempt event. Here's why:

This isn't a merger between two operating companies of comparable business synergy.

The structure is such that ICICI Bank is issuing new shares to absorb ICICI Securities, not acquiring it through a direct merger under conditions recognized as tax-neutral by the law.

As a result, the swap of shares is treated as a “transfer” under income tax law, triggering capital gains tax at the point of receiving the ICICI Bank shares—even though the investor doesn't actually sell them.

### How the Tax Will Be Calculated

Capital gains will be calculated based on the Fair Market Value (FMV) of the ICICI Bank shares received on the record date. This FMV is deemed to be the “sale price” of the ICICI Securities shares that are being extinguished in the transaction.

Here's a step-by-step breakdown using the example from the report:

Shareholding: An investor holds 100 shares of ICICI Securities.

Cost of Acquisition: ₹713.80 per share = ₹71,380 total.

Share Swap Ratio: For every 100 shares of ICICI Securities, the shareholder receives 67 shares of ICICI Bank.

FMV of ICICI Bank Shares: ₹1,313 per share (as on relevant date).

Deemed Sale Price: 67 shares × ₹1,313 = ₹88,971.

Capital Gain: ₹88,971 (deemed proceeds) – ₹71,380 (cost) = ₹17,591.

Tax Liability (Long-Term): 12.5% of ₹17,591 = ₹2,198, excluding surcharge and cess.

Note: This tax applies even though the investor doesn't sell the ICICI Bank shares—they are just being allotted. That's what makes it especially burdensome.

#### Impact Based on Holding Period

If the ICICI Securities shares were held for more than 12 months, the gains are considered long-term, and a 12.5% tax rate applies (post Budget 2024 changes, applicable to non-STT-paid transfers).

If held for less than 12 months, the gains are considered short-term, and taxed as per the individual's income tax slab rate.

This is in contrast to STT-paid transactions (i.e., when shares are sold on the stock exchange), where:

Long-term capital gains above ₹1 lakh are taxed at 10%.

Short-term gains are taxed at a flat 15%.

However, this share swap does not involve STT, which is why the concessional rates do not apply.

#### Why This Case Is Unusual

According to tax experts like Ketan Dalal and Nilesh Tribhuvan, this structure is rare because capital gains tax is being triggered without monetisation—meaning investors are liable to pay tax even though they haven't made any cash profit or liquidity.

Such structures disincentivize retail investors, particularly those with limited knowledge of complex tax laws, and can reduce trust in large corporate actions that fail to account for retail investor implications.

Further compounding the issue is the fact that many investors plan to hold ICICI Bank shares long-term, expecting future appreciation. Yet they will have to arrange funds immediately to pay the tax on what is essentially a non-cash transaction.

#### A Tax Policy Grey Area

There has been ongoing discussion in tax circles around the need for clarity on such transactions. While the Budget 2024 rationalized the tax rate for non-STT long-term capital gains to 12.5% from 20%, this case reveals the limitations of the current law when it comes to corporate restructuring and minority shareholder treatment.

For large investors or institutions, such tax events may be manageable. But for retail investors who may have invested a few lakhs and are subject to capital gains tax without receiving any liquid returns, it becomes a cash flow and compliance burden.

#### Key Takeaways for Investors

Understand the tax implications of corporate actions, especially delistings, mergers, and share swaps.

Seek professional tax advice before participating in such restructuring arrangements. Track the cost of acquisition and FMV closely to correctly calculate your tax liability.

Maintain documentation of your purchase price (contract notes, demat statements) to support your tax filings.

Remember that not all share transfers are tax-neutral—even if they seem like internal rearrangements within the same corporate group.

**SURESH & CO.****EMERGING THOUGHTS**

The ICICI Securities delisting and share swap with ICICI Bank is a landmark case—not because of the corporate move itself, but because of the precedent it sets in investor taxation. It serves as a wake-up call that regulatory structures don't always align with investor expectations, and tax laws often lag behind the financial innovations and restructurings taking place in real time.

For investors, this is a reminder that even passive events can have active tax consequences. What seems like a harmless swap on the surface may, in fact, come with a significant financial sting.

**By Rakshith Bharadwaj Y**





## Update for the day #2381 | Will LIC change the health insurance market in India?

When LIC seems ready to jump into the health insurance space in a big way. They're planning to buy a significant stake in an existing health insurance company (likely ManipalCigna), which looks like preparation for a full-fledged entry into health insurance. Plus, there's buzz around a possible "composite license" that might let life insurers directly sell health policies too (though initial talks suggest it might be limited to private-sector insurers).

But irrespective of how things unfold, if LIC fully enters health insurance, the things most likely to happen are stated below.

For starters LIC will probably spend a significant amount of time just understanding and setting up the business. Health insurance isn't as straightforward as life insurance—it needs specialized skills and infrastructure. For example, LIC will have to invest in experts who can design health-specific products, understand actuarial calculations around illnesses and build the capability to manage complex relationships with healthcare providers—like hospitals, clinics, and diagnostic labs.

Health insurance also has a much higher volume of claims compared to life insurance. That means LIC would need systems to handle a continuous stream of claims efficiently. Once they learn the ropes, then you can start thinking about the impact. One of the biggest positives of LIC entering the health insurance market would be significantly better penetration—essentially, more people getting insured.

LIC has one of the strongest distribution networks in India. A massive network of —14 lakh individual agents, 85 banks, 85 corporate agents, 309 brokers, and 154 insurance marketing firms (IMFs), along with thousands of common service centers. Right now, they're all selling LIC's life insurance products. But if LIC starts offering regular health insurance too, this entire network instantly becomes a powerful channel for selling health insurance policies as well.

Most customers don't really differentiate between life or non-life insurance—what they truly want is simple protection against medical expenses. And the demand for indemnity-based health policies (the type that directly covers hospital expenses) is huge.

And LIC could also innovate a bit here. Consider "Combi products"—policies that combine life insurance and health insurance into one simple package. A single policy might offer ₹50 lakh life cover along with ₹5 lakh hospitalization cover. If LIC could offer them at competitive prices due to their massive scale, we could see a sea change in the industry.

But not everyone is happy about these developments. General insurance companies and standalone health insurers have expressed concerns about allowing life insurance companies to sell health policies.

For instance, imagine LIC earns ₹100 crore in profit annually from its life insurance segment. It could afford to use part of this profit—say, ₹20 crore—to subsidize health insurance premiums. So, if other standalone health insurance companies are charging ₹10,000 annually for a similar policy, LIC might offer it at just ₹8,000.

While consumers would love this cheaper pricing, it might trigger a price war. Competitors, forced to match LIC's low premiums, would see their margins shrink drastically. This could destabilize the industry and negatively affect profitability across standalone and general insurance companies. But here's the thing—general insurance companies in India already sell different kinds of policies like health, motor, and travel insurance together. So, it's hard to argue that cross-subsidization is a net-negative. If anything, it could actually be good news—leading to lower prices and healthier competition overall.

But there's another argument against allowing LIC or other life insurers from selling indemnity-based health insurance and it relates to regulatory stability and investor confidence.

Until 2016, life insurers in India sold indemnity-based health policies—these are the kind that directly cover hospital bills or medical costs through reimbursement or cashless facilities. But in 2016, regulations changed. Life insurers were restricted to selling only fixed-benefit policies (like critical illness).

For example, instead of paying the actual medical bills, these policies pay a pre-decided amount when a specific event happens. For example, if you have a critical illness policy and you're diagnosed with cancer, the insurer might pay you a lump sum of ₹10 lakh, regardless of what your actual medical expenses are.

This is very different from indemnity-based health insurance, where your insurance covers the actual expenses—whether that's ₹50,000 for a minor surgery or ₹5 lakh for a major procedure. And that's why the 2016 rule change was significant: it forced life insurers out of the full-fledged health insurance space, leaving that business exclusively to general and specialized health insurers. Now, reversing this policy after just a few years might seem unfair to investors.

The only silver lining for existing insurers is that the composite license may not be granted to LIC. If that happens, LIC would have to operate like any other health or general insurance company. While they'd still have the advantage of their massive distribution network, the other benefits we discussed—like bundling health and life insurance or leveraging cross-subsidization—might not materialize.

It is highly anticipated how LIC decides to tap into the health insurance market. **By**

**Dhriti R**



## Update for the day #2382 | Goodbye apps, hello AI agents?

What if you never had to open an app again?

Imagine that you're planning a trip. From the moment you step out of your house to boarding a flight or train, from booking your hotel stay to reserving a cab at your destination, every little detail is sorted. But here's the twist. You don't need to open a single app. No hopping between Expedia, Skyscanner or MakeMyTrip. No switching tabs, no downloading, no juggling five different interfaces. Instead, you're just chatting with an AI agent, and it's doing all the heavy lifting for you. Sounds crazy, we know. But that's where we're heading.

So, what exactly is an AI agent ?

Think of them as super smart digital assistants. You give them a task, and they figure out how to get it done. Whether it's pulling information from other apps, making decisions on the fly or even learning something new on the job, these agents are built to operate independently. They don't need to be spoon fed instructions at every step. And they don't forget what they've done before either. Let's say a company used to need six people working round the clock to plan and execute its marketing campaigns. With an AI agent though, one person and the agent can wrap it all up in under an hour. Sure, that sounds like bad news for jobs, but there's a bright side too. These AI agents could be a game changer in sectors facing severe talent shortages. Take cybersecurity, for instance. In 2023, over 5.5 million positions were lying vacant in the field globally. That leaves companies vulnerable. Without enough employees in the field, it's tough to detect and respond to threats in real time. And it's only getting worse. Research from the World economic forum shows that since 2024, the cyber security skills gap has widened by another 8%. Two out of every three organisations say that they just don't have the talent they need to stay secure. This is where AI agents can step in. They can detect suspicious logins, block intruders accessing a system from odd locations or flag traffic spikes when hackers try to flood a website with fake visits. And they can act pretty quickly.

But that's just in the corporate world. On the personal front, AI agents are just as handy. Whether you need to reset a password, analyse a complex spreadsheet, generate an image or just search the internet, they've got your back. And since they know how to tap into other systems to fetch what they need, you don't have to juggle ten different apps just to get one job done. Amazon's already testing this idea with an AI shopping agent feature called "Buy for Me". So if Amazon doesn't have a product you're looking for, this AI agent will find it on other websites. And if you like what it shows, it'll place the order, all without you ever leaving the Amazon app. That's great for Amazon. Not so much for everyone else. Because if people stop hopping between apps and stick to the one where an AI agent gets everything done, other platforms could start losing serious ground. And that's a problem. See, apps thrive on user traffic. More users mean more sales, more

in-app purchases, more data to learn from and more advertising revenue. Apps make services easier to access. If you want to use Adobe's design tools, the app streamlines your experience. But if users no longer feel the need to open that app, it loses business.

Now, we're not making this point just because of one new AI agent that Amazon is working on. AI agents aren't exactly new and have been on the rise for a while now. For context, the global market for AI agents is projected to grow from \$5 billion in 2024 to a whopping \$47 billion by 2030. That's a compounded annual growth rate of 45%!

While much of this growth is on the business side, there isn't much chatter about how they're reshaping consumer habits. But if we were to take cues from generative AI, it's clear that consumer focused AI agents might catch on pretty quickly. To put things in perspective, Gartner predicts a 25% drop in search engine traffic by 2026, thanks to the rise of generative AI and personal AI agents. If that's anything to go by, it's entirely possible that you'll be ditching apps and turning to an AI agent to get things done sooner than you think.

So... is this the end of apps?

But here's the thing. History is proof that technology doesn't always wipe out what came before. As Chuck Whitten, Senior Partner at Bain & Company puts it beautifully, "One lesson history teaches us is that technological revolutions are rarely binary. Transitions don't typically lead to total replacement. Instead, they create ecosystems marked by heterogeneity—a mix of old and new models, each finding its niche."

Just look at the PC. When smartphones and tablets exploded in popularity, many predicted the death of the personal computer. But this story you're reading was actually written on a laptop. PCs didn't disappear. They just found a new purpose. They're still the go-to when you need to get serious work done. They're built for focus, multitasking and heavy duty tasks that your phone just isn't cut out for.

And here's another thing. While one AI agent might help you plan a trip, it won't help you create a poster or file your taxes. You'd still need multiple AI agents for different tasks. In a way, that's no different from using different apps today. Sure, the interface might change from swiping and tapping to simply chatting. But the fragmentation remains. Unless a single, all-powerful agent comes along that can do it all, convenience will still come with trade offs.

**By Vismitha V**



## Update for the day # 2383 | When derivatives go wrong

Barings, the UK's oldest merchant bank, appointed Nick Leeson as a derivatives trader for its Singapore office.

Leeson's job was to make low-risk profits through arbitrage. Now it's a fancy way of saying buy low in one market, sell high in another simultaneously, and pocket the difference. Specifically, Leeson's job was to profit from minor price differences in Nikkei 225 futures contracts between the Osaka Securities Exchange in Japan and the Singapore International Monetary Exchange (SIMEX). For the uninitiated, futures contracts are a type of derivative or simply financial contracts that derive their value from the underlying assets (here, the Nikkei 225). Pretty straightforward, right?

However, Leeson didn't just stick to arbitrage. Instead, he retained the futures contracts for longer periods, hoping to make much larger profits by betting on the rise of the Nikkei 225 Index. And his crafty strategy bore fruit, too. He made massive sums for the London bank, sometimes to the tune of 10% of the bank's overall profit. However, his speculative trades were unhedged, meaning he was betting only on the rising index without any protection if it fell.

But that wasn't his only trick. Since he was trading futures contracts, which settle at a later date, he didn't immediately have to book losses

But why are we talking about it today?

Because just a few days ago, IndusInd Bank disclosed lapses in its derivatives accounting.

Now, we're not drawing exact parallels because the Barings case was an outright fraud by a single trader that went rogue. Rather, we are emphasizing the accounting mismatches in the banks' derivatives exposure. The news sent IndusInd's stock nosediving over 27%, wiping out ₹19,000 crores in market value. While there's no rogue trader here, unlike the infamous Barings Bank collapse, it still raises concerns about how banks handle complex financial instruments.

For more context, let's unwrap what exactly happened at IndusInd Bank.

IndusInd had a large forex derivatives exposure. The problem was that it didn't account for losses properly. While other banks followed RBI's instructions and accounted for mark-to-market (MTM) losses on their forex derivative books, IndusInd didn't. Worse, it didn't hedge its forex positions either.

Now, MTM simply means valuing assets at their current market price, not the price at which they were initially bought. So if a bank holds forex derivatives and their value drops, it must immediately record the loss in its books. IndusInd, however, chose not to do this.

Then there's hedging. When a bank takes on foreign currency exposure, it's exposed to fluctuations in exchange rates. To avoid surprises, it can hedge the risk, where the bank pays a small fee upfront to lock in exchange rates and shield itself from future losses. And when these forex trades are settled, the bank either books a gain or a loss.

But IndusInd had massive unhedged forex positions, and when things went south, it racked up huge losses. Worse, instead of booking them outright, the bank disguised them as “receivables” and even classified them as intangible assets on its balance sheet.

Now, they would have accounted for these losses gradually, but the RBI’s 2023 rule came their way. Now they had to classify their derivatives portfolio and disclose this information in their financial statements. It was then that IndusInd’s major gaps in managing its risks got exposed.

But why do banks even deal with derivatives, in the first place? Look, banks are constantly trading. Currencies, bonds, stocks, interest rates, commodities, you name it. But they don’t just buy and sell these assets outright. They often use derivatives to hedge risks, speculate, or enhance returns.

For instance, say a bank lends money in dollars but collects payments in rupees. If the rupee weakens, it loses money. To avoid this, it can lock in exchange rates using a forex swap or forward contract, shielding itself from currency swings.

Second, managing interest rate risks. Banks borrow and lend at different interest rates. If rates suddenly spike, their cost of borrowing rises, squeezing margins. To protect themselves, they use interest rate swaps, where they agree to exchange fixed-rate payments for floating-rate ones or vice versa to balance risks.

Look, derivatives can be potent tools, no doubt. However, they can be double-edged swords, too. If a bank doesn’t track its derivative positions correctly due to accounting lapses, poor risk controls, or aggressive bets, the losses can quietly snowball. That’s why the RBI is now cracking down harder on how banks manage their derivative books. It has asked other banks with significant forex derivative exposures to disclose their risk positions to ensure a bigger problem isn’t lurking beneath the surface. While IndusInd’s case isn’t a scandal, it reminds us of the importance of confidence in the banking system. Folks like you and me place our trust in banks. And if their internal systems aren’t in place or their accounting isn’t done correctly, they might incur losses, eroding our trust. That’s exactly what happened to IndusInd, which lost a whopping market value in a matter of a few hours.

Needless to say, banks can’t afford to be careless with their risk management. One slip-up, and public trust goes out of the window and winning it back is an arduous climb back.

**By Ekta M**





## Update for the day # 2384 | Trump wants European eggs, but what about tariffs?

You must be aware that soon after taking office, Trump did what he loves the most: imposing tariffs. He proudly announced a 25% tariff on all steel and aluminium imports from around the world. And he didn't stop there. He also threatened to slap an extra 25% tariff on imported copper. Naturally, this didn't sit well with America's major trading partners. And in response, the EU, Canada and China slapped retaliatory tariffs on US imports. But, Trump wasn't ready to throw in the towel just yet, so he made it clear that the US would slap reciprocal tariffs on any trading partner that would mirror the tariffs on US products.

But before we go further, here's a quick breakdown of what tariffs are and how they work. Tariffs are essentially taxes on imported goods. The companies that bring foreign goods into the country pay a percentage of a product's value as tax to the government. For example, a 25% tariff on European goods means a product worth \$10 has an additional \$2.5 charge, now costing \$12.5 for US consumers. Now essentially, tariffs are an economic tool meant to protect domestic industries from cheaper imports. Because firms may choose to pass on some or all of the cost of tariffs to customers. This makes imported goods expensive and forces customers to opt for cheaper domestically manufactured alternatives.

But then there can be a flip side to this too. The imported product may be more functional than the homemade one because manufacturing for it hasn't taken off very efficiently. And something similar is playing out in the US right now.

Trump's new tariffs could drive up consumer prices in the US and around the globe. And that's exactly what's giving economists sleepless nights.

So then why is he so hell-bent on imposing them, you ask?

Well, for Trump, tariffs are a way to boost US manufacturing and protect jobs, raise tax revenue and grow the domestic economy. With tariffs in place, Trump also intends to restore America's trade balance with its foreign partners. And he's particularly focused on the EU, where the US had a \$213 billion trade deficit in 2024, something he once called "an atrocity". But last week, something ironic happened. The US Department of Agriculture requested certain EU nations — Denmark, Sweden, Finland, the Netherlands and Lithuania, to export eggs to the US. That's because bird flu has wiped out millions of hens, causing a massive egg shortage and soaring prices in the US. And that has sort of given the European social media a field day, mocking Trump and terming his request "door-to-door begging". Seems like Trump is having to eat humble pie, no? Just a few days ago he was threatening the EU with tariffs and now the US needs European eggs. However, the bigger takeaway here is that we live in a deeply interconnected world where trade between countries and continents is indispensable.

Take Trump's proposed 25% tariff on copper. It is already causing ripples in the market. The London Metal Exchange (LME), a key commodities exchange for industrial metals, has seen copper prices surge past \$10,000 per tonne. Meanwhile, traders in New York are scrambling to secure copper supplies, pushing up prices on the Commodity Exchange (Comex), the primary futures and options market for metals in the US. The price gap between LME and Comex copper futures has hit a record \$1,254 per tonne. What does this mean? See, Copper is a critical raw material used in technology, construction and renewable energy. A price spike means higher costs for everything from electric vehicles to power grids, making the US domestic industries less competitive. Plus, US manufacturers importing copper will have to bear the extra cost or pass it on to consumers — the very people Trump intends to protect. But that's not all. While Comex warehouse stocks have risen, LME warehouse stocks are depleting. That suggests traders are

already moving metal out of London into the US to avoid future tariffs. So in the short run, Trump's trade policy is incentivising a rush to stockpile copper before levies hit. And in the long run, this could choke off supply and create an artificial shortage, driving prices even higher. And let's not forget history.

Back in the early 1960s, American poultry farmers had embraced industrial-scale production, slashing costs and therefore flooding European markets with cheap chicken. This didn't sit well with European farmers, particularly in France and Germany, who struggled to compete. So, in a bid to protect their domestic poultry industry, they slapped hefty tariffs on American chicken imports.

Furious at what it saw as an unfair trade barrier, the US imposed a 25% tariff on light trucks, and a few other items exported by the same European nations to the US. The truck tariff, in particular, hit the EU hard, especially Germany's Volkswagen, whose pickup trucks were gaining popularity in the US.

At the time, the goal was to protect American automakers from the surge of small, fuel-efficient European vehicles. But decades later, the Chicken Tax ended up distorting the US auto market in ways no one anticipated. For one, it made foreign trucks significantly more expensive, giving domestic manufacturers like Ford, General Motors and Stellantis a near-monopoly on the segment. And while that may sound like a win for the US auto industry, it also removed competitive pressure, which could have led to better innovation and pricing.

Also, to combat tariff barriers, some foreign automakers even resorted to bizarre loopholes, like shipping their trucks as passenger vehicles and modifying them upon arrival to the US to avoid the tariff. The end results were higher costs, inefficiencies and a market that evolved not based on consumer demand but on artificial government intervention.

So, while tariffs may seem like a powerful economic tool in the short run, history has shown that they often come with unintended costs. And as Trump looks to tighten trade restrictions while simultaneously seeking European eggs, the irony couldn't be more obvious. Tariffs may look like a shield for domestic industries, but they could also often turn into self-inflicted wounds.

**By Srikar M R**



## Update for the day # 2385 | India's high taxes are proving to be a buzz-kill for global investors

Global funds returning to India's stock market amid a world-beating rally are having to set aside one of the biggest gripes expressed by investors like Muddy Waters Capital LLC founder Carson Block — namely the country's high taxes.

While global funds marked their first weekly purchase of local stocks in 2025 last week, they have been big sellers this year. In addition to an uncertain economic outlook, they point to New Delhi's tax code, which imposes high capital gains levies on overseas funds.

That's an approach at variance with other countries such as China, which are competing for their money.

Block has said that if India wants to attract foreign capital, it needs to change tack. Prashant Kothari, a senior investment manager with the emerging equities team at Pictet Asset Management, echoes that view.

"There's always competition for global capital," Kothari said. India's taxes on capital gains change the calculus for investors, and lower rates would help shift the needle in favor of more investment, he added.

India has so far defied calls to reform the capital gains tax for global funds. The government wants to treat locals and foreigners equally, according to consultants.

There's little sign of that changing. The lower house of parliament approved India's 2025 budget — which includes the most recent increase in capital gains tax — on Tuesday. The upper chamber is due to take up the bill in the coming days.

Overseas funds have pulled around \$15 billion from India's stock market this year, according to data compiled by Bloomberg. They have gone in the other direction in the country's debt market, helped by growing bets on rate cuts and the inclusion of Indian bonds in global indexes last year.

Block, best known for a series of short positions on Chinese companies, visited India earlier this year with a view to starting a fund.

But he said that if foreign fund managers can't avoid paying capital gains tax they need to be able to reasonably estimate how much it will reduce returns, which depends in part on performance. "Obviously, that analysis can get subjective," he told Bloomberg in an email.

Investors have a few ways to reduce the tax bill, including setting up shop at the Gujarat International Finance Tec-City, a financial hub with looser rules in Prime Minister Narendra Modi's home state.

That requires employing staff locally, according to Sunil Badala, head of tax at KPMG in India. That makes it out of the question for smaller foreign funds.

Debt investors have other options. The World Bank, the European Bank for Reconstruction & Development and the Asian Development Bank have all sold rupee bonds overseas, giving bond funds exposure to rupee-denominated debt without being forced to pay local taxes.

"When I compare the attractiveness of the Indian local bond trade with the level of complication

— I don't have to own those," said Damien Buchet, chief investment officer of Finisterre Capital, part of Principal Asset Management. "I can perfectly replicate that position with some supranational bonds with no tax issues."

**By Vishnu Shankar**



## Update for the day # 2386 | AI & Management of Funds

Did you know that AI can now help you manage your money smarter—even before you realize you need help?

While most of us associate AI with tech or automation, one of its coolest low-key applications is in personal finance. From budgeting apps that learn your spending habits to robo-advisors that automatically rebalance your investment portfolio—AI is quietly transforming how we save, spend, and invest. What's even more interesting? Some advanced tools can now predict your upcoming expenses, flag potential fraud in real time, and even suggest the best time to pay your bills based on your past patterns.

And for investors? AI-driven platforms are analyzing thousands of market signals, news articles, and company reports in seconds to help make smarter, data-driven decisions—something a human analyst would take days to do. So while AI might not replace your financial planner anytime soon, it's definitely becoming the assistant every wallet needs.

And that's just the beginning. Some advanced budgeting tools can predict future expenses based on your transaction history. That means you'll get heads-up notifications about upcoming bills, anticipated subscriptions, or even your favorite café visits—before they hit your bank account. AI can also suggest how much you should set aside each week based on your goals, income, and lifestyle. Think of it as a financial coach that's available 24/7, right in your pocket.

Security is another area where AI shines. Fraud detection systems powered by AI can instantly flag suspicious activity by identifying anomalies in your usual spending behavior. For example, if someone suddenly tries to make a purchase halfway across the world using your card, AI-driven algorithms can stop it before it even gets processed. Financial institutions now rely heavily on these smart systems to protect users without needing manual intervention, and the results have been impressive.

For investors, the AI revolution is even more profound. Traditional investment research can be slow, tedious, and often biased. But AI doesn't sleep, and it doesn't take shortcuts. It can scan thousands of data points—news articles, market trends, earnings reports, social media sentiment, and even global economic indicators—in mere seconds. These insights are then used by robo-advisors and investment platforms to offer real-time, data-backed recommendations tailored to an individual's goals and risk tolerance.

These platforms can automatically rebalance your portfolio based on market changes, minimizing risk and optimizing returns. For new investors or those with limited time, this kind of automation is a game-changer. It takes the guesswork out of investing while ensuring your money works as efficiently as possible.

AI also plays a vital role in long-term financial planning. Whether you're saving for a house, planning a vacation, or preparing for retirement, AI-driven tools can run complex simulations to show how today's decisions might impact your future. They consider everything from inflation and taxes to market volatility and interest rates—things most of us don't think about daily. By doing so, these tools empower users to make proactive, well-informed choices with confidence.

And let's not forget about bill payments. AI can study your payment history and suggest the best

times to pay bills, helping you avoid late fees and maintain a strong credit score. Some apps can even automate payments entirely, ensuring that your financial life runs smoothly in the background while you focus on living.

Of course, AI isn't here to replace your financial planner or accountant—at least not yet. But it is making their jobs (and yours) a whole lot easier. By handling the repetitive, data-heavy tasks, AI frees up humans to focus on what matters most: strategy, goals, and big-picture decisions.

In short, AI is turning money management from a chore into a smart, seamless experience. It's helping people make wiser choices, avoid costly mistakes, and achieve financial goals faster. And the best part? You don't need to be a tech whiz or a finance expert to benefit from it. Just a smartphone and the willingness to trust a little extra intelligence in your daily money moves.

Because when it comes to money, smart is good—but AI-smart is better

**By Rishika Harlalka**





## Update for the day # 2387 | UK's waste tyres fueling a crisis in India? |

Billionaires India is one of the world's largest tyre manufacturing nations, producing around 20 crore tyres annually. And it's not just domestic demand that keeps the industry running, our tyre exports are thriving too. In fact, we exported tyres worth over ₹12,000 crores in just the first half of FY25. And guess where most of them go? To the United States (US). The US accounts for more than 15% of our tyre exports in value terms. Brazil, Germany, the UAE, France and Italy follow close behind. And when it comes to motorcycle tyres, Colombia in South America is our biggest customer.

But here's the catch. While we export fresh tyres, many Western nations are also sending us something in return: their used-up, end-of-life tyres (ELTs). Now, these ELTs are essentially waste, shipped to India for recycling. And their sheer volume is staggering, to say the least. To put this in perspective, in 2023 alone, India received 800,000 tonnes of scrapped tyres. And here's another sobering fact. India actually purchases over 30% of the world's scrapped tyres. If you're wondering why, we'll talk about it a little later in the story.

However, what's causing ripples in environmental communities and tyre associations in both India and the United Kingdom (UK) is that nearly half of the tyre scrap to India comes from just one country: the UK. And the sheer amount of pollution it's causing is alarming.

How's that, you ask?

You see, this tyre scrap that lands in India are meant for recycling. And when done right, tyres undergo quite the transformation. Take the steel, for instance. It makes up about 20% of a tyre. Once extracted, it's cleaned and sent to smelters, where it finds new life in construction and manufacturing. Then there's the fibre and nylon, around 15% of the mix, which ends up in carpets, fiberglass and clean-up materials such as absorbent pads and mats used for things like oil spills. And the rest is mostly rubber. But that doesn't go to waste either. Some of it turns into tyre-derived fuel (TDF), shredded scrap tyres that supplement traditional fires in controlled industrial settings. Then there's rubber mulch, a favourite for playgrounds and gardens, and crumb rubber, which gets repurposed for athletic tracks, road surfaces and speed bumps. If processed further, it becomes rubber powder, a high-performance material used in plastics, sealants and even new rubber products.

So yeah, nearly every part of a recycled tire finds a new destination with a useful purpose.

However, the problem starts when these ELTs, especially from the UK, end up in illegal pyrolysis plants across India. Pyrolysis, in simple terms, is like extreme cooking. Tyres are heated in an oxygen-free environment at around 500°C to extract fuel and other byproducts. But when done improperly, it turns into an environmental disaster. These makeshift plants release a cocktail of toxins: heavy metals, benzene, dioxins and furans — many of which are highly carcinogenic. You can spot these illegal setups by the thick soot in the air, dying vegetation and polluted waterways nearby.

The plant owners, of course, make money. But environmental concerns and public health aren't exactly on their priority list. And that begs the question: Why is the UK dumping its tyre waste in India anyway?

It's not like they lack the infrastructure to recycle tyres at home. They do. But sending them abroad is simply cheaper. Investing in shredding machinery is expensive, and Indian pyrolysis plants are willing to pay more for scrap tyres. In the UK, scrap tyres were once compressed into blocks for road foundations, embankments and drainage beds. But the companies making these blocks have either shut down or are struggling because they can't compete with the prices Indian recyclers offer.

Add to this the rising demand for industrial fuel, cheap Chinese-made pyrolysis machines (which otherwise cost tens of millions of dollars) available for as little as \$30,000, and weak regulations, and the trade is thriving.

And here's the real kicker. Tyres aren't classified as hazardous waste under the Basel Convention. So, unless the importing country explicitly bans them, there are hardly any restrictions on the global tyre trade. The irony here is that we as a country already generate a massive pile of waste tyres domestically, about 2,75,000 every day, as per a 2021 MoHUA report. Yet, we continue to import millions more, worsening the crisis. Also, the UK's regulations are laughably lax. Exporters just declare their buyers, and the UK checks with India if these buyers are legitimate. But after that there's no tracking, no accountability, not even official export figures.

Becoming a tyre trader in the UK is ridiculously easy, too. All you have to do is fill out a simple "U2 environmental exemption" form, collect used tyres, and while they're technically meant for construction, nothing stops traders from shipping them straight to India. Once the tyres leave British shores, the UK washes its hands of them.

The Indian government, however, has started cracking down. The Ministry of Environment has banned the import of waste tyres meant for pyrolysis. The Central Pollution Control Board, acting on directives from the National Green Tribunal, has already shut down 270 illegal pyrolysis plants across 19 states. And to add another layer of accountability, a new Extended Producer Responsibility (EPR) framework now makes tyre manufacturers responsible for collecting and properly disposing of waste tyres.

But despite these efforts, the problem persists. The Automotive Tyre Manufacturers' Association (ATMA) is now pushing for a complete ban on waste tyre imports, pointing out that these imports have surged fivefold since FY21. Now, the onus lies on the UK. Just like Australia that completely banned exporting these ELTs to other countries, if the UK follows suit, then the crisis in India can be controlled. And if this doesn't happen, the question is, will India put its foot down before the crisis spirals further?

**By Siddarth Sunil**



## Update for the day # 2388 | OpenAI's new AI model just made everyone a designer overnight

Imagine creating beautiful visuals simply by describing them in plain language — no more complicated tools, no more waiting for graphic designers to send drafts back and forth, and no more complaining. It's kind of the ultimate dream, and despite massive advancements in AI, we've always seemed to be just out of reach.

However, OpenAI's latest image generation model changes this. It has probably brought us within touching distance of the promised land, if not directly into it. This new model is breathtaking. It seems to get everything right. It can create photorealistic images, it doesn't mess up the figures, it understands context, and it's turned everyone into an overnight designer.

How do you even make sense of something like this?

Well, let's start from the top and ask the most obvious question. Why does it work so well and why can't other models replicate this?

Well, there's an excellent article on "The Verge" explaining this. But if you want a simple explainer, here's one—

GPT-4o is an "omni modal" model, meaning it understands and connects different types of data — like text, images, even audio and video. It also understands prompts better because it was trained to grasp the meaning behind words and images together, rather than strictly following the exact words given. Other models often just follow prompts literally, so you have to provide more details to get the right result. But GPT-4o can guess what you meant even if you don't say everything clearly, making its images match your intention more naturally.

It's also different from diffusion models.

These models work by starting with random noise and slowly shaping it into an image, based on the prompt. Every time you want to change something — even a small part — you usually have to regenerate the whole image or use special techniques to edit it. They're great at making high-quality pictures, but they're not very interactive or smart about making step-by-step changes.

The new 4o image generator is a token-based model that treats images more like language. They "see" the image as a sequence of tokens (like words) and can understand and update specific parts, just like editing a sentence. So if you say "add a tree" or "move the chess piece", the model can just change that part of the image without touching everything else.

Also, since it knows a lot about the world already, it's really really good at what it does.

This will, no doubt, change a few things.

Marketers and businesses will now have a powerful tool to create and iterate on visuals in real time, without needing advanced design skills. For instance, they can dynamically generate product images with different colors and styles tailored to individual users. They can run extensive A/B tests or adapt entire ad campaigns by describing any updates in plain language. E-commerce platforms can personalize product visuals per customer, while product teams can rapidly prototype UI and UX designs by turning rough ideas into instant visual mockups. Content creators meanwhile will benefit from the ability to adapt or refine their thumbnails on the fly.

There's something in it for everyone. Including OpenAI. This will definitely help them attract a whole bunch of new users. And as more users interact with the platform, OpenAI will gather more data to continuously improve its models. It could be a virtuous cycle and offer the company a massive edge as the AI race gathers momentum.

However, there is one problem that we haven't discussed yet. What does this mean for designers and graphic artists? If anybody can create compelling visuals with a simple prompt, will their jobs cease to exist?

Well, people often exaggerate doom when it comes to these things. Folks in the 19th century believed mechanized looms would eliminate textile jobs, but the industry expanded, creating new factory-based roles instead. The introduction of ATMs was supposed to make bank tellers redundant, yet their numbers only increased as banks redirected employees toward customer service and sales roles. Personal computers, initially seen as potential job killers, birthed entirely new industries in IT and software development. Even e-commerce, once feared as the end of traditional retail, evolved into an integrated model where traditional brick-and-mortar stores and online platforms work together.

Humans adapt. That's what they do. And guess what? Designers will adopt these new advancements and co-opt them into their workflows. The only question is – Who's smart enough to do it quickly? That we will have to wait and see.

**By Nayana H G**



## Update for the day # 2389 | Why's Mastercard betting big on Stablecoins?

One hundred days of guaranteed employment. This was the ambitious promise of the Mahatma Gandhi National Rural Employment Guarantee Scheme or what we call MGNREGS for short. The government introduced it in 2005 to provide a safety net for rural adults willing to undertake unskilled manual work.

The premise was simple yet profound. People ready for such work will get a job within 5 kilometres of their residence. And if work isn't provided within 15 days, they're entitled to an unemployment allowance. Payments were also deposited directly into bank accounts within a week of completing the job.

But the scheme wasn't solely about providing guaranteed employment. MGNREGS aimed to create lasting infrastructure in rural areas. Think roads, canals, ponds, and toilets. Basically, projects that could uplift villages and improve lives. And for a while, it worked wonders.

The rural poor didn't necessarily have to migrate to the nearby urban centres to look for work since they were getting a decent wage back home. With one-third of the jobs reserved for women, it also empowered rural households with an extra income stream and a sense of independence. And with slightly more money, rural economies thrived. Households had more money to spend. There was hope.

But over time, the cracks began to appear which were hard to ignore.

Budgetary allocation, the lifeline of the scheme, consistently fell short. As recently as January 2025, the government hasn't been able to release ₹4,315 Crores for wages or even allocate an additional budget despite approving an order to transfer the money. And this shortfall isn't new. In FY22, MGNREGS' budget was just 0.4% of GDP, shrinking to a paltry 0.2% by FY25. Compare that to the recommended 1.2-1.5%, and the gap becomes glaring. Without timely funds, workers are left unpaid and are strayed away from the scheme. In Kollam, Kerala, for instance, delayed payments totalling ₹40 lakhs have plunged hundreds of workers into financial distress.

Then there's the Aadhaar-Based Payment System (ABPS) which was made mandatory starting January 2024. While it was implemented with the objective of keeping things transparent, it surely backfired. Discrepancies between Aadhaar and job card details have left many workers unpaid due to failed authentication. Others had their Aadhaar linked to the wrong bank accounts, causing payments to be diverted to unintended recipients. To add to it, rural workers often struggle with accessing digital platforms needed to verify their Aadhaar and receive payments.

Technology was supposed to enhance the scheme, but that has created hurdles too. You could look at the National Mobile Monitoring System app which requires workers to upload geo-tagged photos from worksites for attendance. In theory, it's a good idea. But in practice, it's a nightmare. Many rural workers don't own smartphones capable of running the app. Poor internet connectivity in villages only adds to the problem. And even when everything aligns, the app itself often crashes or faces server errors, leaving attendance records incomplete and payments delayed.

Plus, corruption continues to plague the system. In January 2025, the All India Agricultural Workers Union (AIAWU) staged a protest in Kalaburagi, Karnataka, accusing officials of creating fake job cards and falsifying attendance records to siphon off funds meant for rural workers in the area.

And lastly, there's the issue of wages themselves. The measly wages simply don't keep up with the cost of living. Haryana has the highest wage for unskilled workers under the scheme at ₹374 a day, while Arunachal Pradesh and Nagaland have the lowest at ₹234. For many, these amounts barely cover basic necessities. Just think about it. A simple home-cooked veg thali costs about ₹ 32. So, if you consider three meals, nearly half of a day's earnings might feed just one person, leaving little to nothing for the rest of the family. Forget about other necessities or savings. That makes the scheme less attractive for those who once relied on it.

So yeah, the scheme, touted as the biggest employment scheme in the world, is no doubt littered with challenges.

What's the way out, you ask?

First, they recommend linking MGNREGS wages to an inflation index to ensure they reflect the rising cost of living. They also suggest delaying the mandatory Aadhaar-based payment system until its implementation issues are resolved. These measures, combined with adequate budget allocations, could breathe new life into the scheme.

Critics of MGNREGS have long argued that the program is wasteful, ineffective and inflationary. They believe that the assets created are of poor quality and that funds would be better off if spent on skill development or private-sector job creation. While there's some merit to these arguments, the immediate issues facing MGNREGS are far more pressing.

So yeah, that's the long and short of it.

Our take? Well, the government needs to act swiftly, budget the payment outflows and prioritise timely fund releases. After all, MGNREGS is a demand-driven program. When more people seek work under it, funds must follow. Delaying this not only leaves millions of rural poor stranded but also throws the entire budget into disarray, risking further inequities and inefficiencies.

Hopefully, the government has a plan in place to ramp up these solutions. Because the rural poor can't afford to wait indefinitely for solutions.

**By Mukesh Gehlot**





## Update for the day # 2390 | Can Tether sustain its dominance?

Last week, Binance, the world's top crypto exchange, dropped a bombshell. It announced that by the end of the financial year (FY25), it will delist Tether's stablecoin, USDT, from its platform for users in the European Economic Area (EEA).

Wait, so what are stablecoins? Let's say you love the idea of crypto. You want to buy and sell things using digital currencies, but there's one big problem — volatility. Bitcoin might touch \$100,000 one minute and drop to \$99,000 in the next. That's not exactly ideal for everyday transactions. And that's where stablecoins step in. It's like someone taking a dollar from you, parking it in a bank and giving you a digital token in return. This token promises to always be worth \$1. There are no wild swings or unexpected crashes — just pure stability. In the crypto world, you can use it for payments, trading, or even lending. So in simple terms, stablecoins are digital assets pegged to the US dollar, and their value is maintained through reserves that include US Treasury bills, gold, Bitcoin and various other assets.

And no prizes for guessing who the biggest player in this space is. It's Tether!

Tether is the most traded stablecoin with a market cap of almost \$140 Billion and the third-largest cryptocurrency after Bitcoin and Ethereum. So then why would Binance delist it in Europe, you ask? Well, it all boils down to new European regulations under the Markets in Crypto-Assets (MiCA) framework, a rulebook designed to bring order to the chaotic crypto world. It lays down three strict rules for crypto issuers:

The issuers must have sufficient liquid reserves to back them fully.  
They must obtain regulatory approval from the EU's national markets regulators to operate in the EEA.

Absolute transparency is non-negotiable. Issuers must make regular disclosures and ensure complete consumer protection. Coin holders must have clear rights to redeem their stablecoins for fiat currencies.

The regulation also aims to crack down on money laundering, terrorist financing and evasion of sanctions, which some coins enable due to their decentralized nature. Which means that stablecoins would naturally have to abide by these rules, too. But it turns out that Tether's USDT didn't quite make the cut. So, Binance had no choice but to drop it in Europe. But again, here's something you should know. Stablecoins aren't just an alternative cryptocurrency. They're quietly replacing traditional banking systems, mostly in unstable economies.

Take Argentina, for instance. Inflation here is at a staggering 80%. And many times, last year, it shot past 200%. That means the peso loses value faster than a melting ice cream cone on a summer afternoon. So, people are always looking for ways to safeguard their money, and Tether (USDT) is filling that role. Businesses and consumers alike have started using USDT for everyday transactions — buying groceries, paying bills and even receiving salaries in USDT instead of pesos.

Many Argentinians also convert their savings into USDT, treating it like a digital dollar that won't lose value overnight. In Turkey too, merchants trading across borders use stablecoins to sidestep currency fluctuations and ensure smoother, more predictable transactions. The reason people trust them? Stablecoins, particularly Tether, is one of the world's biggest holders of US government securities, giving it credibility and making it accessible to those who can't easily get US dollars.

Here's the catch though. Despite its dominance, over the years, Tether has been embroiled in controversies and even fined for flouting regulations. Unlike a bank deposit, where regulators ensure your money is safe, stablecoins operate in a grey area. While Tether claims it is fully backed by cash, bonds and other reserves, regulators have often questioned how much of it is actually liquid and accessible. In 2021 for instance, the US Commodity Futures Trading Commission (CFTC) fined Tether \$41 million for falsely claiming that every USDT was backed 1:1 by cash reserves. For years, Tether had been using a mix of assets, including commercial paper (short-term debt), which isn't risk-free.

That's not all. Tethers also found itself entangled in some shady business, used by criminals for illicit operations. That's because unlike Bitcoin, which jumps up and down in value, Tether is pegged to the US dollar, making it stable. This makes it the perfect substitute for people who can't access real dollars. Terrorist groups, drug cartels, sanctioned governments; they all love Tether. Reports even say that it's helping fund North Korea's nuclear weapons program, moving money for Mexican drug cartels and also being used by Russian arms dealers and Chinese chemical manufacturers making fentanyl (a pain treatment drug that can be dangerous even in small doses).

Another interesting bit? Tether started in the British Virgin Islands and then moved to El Salvador. This keeps it away from strict banking regulations. No one is watching it the way they watch traditional banks. And because it's a cryptocurrency, people can move millions in seconds, without dealing with banks or paperwork. That's why for years, regulators have been trying to pin it down. The company even paid fines for misleading people about its reserves. But it kept growing, which is why regulators are worried.

In February 2025, Turkey introduced new licensing requirements for crypto exchanges, enforced anti-money-laundering controls, and mandated user verification.

In Nigeria, authorities revoked the licenses of over 4,000 exchanges, blaming them for the naira's (Nigeria's currency) decline. Meanwhile, the US has also proposed stricter stablecoin regulations, calling for issuers to hold only cash or highly liquid assets and operate under bank-like oversight. And now, with the EU tightening the noose under MiCA, Tether faces more scrutiny than ever. It has even passed another bill that restricts the use of Tether tokens issued offshore. If such rules are enforced globally, Tether may have to change how it manages its operations or risk being phased out of major markets.

So, what does this mean for its dominance?

For now, undoubtedly, Tether remains the undisputed king of stablecoins, with over 80% market share. It's widely used, deeply integrated into crypto markets and still trusted by millions. But its future depends on regulation.

If Tether fails to meet stricter compliance standards, competitors like Circle's USDC, which is already more transparent and regulated and also apparently lobbying to make the rules stricter for stablecoins' transparency, could start eating into its dominance.

Sure, Tether has come a long way overcoming a multitude of hurdles and isn't disappearing overnight. But its iron grip on the stablecoin market might be loosening

**SURESH & CO.****EMERGING THOUGHTS**

And if regulations continue to tighten, the future of stablecoins may look very different because Tether has thrived largely due to its elusive nature, keeping regulators at bay. But if users no longer find this advantage, they may switch to another cryptocurrency.

**By Vignesh Kumar S**



## Update for the day #2391 | Aditya Birla's Strategic Realignment: Exiting Paper to Double Down on Real Estate |

In the late 19th century, global cotton demand was at its peak until the American Civil War abruptly disrupted supply from the Southern United States. This void led to the birth of the Century Spinning and Manufacturing Company, established to meet the shortfall.

By 1951, the Birla Group took over management and initiated a phase of rapid diversification—expanding into textiles, chemicals, cement, paper, and real estate. However, over the decades, managing multiple capital-intensive businesses became increasingly complex. Recognizing the value of focused operations, the company began gradually exiting non-core sectors.

This strategic pruning left the company with two primary verticals: paper and real estate. Along the way, it rebranded itself from Century Spinning and Manufacturing to Century Textiles and Industries, and finally to Aditya Birla Real Estate Ltd (ABREL) in 2023—a name that clearly articulates its new focus.

In a decisive move aligned with this vision, ABREL recently announced the divestment of its pulp and paper division, Century Pulp and Paper (CPP), to ITC for approximately ₹3,500 crore. This decision reflects nearly a decade of attempts to exit the paper business, with earlier negotiations in 2015 and 2017 falling through over valuation disagreements.

While CPP has historically been a revenue powerhouse—contributing over 75% to ABREL's top line—its operating environment has become increasingly challenging. The paper industry is not only capital-intensive but also heavily reliant on volatile raw material markets and exposed to global competition.

India's pulpwood supply remains inadequate, with only 12 lakh hectares (around 4% of the required area) allocated for plantation. The COVID-19 pandemic exacerbated this situation by delaying tree planting cycles. Meanwhile, rising demand from furniture, biomass, and construction sectors pushed raw material prices higher. Imported pulp costs rose 17% year-over-year, and domestic wood prices surged by 7%.

Simultaneously, Indian manufacturers are contending with cheap imports from ASEAN and China, entering under low-duty agreements. These countries, already facing trade barriers in Western markets, have redirected their surplus to India, creating additional pressure on domestic players. Indian manufacturers like JK Paper maintained EBITDA margins of 20–25% by increasing prices. CPP, despite adopting cost-efficient measures like renewable energy and alternative materials (e.g., bagasse), reported margins of only 12–17% since FY21.

In contrast, ABREL's real estate ambitions are in full swing. Although EBITDA margins in this vertical have dipped—from 21.8% in FY21 to 3.6% in FY24 and 6.2% so far in FY25—the company is in an investment phase. It is acquiring land and building its project pipeline, with revenue realisation expected to accelerate by FY27. Margins are projected to rise to 25–35%, and could touch 45% in premium locations like Mumbai's Worli.

Proceeds from the CPP sale will also help reduce ABREL's net debt, which stood at ₹4,300 crore in 9MFY25 (debt-to-equity ratio of 1.06x), compared to 0.61x in FY24. Reducing this financial burden positions ABREL to scale sustainably in its core domain. For ITC, the acquisition is strategically significant. Already possessing 8 lakh metric tonnes of paper manufacturing capacity, the addition of CPP's 4.8 lakh tonnes marks a 60% boost—achieved without the cost and time

risks of new construction. Moreover, CPP's Uttarakhand plant strengthens ITC's presence in North India, complementing its existing South India-focused facilities. Despite current headwinds, the paper industry shows signs of revival. FMCG packaging demand is expected to grow at 7% CAGR through FY27. The ban on single-use plastics is fuelling demand for sustainable alternatives like paper straws and cups. Additionally, the National Education Policy 2020 could increase demand for educational materials. E-commerce is also contributing to the rising need for kraft paper and corrugated packaging. The acquisition comes at a time when paper industry valuations are subdued, making it a timely and cost-effective expansion for ITC.

In conclusion, ABREL's divestment of CPP underscores a clear strategic pivot—exiting a high-revenue but structurally constrained sector in favour of long-term potential in real estate. Simultaneously, ITC capitalises on a rare opportunity to scale and diversify its paper business at an attractive valuation. Whether these strategic shifts will bear fruit remains to be seen, but both companies appear well-aligned with their respective long-term visions.

**By BS Shivani**



## Update for the day #2392 | Risdiplam & the cost of survival: Is pharma playing fair?

Post Let's start today's story with a sensitive hypothetical situation. Imagine someone in India suffering from a rare genetic disease. And for years, there's been no cure. But one day, like magic, a foreign pharmaceutical company develops a breakthrough treatment. It patents the drug and begins selling it in India.

But here's the catch. The medicine costs a bomb. Unable to afford it, the patient slowly suffers and, eventually, passes away.

What you just read, dear folks, isn't an imaginary example or an isolated one. It's the reality for 1 in 7,700 people born in India. In fact, as you read this, around 4,000 Indians are battling Spinal Muscular Atrophy (SMA), a rare genetic disorder that affects the nerves. For the uninitiated, the normal human body needs a protein called SMN (survival motor neuron) to perform basic functions like moving, swallowing and even breathing. But in SMA patients, the body doesn't produce enough of it, leading to a lifetime of struggle.

And since diseases don't discriminate based on financial status, many patients never get the treatment they need. That said, SMA is the leading genetic cause of infant deaths in India. What's even worse is that 1 in 38 people unknowingly carry the faulty gene responsible for it.

In 2021 though, a ray of hope emerged — a drug called Risdiplam, sold as Evrysdi by Swiss pharma giant F. Hoffmann-La Roche AG (we'll just call it Roche from here on). It helped SMA patients produce more of the SMN protein, allowing them to manage their condition better, even if it wasn't a complete cure.

The only problem? A year's supply of Evrysdi costs anywhere between ₹20 lakhs and ₹70 lakhs. That's because each bottle is priced at around ₹2 lakhs, and patients need at least 30 bottles annually to efficiently manage their condition. While that's cheaper than alternatives like Zolgensma, a gene therapy which costs a staggering ₹17 crores, or even Nusinersen, a drug priced at ₹87 lakhs, Evrysdi is still the most affordable option yet out of reach for most.

That's what Natco Pharma, an Indian company, wanted to change. It wanted to manufacture Risdiplam at a fraction of the cost to make it accessible.

But maybe you've already guessed that this didn't sit well with Roche. After all, its patent for Risdiplam is valid until May 2035, meaning no one else can manufacture it commercially without permission. Natco, however, went ahead anyway. So Roche dragged it to court, asking to block what it saw as a patent violation.

But here's the twist. A few days ago, the Delhi High Court refused to block Natco from launching its version of the drug. In the court's own words:

The approved drug, i.e., Risdiplam, which is marketed under the name Evrysdi, is not available at reasonably affordable prices in India. Thus, if a party is able to manufacture the drug and make it available at an affordable price, in such a case, the public interest would have to outweigh the need for grant of injunction.

At this point, you're probably thinking, "But hey, isn't this unfair to companies that invest millions in researching and developing lifesaving drugs?" And you wouldn't be wrong.



But then you have to understand why Roche couldn't fully stop Natco from breaking into the market.

See, pharma companies spend years researching and developing new treatments, pouring in enormous sums of money to find a cure. So when they finally succeed, they safeguard their innovation fiercely and price their drugs high to recover those massive R&D costs. That's exactly why Evrysdi comes with such a hefty price tag.

On top of that, the market for the drug is tiny. Only a handful of people need it. So Roche prices it steeply, trying to maximise profits before its patent expires. Because once a generic drug maker steps in, the monopoly vanishes, and so do the sky high profits.

But look at the economics of Risdiplam, and you'll see why Roche's case isn't as strong. The actual cost of producing a bottle of Evrysdi including active ingredients, packaging and even a 20% profit margin could be as low as ₹3,000. Even if Roche added a whopping 1,000% profit margin, it could still sell the drug in India at a 99% discount to its US price (\$11,170 or roughly ₹9.5 lakh per bottle). And that actually raises ethical concerns. Is Roche making a fair profit, or is it exploiting desperate patients?

Then, there's the larger debate about patent laws and access to medicines in India. Before 1970, India only granted patents on the process of making a drug, not the drug itself. This allowed Indian pharma companies to reverse engineer and produce affordable generic (copied versions) medicines. That's also how India became the "Pharmacy of the World", supplying low cost medicines globally.

**By Bhumika Pareek**



## Update for the day #2393 | Why Warren Buffet isn't a fan of gold

Gold prices have hit an all-time high, smashing records left and right. Yesterday, it touched a jaw dropping \$3,145 per troy ounce (about 31.1 grams) in the US, while in India, it soared to ₹91,300 per 10 grams on the Multi Commodity Exchange (MCX).

But why is gold on fire?

Well, blame it on Trump's tariff threats. Markets are panicking over what these tariffs could do to global trade, and fears of an impending trade war have everyone running to the safest asset in history — gold.

See, gold isn't like money that central banks can print endlessly. It's a finite resource. To put things in perspective, so far, around 2.16 lakh tonnes or 80% of all economically extractable gold has already been mined. And just about 54,000 tonnes are left buried underground. And when something becomes scarce, it only gets more valuable. That's why, in times of economic turmoil, everyone from governments and central banks to big investors and folks like you and me rushes to hoard gold.

But guess who doesn't buy into this shiny obsession?

Warren Buffett!

Yup, the legendary investor has never been a fan of gold, and probably never will be, no matter how high its price climbs. Because gold simply doesn't fit into his playbook.

You see, Buffett's a value investor, someone who hunts for assets priced lower than their true worth, expecting the market to catch up and price them right eventually. But gold for him, is an unproductive asset. Unlike stocks, which generate profits and dividends, and have a company behind them that sells goods and services through some value creation, gold just... sits there. It doesn't grow, innovate or pay you back in any way. Neither is it anything like its cousin silver, which at least, has industrial applications. It goes into your gadgets and even electric vehicle batteries. But gold has little utility beyond being shiny and desirable.

Buffett explained it beautifully in his 2011 letter to Berkshire Hathaway's shareholders. He painted a simple picture:

Imagine a giant cube made of all the gold in the world. It would weigh about 170,000 metric tons and have a value of \$9.6 trillion. Now, for that same amount of money, you could buy all the farmland in the US (400 million acres generating \$200 billion annually), 16 ExxonMobils (then the most profitable company in the world), and still have a trillion dollars in cash left over. A century from now, that farmland would have produced massive amounts of crops, ExxonMobil would have paid trillions in dividends, and yet... the gold cube would remain unchanged, doing nothing. Sure, you can touch it, admire it, even hoard it, but it won't make you money.

But then you could argue that gold is undervalued and never holds the same price over time. For instance, if we valued gold the old-school way, like when the US dollar was backed by it, its fair price today would be much higher. Sure, we don't follow that system anymore, but if you just used it as a benchmark, you'd notice something interesting. The US Federal Reserve's total M2 money supply stands at around \$21.6 trillion. Think of M2 money supply as all the money that's easily accessible in an economy but also includes some savings that aren't immediately available for

spending. Meanwhile, the US government holds approximately 261 million troy ounces of gold (the largest among central banks worldwide). If you do the math, gold's fair price should be around \$75,000 an ounce, suggesting that it's undervalued by 95% at today's price.

Sounds crazy, right?

But there's a flaw here, which we've already told you about at the start. Unlike gold, money isn't limited. Governments can print as much as they want. So, pegging gold's value to money supply is like using a moving target.

And that begs the question: If gold doesn't generate income and might not be undervalued, why does its price keep rising? Well,

the short answer is fear.

People invest in gold because they're scared. Scared of inflation, recessions, wars and financial meltdowns. They don't buy gold for what it does. They buy it hoping that someone else will be willing to pay more for it later. It's eerily similar to the famous Tulip Mania of the 1600s. This was one of the first financial bubbles recorded in history where tulips became a status symbol, and demand skyrocketed, driving prices to absurd levels even as much as 10 times an average person's annual salary! People kept investing in tulips, believing that the hype would never end. Until it did. Prices collapsed overnight and many were left in financial ruin.

Gold, of course, has endured through history, but the idea remains the same. It rises because people expect more uncertainty in the future than they have today. It acts as an asset of trust because people have believed in its value for centuries and continue to hope it will hold its value in the years to come.

Also, let's not forget that owning gold isn't free. You need to pay for storage, insurance and security. Those extra costs eat into your returns over time.

And if you're still not convinced you could look at its long-term returns. If you had invested ₹1 lakh in gold in 1995, by 2024, it would be worth ₹16.5 lakhs. But if you had put that same ₹1 lakh into the BSE SENSEX, you'd have a sweet ₹25 lakhs today! The same goes for the S&P 500, which has outpaced gold over time.

Okay, but then why do people still rush to gold?

Well, according to an interesting observation by Equitymaster, it's all about 'recency bias'. Basically, while stock market indices have outperformed gold over time, in the last year alone, gold has delivered a solid 29% return, which is three times what the SENSEX managed.

And that again neatly ties into Buffett's point too. Gold investing is often driven by fear, not logic. Since the pandemic, both the fear-driven buying of gold and its value have surged. First in 2020, then after the Russia-Ukraine war in 2022, and now with fresh geopolitical tensions. And people focus on recent gains rather than long term performance. So it's no surprise that it's grabbing attention!

But does that mean that you should avoid gold completely just because Buffett does? Not really. Because gold can be a useful hedge against inflation, just not the perfect one.

So yeah, even though Warren Buffett isn't a fan of gold, adding a small chunk of gold to your portfolio isn't really a bad idea. But going all in just because it looks shiny is probably not the best thing to do

**By Anvy Susan Babu**



## Update for the day #2394 | The economics of rising natural gas prices

Every day before you start to get work done you rely on something essential without even realising it. It powered the cab you took to work, heated the water in your shower, lit the stove in your kitchen and even helped grow the vegetables on your plate.

We're talking about natural gas.

And we're talking about it because it's about to get pricier. From this month (April 2025) the government has tweaked natural gas' price calculation, marking the first hike in two years. To understand why, let's take it from the top.

Look, natural gas is mostly methane (CH<sub>4</sub>). It burns cleaner than other fossil fuels and is incredibly versatile. It's used in transportation, cooking gas, to power industries like ceramics and steel and making fertilisers essential to Indian agriculture. But despite this, it only accounts for 6% of India's total energy consumption. And India wants to triple this share to 15% by 2030. But since we're not there yet, we import about 50% of our gas, mostly as liquefied natural gas (LNG). And that's where things get tricky. Importing LNG means we're constantly at the mercy of global price shocks.

Take 2020, for example. ONGC, India's biggest gas producer back then, was selling natural gas at \$2.39 per MMBTU even though it cost them \$3.70 to extract it. Basically, they were bleeding money on every unit they sold. And other gas producers were in the same boat.

Sidebar: MMBTU stands for "million British Thermal Units". It's just a fancy way of measuring energy content. You'll see this unit a lot when anyone talks about gas prices.

The reason was simple. Regulation. You see, domestic gas prices weren't market driven but were based on a formula averaging global prices from the US, Canada, the UK and Russia. Every six months, the government would average those prices, do the math and set a new rate. So, when global prices crashed during the pandemic, the formula dragged Indian prices down too. For context, in October 2020, domestic gas was priced at just \$1.75 per MMBTU.

Then came the bounce back. As economies reopened, gas demand surged. And when Russia invaded Ukraine in 2022, prices spiralled. Europe scrambled to replace Russian gas, turning to LNG. And just like that, spot LNG prices in Asia went through the roof, touching \$70 per MMBTU at one point. And again, India, increasingly dependent on imports, was caught in the crossfire. Thanks to the pricing formula which either passed on high prices to consumers or made it unviable for producers to sustain.

That's when the government called in the Dr. Kirit Parikh panel to fix it. And the new formula, introduced in April 2023, simplified things. Domestic gas would now be priced at 10% of the Indian crude oil basket, instead of being benchmarked to distant gas surplus countries. There was a floor price of \$4 to protect producers and a cap of \$6.50 to shield consumers. From April 2025, the cap could rise 4% annually until gas prices are fully deregulated in 2027. It was a Goldilocks solution — not too high, not too low. ONGC and Oil India finally stopped losing money. City gas distributors like GAIL, IGL and MGL got price stability. And consumers were shielded from global volatility. And now, we're seeing the next step in action. The government has raised the cap for the first time in two years — from \$6.50 to \$6.75 per MMBTU, exactly as scheduled. And while a 4% hike may not sound like much, it adds up.

How?

Well, upstream producers like ONGC benefit as they earn more per unit. But city gas distributors, who supply CNG (compressed natural gas) and PNG (piped natural gas), may have to pass on the higher costs. Industrial users will see bigger bills. Fertiliser companies will demand more subsidies. And the government will have to make room for it in an already tight budget.

But this hike isn't happening in isolation. Global gas prices are rising again too. And there's a bunch of things that are driving the rise.

For one, there's extreme weather. Droughts in China, heatwaves in Europe and cold snaps in the US either spike demand (more heating or cooling) or cripple supply of hydro or wind power. And when renewables fall short, guess what fills the gap? Yup, natural gas.

Then there's the surge in LNG exports from major producers like the US, Qatar and Australia. Sure, increased LNG exports may seem like a good thing as it boosts global supply. But it actually tightens the spot market where gas is bought and sold for immediate delivery. Countries with long term contracts (fixed-price deals for a set period) benefit from stable prices. However, countries like India, which rely partly on spot market purchases, face higher and more volatile prices since the demand for LNG keeps the market thin and competitive.

And finally, there's currency depreciation. India pays for LNG in dollars. With the dollar hovering around ₹85, even stable dollar prices translate to higher costs in rupee terms. Basically, a weak currency makes everything imported more expensive. That's why many gas marketing companies are calling for pricing domestic gas in rupees instead of dollars.

Put all of these together and these challenges make India's natural gas ambitions a tightrope walk. Domestic prices aren't always in sync with global trends, causing trouble for producers and the government alike.

So, what's the way out, you ask?

Well, for starters, India is trying to hedge its bets. We're boosting domestic production. Oil marketing companies are expanding their natural gas businesses. Companies are signing long term LNG contracts to avoid volatile spot markets. We're building more LNG terminals, pipelines and city gas networks to expand access. And we're also exploring alternatives like ethanol blended fuel, electric vehicles and even green hydrogen.

But the road ahead is long. India's gas output has been mostly flat for years while demand keeps rising. The International Energy Agency (IEA) estimates that India's natural gas demand will rise 60% by 2030. And limited domestic production means that by the end of this decade, LNG imports will need to more than double to 65 billion cubic metres (bcm) annually to keep up. To top it off, expanding infrastructure is capital intensive and comes with regulated price swings.

So even in the best case, we can't become self sufficient anytime soon.

That said, India can learn from other countries. Japan, the world's second largest LNG importer, for example, is moving towards pooling supplies and enabling cargo swaps with South Korea and Italy to bring more flexibility in prices, instead of rigid long-term deals. Brazil has scaled up ethanol-powered vehicles. Europe is diversifying LNG exports as well as increasing its renewable energy investments. And the US is now the world's top gas producer with massive shale gas exploration technology.

While it's true that India can't replicate all of these models, we can still move faster on the basics — boosting domestic supply, refining pricing mechanisms and investing in smarter infrastructure. Because the bottom line is that India desperately wants gas to power its clean energy future. But gas itself is getting pricier, messier and more unpredictable. So yeah, the real challenge isn't just using more of it, it's managing it better.



And this little 4% hike in April? Maybe it's a reminder that the age of cheap, predictable gas might be behind us.

**By Chelsea Dsa**



## Update for the day #2395 | Why all the helium might disappear into space forever

What's the first thing that comes to mind when you think of helium? Probably party balloons, right? The ones that float up into the sky. But once they burst, that helium leaks into the atmosphere, drifts up and eventually escapes into space. It's gone. Forever.

And that's what makes helium so unique – and problematic. To understand why, let's take it from the top.

Helium is the second lightest and second most abundant element in the universe. But the catch is that it's exceedingly rare on Earth. That's because it's an inert gas (so it doesn't easily bond with other elements in chemical reactions) and incredibly light (so it floats away quickly). So, when you combine those two traits, you've got a gas that's nearly impossible to hold on to.

In fact, we didn't even know helium existed on Earth until 1895. Scientists had only detected it in the Sun's spectrum, which is why it's named after Helios, the Greek god of the Sun. But when British chemist William Ramsay isolated it from uranium ore, it became clearer that this solar element was hiding on earth too, but just in very small quantities.

And for a while, nobody thought much of this discovery. But that changed during World War I when the US realised it could be used in airships as a safer alternative to hydrogen. For context, hydrogen is highly flammable – one small spark, and the entire airship could go up in flames. But with helium, it was a perfect eureka moment. And by the time World War II came about, helium had become a military essential, used in rocket propulsion and to cool nuclear reactors.

Still, helium was rare. So how did it become so widely available as we can see today?

Well, it all goes back to the US. At the start of the 20th century, drillers in the US state of Kansas hit a rich natural gas deposit. But the gas just wouldn't ignite. That's when the scientists analysed it and found out that the gas reserves contained an unusually high amount of helium. And that set off a new realisation: Helium wasn't just in the skies or exotic minerals; it was hiding right under our feet, trapped in underground pockets mixed with natural gas. And from there, the US raced ahead. For nearly a century, it dominated global helium production, thanks to its Texas-based Helium Reserve – the world's largest helium stockpile.

Fast forward to today, and you can see helium powering a surprising range of critical industries. Take healthcare, for instance. MRI machines rely on liquid helium to cool their superconducting magnets. Quantum computers need helium to reach temperatures close to absolute zero. Then there's the semiconductor industry, where gas plays a crucial role in plasma etching, cooling, and purging contaminants. Even the space industry depends on it as rockets use helium to pressurise fuel tanks, and satellite instruments need it for cooling. It's also a lifesaver for deep-sea divers, who use a mixture of 80% helium and 20% Oxygen to breathe under high-pressure conditions. And yeah, it's at your supermarket checkouts, the helium-neon gas lasers in barcode scanners wouldn't work without it.

So it's everywhere. The only problem is that its reserves are limited and we're running out of it! Because for one, helium is non-renewable. Once extracted and used, it eventually escapes. And we can't artificially produce it. Second, its supply is highly concentrated. The US, Qatar, and Algeria control most of it. But with US reserves depleting and geopolitical tensions affecting supply chains, there's a serious bottleneck.

And demand is booming. Helium demand is expected to nearly double by 2035, especially due to the semiconductor boom driven by AI and advanced computing. And since helium has no viable

alternatives for heat management in semiconductor manufacturing, demand could skyrocket and so might the prices.

And this worry isn't limited to high-tech industries. The helium shortage is now threatening something as basic as weather forecasting. Weather balloons, which carry specialised sensors to collect vital data on temperature, wind, and humidity, rely on helium. But the US National Weather Service has started scaling back balloon launches due to the shortage. And that could reduce forecasting accuracy and lead to less warning ahead of severe weather events.

And in India, we rely entirely on imports for helium, making us exposed to price fluctuations and supply disruptions. So, if the tap runs dry, industries like healthcare, electronics, space research and AI could face setbacks.

But there's a glimmer of hope.

In 2016, massive helium reserves were discovered in Tanzania – an estimated 54 billion cubic feet, enough to fill over a million medical MRI scanners. And later assessments suggest the real number could be much higher. Just last month, Tanzania granted its first-ever helium mining license to Helium One Global. If all goes well, production could start soon, offering the world a new supply lifeline.

In the meantime, countries are scrambling. Some are stockpiling helium in strategic reserves. Others are investing in helium recycling — especially for MRI machines and other medical uses. And researchers are testing alternative gases where possible.

But for now, the bottom line is that until new sources are online and recycling becomes widespread, we need to use helium like the precious resource it is. Because once it's gone, it's not coming back.

**By Sanjana S M**



## Update for the day #2396 | How BharatPe Went From INR 5,000 Cr Loss To Break-Even

BharatPe's journey from making huge losses to finally reaching break-even is being talked about everywhere. At first glance, it looks like a regular "startup-turnaround" story. But if you look closely, it's actually a story about something deeper — the power of strong governance, the importance of trust in financial businesses, and the quiet value of doing things the right way.

When Ashneer Grover exited the company amid controversy, BharatPe was in trouble. The leadership was in chaos, the brand was under pressure, and the financials looked messy. But that moment of crisis forced the company to change its entire approach.

A new leadership team came in, and they brought with them a different mindset: less noise, more focus. Instead of chasing headlines or aggressive expansion, they focused on cleaning up internal systems and putting governance first.

That was the real beginning of the turnaround.

BharatPe also stopped focusing only on increasing the number of users and total transactions (GMV). Instead, they started looking at actual revenue — especially from sources that make long-term sense, like credit to merchants, small business loans, and fees from payment systems (MDR). These are the parts of the business that truly bring in money, not just attention.

They stopped chasing vanity numbers and started building real value.

One of the smartest things BharatPe did was to use the data they already had. Through their QR codes used by lakhs of merchants across India, they had access to huge amounts of valuable information — how much a shop earns, how regularly they get payments, what their peak hours are, and more. This data helped them make better decisions on lending. In today's fintech space, it's not enough to lend money — the real game is knowing who to lend to, how much, and at what cost. BharatPe is quietly building an advantage in this area without shouting about it.

What's also interesting is how silent the company has become. No flashy ads. No public fights. No big claims. Just solid, focused work on making their business sustainable. In the Indian startup world, where hype often wins over substance, this kind of silence is refreshing — and powerful.

For professionals who work in areas like taxation, transfer pricing, or compliance, BharatPe's story also shows something else: how expensive governance failures can be, and how valuable structure, discipline, and accountability are for long-term survival.

The company's new focus is not just on revenue, but on doing things properly — from accounting to regulatory compliance to how they raise and spend money.

In short, this is not just a fintech recovery story. It's a lesson for all companies — especially startups — about how fast things can fall apart without internal control, and how tough but rewarding it is to rebuild with the basics.

It's not about chasing the next funding round anymore. It's about earning the right to exist — one quarter at a time.

**By Raki Saha**



## Update for the day #2397 | Warren Buffett wanted you to buy this market dip

‘How’s the market bloodbath feeling?’, a friend asked on our group chat a day ago.

Honestly? Not bad. I’ve been saving up for real estate, but with markets correcting, sitting on that cash feels smarter than rushing into a big decision. Locking myself into an EMI to own an asset feels less smart than deploying it into stocks that are suddenly on discount. I don’t have to worry about monthly payments, I’ve got liquidity, and more importantly, I’m not scrambling to sell things in a panic. If anything, this correction could even throw up bargain deals in real estate.

So yeah, it feels like I’ve finally learned something from past market crashes.

And, for once, it feels good to be in the Warren Buffett tribe.

Because while other billionaires watch their net worth shrink in the ongoing crash, Buffett’s probably sipping Cherry Coke with a smile.

He’s made about \$13 billion (in 2025) during what some are calling one of the worst crashes in years. And that’s no joke given that he oversees the \$1 trillion behemoth that Berkshire Hathaway is – where a single misstep can wipe out billions.

So how does he stay so calm and keep winning?

Turns out, the move he made wasn’t today. Buffett quietly began preparing in 2024, when market optimism was at its peak.

Let us explain...

Buffett, with all his folksy charm, just went back to his classic playbook. And it’s one that’s as much about what not to do, as it is about bold bets.

While everyone was cheering on the bull run, Berkshire sold \$134 billion worth of equities. And what did Buffett do with all that money? Nothing. He didn’t jump into private equity, buybacks, crypto, or chase the next AI boom. He parked that money in good ol’ US Treasury bills. Yes, boring but safe, predictable T-bills (something like short term government bonds in India).

Today, Berkshire sits on \$330 billion in cash. That’s **more than the combined value** of Starbucks, Ford, X, New York Times, Target and Zoom! About half of it was added in 2024 (cash plus investments in Treasury bills in the image below), and over 85% of it is in short-term Treasuries earning about 5% a year. That’s over \$14 billion in annual interest income! Without lifting a finger. Just for sitting tight.

That begs the question: Why did Buffett do what he did?

Well, for one, Buffett is obsessed with valuations. He doesn’t care about hype. If something looks expensive, he’d rather wait than overpay. Or as he likes to say, “It’s better to buy a great company at a fair price than a fair company at a great price.” So when markets were soaring, Buffett either saw a correction coming or simply didn’t see better opportunities than T-bills.

And in 2024 he said it clearly. Stock valuations were just too high. His favourite market metric, the so-called “Buffett Indicator” (which compares the size of the stock market to the country’s GDP), had crossed 200% late last year. And that’s a level he once described as “playing with fire.” So he didn’t.

And while the **Buffett Indicator might not be foolproof**, other signals like the S&P 500’s price to book ratio screamed overvaluation. The last time this ratio was as high as today was back during the dot-com bubble in the late 1990s.

## SURESH & CO.

## EMERGING THOUGHTS

So being the value investor that he is, Buffett liquidated as much equity as he could and waited instead. And while others danced on the fire, Buffett walked away with a hose in hand.

Then we have macro chaos.

With Trump back and tariffs looming, Buffett likely didn't want to get caught in another economic war. He's even gone so far as to say that tariffs are a kind of **economic warfare**. And when the world looks uncertain, Buffett's first rule is simple: Don't lose money.

But there's also something else that might have made him amass such cash. Buffett is 94. And the succession plan at Berkshire is already in place. Greg Abel, his chosen successor, will soon take over. So that cash pile is not just a defensive play, it's a baton. A war chest ready for the successor to deploy when the time is right.

Because the truth is, Berkshire hasn't found big acquisition targets in recent years since everything's just been too expensive.

This moment isn't his first rodeo either. It's classic Buffett-style investing.

Back in 1999, when dot-com mania was peaking, Buffett sat it out. Tech stocks were flying and Berkshire looked old school. And then the bubble burst. Buffett survived and scooped up bargains while others nursed losses. Again in 2008, he went on the offensive. He bailed out Goldman Sachs and General Electric through stock deals that earned him billions. Even during COVID in 2020, when things crashed briefly, he stayed cautious — not because he didn't have the money, but because the opportunity was too narrow.

And that discipline, paired with Charlie Munger's clarity and Berkshire's long-term bets, has helped Berkshire deliver a whopping 20% compounded annual growth rate (CAGR) from 1965 to 2024. The S&P 500's 10% CAGR during the same period falls flat in comparison. For perspective, ₹100 invested with Buffett in 1965 would be over ₹46 lakhs today. But in the S&P 500? Just about ₹27,000! Which brings us to today.

The markets are panicking but Buffett isn't losing sleep. Because if prices fall further, he's ready to buy. If they don't, he's happy collecting billions in interest. And that, folks, is the beauty of having cash. It doesn't just protect you, it gives you freedom to wait, to act, to ignore the noise and do what makes sense. Sure, Buffett has more information, more tools and a massive team. But this isn't about having an edge.

That's true in stocks, in real estate or even for mangoes at your local sabzi mandi. And cash? Cash lets you make bold moves when fear takes over the markets. Because that's when Buffett acts. And maybe, that's what you should prepare for too. So tell us. How's the market bloodbath feeling to you, and are you taking any notes from Buffett?

**By Manojkumar Y N**





## Update for the day #2398 | Goodbye apps, hello AI agents?

What if you never had to open an app again?

Imagine that you're planning a trip. From the moment you step out of your house to boarding a flight or train, from booking your hotel stay to reserving a cab at your destination, every little detail is sorted. But here's the twist. You don't need to open a single app. No hopping between Expedia, Skyscanner or MakeMyTrip. No switching tabs, no downloading, no juggling five different interfaces. Instead, you're just chatting with an AI agent, and it's doing all the heavy lifting for you. Sounds crazy, we know. But that's where we're heading.

So, what exactly is an AI agent?

Think of them as super smart digital assistants. You give them a task, and they figure out how to get it done. Whether it's pulling information from other apps, making decisions on the fly or even learning something new on the job, these agents are built to operate independently. They don't need to be spoon fed instructions at every step. And they don't forget what they've done before either. Let's say a company used to need six people working round the clock to plan and execute its marketing campaigns. With an AI agent though, one person and the agent can wrap it all up in under an hour. Sure, that sounds like bad news for jobs, but there's a bright side too. These AI agents could be a game changer in sectors facing severe talent shortages. Take cybersecurity, for instance. In 2023, over 5.5 million positions were lying vacant in the field globally. That leaves companies vulnerable. Without enough employees in the field, it's tough to detect and respond to threats in real time. And it's only getting worse. Research from the World Economic Forum shows that since 2024, the cyber security skills gap has widened by another 8%. Two out of every three organisations say that they just don't have the talent they need to stay secure. This is where AI agents can step in. They can detect suspicious logins, block intruders accessing a system from odd locations or flag traffic spikes when hackers try to flood a website with fake visits. And they can act pretty quickly.

But that's just in the corporate world. On the personal front, AI agents are just as handy. Whether you need to reset a password, analyse a complex spreadsheet, generate an image or just search the internet, they've got your back. And since they know how to tap into other systems to fetch what they need, you don't have to juggle ten different apps just to get one job done. Amazon's already testing this idea with an AI shopping agent feature called "Buy for Me". So if Amazon doesn't have a product you're looking for, this AI agent will find it on other websites. And if you like what it shows, it'll place the order, all without you ever leaving the Amazon app. That's great for Amazon. Not so much for everyone else. Because if people stop hopping between apps and stick to the one where an AI agent gets everything done, other platforms could start losing serious ground. And that's a problem. See, apps thrive on user traffic. More users mean more sales, more in-app purchases, more data to learn from and more advertising revenue. Apps make services easier to access. If you want to use Adobe's design tools, the app streamlines your experience. But if users no longer feel the need to open that app, it loses business.

Now, we're not making this point just because of one new AI agent that Amazon is working on. AI agents aren't exactly new and have been on the rise for a while now. For context, the global market for AI agents is projected to grow from \$5 billion in 2024 to a whopping \$47 billion by 2030. That's a compounded annual growth rate of 45%!

While much of this growth is on the business side, there isn't much chatter about how they're reshaping consumer habits. But if we were to take cues from generative AI, it's clear that consumer focused AI agents might catch on pretty quickly. To put things in perspective, Gartner predicts a 25% drop in search engine traffic by 2026, thanks to the rise of generative AI and personal AI agents. If that's anything to go by, it's entirely possible that you'll be ditching apps and turning to an AI agent to get things done sooner than you think.

So... is this the end of apps?

But here's the thing. History is proof that technology doesn't always wipe out what came before. As Chuck Whitten, Senior Partner at Bain & Company puts it beautifully, "One lesson history teaches us is that technological revolutions are rarely binary. Transitions don't typically lead to total replacement. Instead, they create ecosystems marked by heterogeneity—a mix of old and new models, each finding its niche."

Just look at the PC. When smartphones and tablets exploded in popularity, many predicted the death of the personal computer. But this story you're reading was actually written on a laptop. PCs didn't disappear. They just found a new purpose. They're still the go-to when you need to get serious work done. They're built for focus, multitasking and heavy duty tasks that your phone just isn't cut out for.

And here's another thing. While one AI agent might help you plan a trip, it won't help you create a poster or file your taxes. You'd still need multiple AI agents for different tasks. In a way, that's no different from using different apps today. Sure, the interface might change from swiping and tapping to simply chatting. But the fragmentation remains. Unless a single, all-powerful agent comes along that can do it all, convenience will still come with trade offs.

**By Dhanush M**



## Update for the day #2399 | A simple explainer on tariffs and the new world order

If we got a rupee for every time we heard the word tariff this past month, we'd be sitting on a small fortune by now. Because Donald Trump has made tariffs the centre piece of his economic strategy. Again. But the thing about tariffs is that they aren't a new invention. In fact, they're one of the oldest tricks you can find in economic textbooks.

Back in the day, the US didn't run on income tax. It ran on tariffs. Foreign goods were taxed at the port, and that money helped build the country. Tariffs also protected fledgling industries from cheaper imports. And it worked. American manufacturing boomed under that protective umbrella.

But things took a turn in 1930 when the US passed the Smoot-Hawley Tariff Act. Tariffs jumped by 20%. Other countries hit back with their own tariffs. Global trade shrank. And while the tariffs didn't single handedly cause the Great Depression, they certainly poured fuel on the fire. So, after World War II, that ended in 1945, the US flipped the script. It slashed tariffs and became the poster child for free trade. Income tax replaced tariffs as the primary source of government revenue. Global supply chains were born. Goods became cheaper. And everyone from companies to consumers benefitted.

So you could say that the US was built on tariffs. They funded the government without burdening citizens and protected local industry during its vulnerable early stages. But that was then and we live in a different world now. And before we dive into today's drama, let's quickly understand how tariffs actually work.

Let's say you own a bakery in India. You and your fellow bakers have agreed to sell cupcakes for ₹30. Life's good. Then someone starts importing fancier cupcakes from France and sells them for ₹25. Customers flock to the cheaper option and your business tanks. So to protect Indian businesses, the government steps in and slaps a ₹10 tariff on each French cupcake. Now they cost ₹35. And just like that, your ₹30 cupcake is back in the game. That extra ₹10? That's a tariff — a tax on imports to protect local jobs, fund the government, or pressure trade partners.

Which brings us to the modern era of tariffs.

Now if you haven't been tracking the recent tariff developments, here's a TL;DR version. On April 2nd, Trump announced a 10% blanket tariff, with 34% additional tariffs on Chinese goods and 20% on some EU imports. China hit back with 84%, and Trump retaliated by hiking Chinese duties to a jaw-dropping 125%. And recently, while Trump announced a 90-day pause on new tariffs for most countries (with a baseline 10% still in place), China was left out.

But Trump's no stranger to this game. Between 2017 and 2021, his first term saw tariffs on everything from washing machines to solar panels. And at the time, critics called it reckless and inflationary. But surprisingly, prices stabilised and some domestic industries saw a bump. So now Trump wants to scale that experiment. And both his supporters and critics have a point.

Supporters argue tariffs bring in money. In 2019, US customs revenue from tariffs was \$72 billion. A 10% blanket tariff on all imports (which totalled \$3.8 trillion in 2023) could generate hundreds of billions. Trump even floated replacing income taxes with tariffs. Plus, higher import costs could

push companies to manufacture locally in the US, protecting jobs. But the free trade crowd isn't convinced. They say tariffs are just taxes on consumers. Importers pass on the higher costs to buyers. And retaliation is real. During Trump's first term, China hit back with tariffs on US soybeans, and American farmers bled. Also, gains in one sector can cause pain in another. Steel tariffs might help US steelmakers, but carmakers relying on cheap imported steel could cut production and jobs.

And the problems don't end there. We live in a hyper interconnected world today. A single car uses nearly 30,000 parts, and rebuilding all that domestically? Slow, expensive, and inefficient. And it could choke economic efficiency. Not to mention, tariffs could hurt the US globally. As countries begin to look elsewhere, the dollar could weaken and trade ties may erode. And all of that makes you ask, why is Trump pushing them strongly?

Well, a few reasons. One, it's political. "We're taxing foreign goods, bringing jobs home" makes a great pitch. Two, it's strategic. Reciprocal tariffs aim to level the playing field. Meaning, if a country charges a 20% duty on American goods, the US will match that. So it's about leverage. And then it's also about the big picture. Trump's camp believes open US markets have been exploited by countries like China, who use subsidies, currency tricks and lax labour laws. But here's the thing. Tariffs aren't a magic fix. Even if they work, nobody knows how they pan out in today's increasingly globalised world. Economists have debated them for over a century.

Take right now, for instance. The US economy is sitting on a mountain of debt and it paid \$583 billion just in interest so far this year. That's a system running on borrowed money. Now imagine tariffs triggering a full blown trade war. Tensions rise, uncertainty creeps in, and suddenly markets get jittery. And in a highly leveraged system like this, even a small shock can spiral. Tariffs might look like a long term fix, but in the short run, they could easily tip a debt laden economy into a recession.

Maybe that's why Trump's easing up. At least for now.

After all, this trade war involves two biggest economies in the world and over \$500 billion in US- China trade. It might seem to you that the US has an upper hand because China relies more on US exports, and it's the world's factory. But also note that the US runs a \$295 billion trade deficit with China. This leaves China with excess dollars, which it then recycles into US Treasury bonds. If it sells them in retaliation, it could rattle US markets. Things are fragile.

And where does India fit in? Well, India hasn't picked sides. Commerce Minister Piyush Goyal says India has no plans to retaliate, and that its own tariffs aren't "humongous". The focus instead is on negotiation — a bilateral deal with the US and other trade agreements with biggies like the UK and Europe.

Meanwhile, China is calling for solidarity, urging India to oppose what it calls US tariff "abuse". Yet, there's silence from India and maybe that's likely by design. Because here's the thing. This trade war might be an opportunity. If US companies want to diversify out of China but still need reliable, cost effective manufacturing partners, India might stand to gain. It doesn't have to pick a side to benefit just yet. It just has to be ready.

With the ability to plug into global value chains that are looking to recalibrate. But that window won't stay open forever.

For now, global trade is realigning. And countries must choose between retreating behind tariff walls or adapting smartly. Because when you toss a wrench into something as complex as global trade...

SURESH & CO.

EMERGING THOUGHTS

...you never really know what's going to snap.

**By Darshan N**



## Update for the day #2400 | Trent's dream run just hit a speed bump

About a year ago the Tata-owned retail darling Trent was on a roll. Despite the broader apparel retail sector going through a bit of a slump, Trent was defying the odds. Its expansion plans looked unstoppable and its stock was flying high. And although the stock kept climbing after that, hitting an all-time high of around ₹8,345 per share sometime last year, the rally didn't last. Over the past six months, it's shed nearly a third of its value. And again, just this Monday, it took another massive 15% nosedive. That's one of its worst single-day crashes since the COVID chaos of March 2020.

Trent's operating profit, or more precisely, its EBITDA margins. Now, if you're familiar with the company, you'd know that most of its revenue comes from two key brands: Zudio and Westside. And in the last quarter of FY25, both these brands have been growing aggressively. Especially Zudio, which went on an expansion spree, opening 132 new stores and taking the total count to 765. That's a staggering 5-year compound annual growth rate (CAGR) of 57% in store additions!

Such rapid growth doesn't come cheaply. More stores mean higher operational costs. There're staff salaries, rentals, supply chain, the whole shebang. And that has likely put pressure on Trent's operating profits this year. But rising costs aren't the only reason margins are under strain. There's also been a subtle but important shift in Trent's revenue mix. Last year, Zudio contributed about 57% to the company's revenue, while Westside made up 43%. This year, the script has flipped. Zudio's share has dipped to 49%, while Westside now makes up 50%.

On paper, that might not seem like a big deal. After all, Westside has higher operating margins, right? But Zudio was the real money spinner in terms of volume. Its low cost, fast fashion appeal, sub ₹500 average selling prices and quicker inventory replenishments made it the poster child of Trent's growth story. So, a decline in Zudio's share raises eyebrows. And that dip likely came down to two key factors. First, Kotak Institutional Equities pointed out a potential issue: store cannibalization. Zudio's breakneck expansion led to overlapping locations. Basically, stores opening up in the same pin codes. That means they ended up eating into each other's sales, keeping revenue growth flat even though new stores were mushrooming.

Second, Westside has been making quiet gains in the digital space. Online sales through westside.com and the Tata Neu platform grew by 45% year on year in the first nine months of FY25. Online now makes up over 6% of Westside's total revenue. So, while Zudio's physical store expansion hit a ceiling, Westside was quietly capturing more ground online.

Then there's rising competition. Just a few months ago, Shein made its comeback in India through Reliance after a five-year break. And it isn't stopping there. Reliance also has big plans for Yousta, its affordable fashion brand, with a bold target of 1,000+ stores. Sure, Yousta had only about 55 stores as of October 2024, but the intent is clear. The fast fashion game is heating up, and investors are watching closely. But perhaps the biggest trigger for Trent's stock crash was the Q4FY25 financial update that dropped last weekend. Investors weren't thrilled. And when they're disappointed, they don't hold back.

To put things in perspective, Trent's revenue for Q4 grew by 28% quarter on quarter to ₹4,300 crores. And for the full year, revenue jumped by 39% to ₹17,600 crores compared to FY24. But wait... That's a good thing, right? Maybe. But if you've been a long observer or investor in Trent, you might not feel the same.



That's because this is a company that's been setting the bar high for years. In Q4FY24, revenue had jumped 53% over the previous quarter. And over the past five years, quarterly revenue had been compounding at a whopping 43%. Compare that to this quarter's 28% and the growth feels underwhelming. Even the 39% annual growth pales a bit when stacked up against FY24's 54% jump over FY23.

So, the problem isn't the results. It's the expectations. Investors had gotten used to a certain rhythm — quarter on quarter revenue growth of 45% and EBITDA margins shooting up at a CAGR of 162% until FY24. And when this year's numbers didn't keep up that pace, the mood soured. And why did this happen, you ask?

You could blame the high base effect. Put simply, even though Trent added ₹4,955 crores in revenue this year, more than the ₹4,456 crores it added the year before, the percentage growth looks smaller because it's now growing off a much bigger base. Think of it this way. If Trent earned ₹100 crores one year and ₹200 crores the next, that's a 100% jump. But if it earns ₹350 crores the year after, that's still a ₹150 crore increase. But percentage wise, it's just 75%. So even if the company is growing more in absolute terms, it can mislead investors into thinking that the growth isn't good enough. Add to that the fact that the broader markets aren't exactly in a cheerful mood either, thanks to global jitters sparked by Trump's tariffs kicking in, and Trent has become a casualty in the process too.

But let's not throw the baby out with the bathwater. Trent's fundamentals are still strong. It's just that investor expectations shot through the roof. And when reality didn't keep pace, the stock took a beating.

Maybe it's worth looking at Trent with a bit more optimism.

**By Mohith G**



**CONTACT US - SURESH & CO.**

#43/61, Surveyors Street, Basavanagudi, Bengaluru – 560004 P

– (080) 26609560

**Compiled by:** Sourabh Jain & Nayana HG

**Guided by:** Udupi Vikram

<b>D S Vivek</b> <b>Managing Partner</b> <a href="mailto:vivek@sureshandco.com">vivek@sureshandco.com</a> +91 98453 78991	<b>Udupi Vikram</b> <b>Partner</b> <a href="mailto:vikram.u@sureshandco.com">vikram.u@sureshandco.com</a> +91 97387 79117
--	--

**Disclaimer** -The information included above is a summary of recent developments and is not intended to be advice on any matter. SURESH & CO. expressly disclaims liability to any person in respect of anything done in reliance of the contents of these publications. Professional advice should be sought before acting on any of the information contained in it.