EMERGING THOUGHTS

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Foreword

At Suresh & Co., learning has always extended beyond the confines of our work desks. The professional world evolves constantly, shaped by new regulations, emerging business models, technological advances, and shifting economic realities. Staying relevant therefore requires more than technical competence; it requires awareness, curiosity, and a willingness to engage with ideas that challenge and expand our thinking.

"Emerging Thoughts" is an initiative born from this very spirit. It is a platform where members of our firm take a moment each day to reflect on something meaningful from the wider professional landscape. It may be a regulatory development, an economic trend, a thought-provoking article, or an observation from the world of business and finance. While each reflection is brief, together they form a collection of perspectives that encourage awareness and continuous learning.

What makes this initiative particularly special is the enthusiasm with which our articled assistants and team members contribute. As aspiring professionals, their curiosity and fresh outlook bring new dimensions to the way we look at developments around us. Their willingness to observe, interpret, and share ideas reflects a mindset that values learning not as an obligation, but as an ongoing pursuit.

This edition brings together a series of such reflections compiled over the past month. Each contribution represents a moment of pause in an otherwise busy professional routine, reminding us that meaningful insight often begins with simply paying attention. When these individual observations come together, they create a broader narrative of the forces shaping today's business and economic environment.

At Suresh & Co., we strongly believe that organisations grow stronger when individuals are encouraged to think independently, question thoughtfully, and remain intellectually engaged with the world around them. Initiatives like "Emerging Thoughts" are a reflection of this culture. They allow us to collectively learn, exchange perspectives, and remain connected with developments that influence our profession.

We hope this edition offers readers a few moments of reflection and perhaps introduces an idea that sparks further curiosity. After all, progress often begins with a single question, a new perspective, or a thought worth exploring.

We thank you for your continued support and association, and we look forward to sharing many more such reflections in the editions to come.

"Progress begins with the willingness to learn."

The start of a new month offers a chance to embrace new opportunities and perspectives. Every day presents an occasion to grow, make purposeful choices, and create a meaningful impact in our surroundings. Through steady effort, focused intention, and thoughtful reflection, we can progress with confidence and a clear sense of direction.

Update for the Day #2641 | Adani wants to run hotels without actually running them

When the IndiGo fiasco unfolded, it sparked conversations in our editorial meetings. One theme that kept coming up was that IndiGo doesn't really have a neck-to-neck rival. With over 60% of the domestic market under its belt, calling Indian aviation a "duopoly" often feels more like a technical label than reality.

At the same time, we were reading about how the Adani Group was quietly levelling up its airport business. And one move stood out in particular — the group's acquisition of a majority stake in the Flight Simulation Technique Centre (FSTC), India's largest independent flight training and simulation provider.

That's when a thought naturally crept in. Adani already owns airports. It trains pilots. It controls critical infrastructure. On paper, it seems to have most of the ingredients needed to build a serious airline and challenge incumbents. And yet, there was no Adani airline.

The more we thought about it, the more one explanation made sense: unit economics. Aviation is a brutal business if you look at it purely through a financial lens. It demands enormous upfront capital, runs on wafer-thin margins, and leaves little room for error.

That hunch was more or less confirmed a few days ago when Jeet Adani, Director of the group's airports business, told CNBC TV18 that aviation simply doesn't fit the group's investment philosophy or return expectations. Which means that the Adani Group will never think of having its own airline even if regulations were to become friendlier in the future.

But then came a curveball.

Just the next day, The Times of India reported that the group is making a major push into hospitality. It has over 60 hotels planned across the country, which would make it one of the largest hotel portfolios in India.

And that's where things get interesting.

Because anyone who has even a passing familiarity with hotels knows this isn't exactly a high-margin business either. Hotels bleed cash in quieter periods and require steady spending on staff and upkeep. So a big chunk of revenue is eaten up before the profit margins kick in.

Which makes you wonder, "If aviation's unit economics were too messy for the Adani Group to touch, why dive headfirst into hotels?"

Well, because the Adani Group doesn't actually want to run hotels day to day. It just wants to place a smart bet on the sector by owning the real estate where hotels operate.

That model already exists in India. Take Chalet Hotels, for instance. Chalet is a listed real estate and hospitality company, but at its core, it's a landlord. It owns premium hotel and office properties in prime city locations, especially around airports and business hubs.

What it doesn't do is run hotels or build its own hotel brand.

Instead, it lets global hotel chains like Marriott or Westin run the show. These operators handle everything from staffing and guest experience to bookings and daily operations. In return, Chalet earns a management fee and a share of the hotel's performance, while staying firmly in the background as the asset owner.

And that's precisely why the model works.

Chalet avoids the full operational risk of running hotels. It doesn't obsess over daily occupancy swings or service-level micromanagement. Its focus stays on returns, deciding when to invest in upgrades, and fine-tuning things like room mix, restaurants, and banquet spaces to get more value from the same property.

That's pretty much the playbook the Adani Group seems to be following as well.

It doesn't want to run hotels. It wants to build them, own the infrastructure, and monetise those assets by tying up with established hotel operators. That will help it compete with big hotel chains like Taj, ITC, or Oberoi by owning the real estate they operate from, possibly through partnerships with players like Indian Hotels.

Once you look at it this way, a lot of Adani's past moves start to make sense.

Take its aggressive bids for the stressed assets of Jaypee Group. Jaypee was once a sprawling infrastructure empire with interests across cement, power, real estate, expressways, hospitality, healthcare, and sports. But years of heavy borrowing caught up with it. Debt piled up, projects stalled, and several group companies eventually slid into insolvency.

When Jaypee's assets hit the block, Adani went racing against heavyweights like Vedanta, Jindal Power, Dalmia Bharat, and PNC Infratech to scoop them up.

In hindsight, that aggression looks smart. These were solid assets weighed down by nearly ₹55,000 crore of debt. Strip away that debt overhang, plug the assets into an existing infrastructure ecosystem, and suddenly they're far more valuable than the price paid for them.

The same logic applies to Sahara Group. Sahara owns a sprawling portfolio across India in the form of hotels, malls, office spaces, and residential properties. It was once big enough to sponsor India's national cricket team. But today, it's stuck in a court-supervised asset sale, trying to repay nearly $2.8 billion to investors.

The Adani Group could also play another smart card here. Hotel businesses typically borrow at much higher interest rates because lenders see them as risky and cyclical. Infrastructure, on the other hand, enjoys cheaper funding. So if Adani picks up distressed hotel assets like Sahara Star and reframes them as airport-adjacent infrastructure, it can refinance that debt at much lower rates. Just by swapping expensive hotel loans for cheaper infrastructure financing, the savings could run into hundreds of crores every year.

But all this still doesn't explain the timing of Adani's sudden push into hotels.

But what if we tell you that this isn't really about Adani suddenly wanting to foray into hotels? It's about strengthening its airports business.

As of now, this hotel push will sit under Adani Airport Holdings Limited (AAHL), which could be demerged and listed separately in a few years. And for that, AAHL needs a clear growth story.

Right now, AAHL earns money from two broad buckets. One is aeronautical revenue — things like landing fees and parking charges paid by airlines. The other is non-aeronautical revenue, which comes from retail, food, lounges, and advertising.

But the problem is, you can't fully control how these grow. You can't decide when people fly, how long they stay, or how much they spend.

Hotels fix that. A good hotel next to an airport brings in a steady flow of business travellers, airline crews, conferences, and events. That spills over into more spending across the airport ecosystem.

So hotels aren't a side bet. They're a way to make the airport itself more profitable and predictable.

And it's not just about hotels either. Remember the big news earlier this year about Adani taking on Reliance's Jio World Convention Centre by planning Mumbai's largest international convention centre near the airport? That move neatly completes the puzzle.

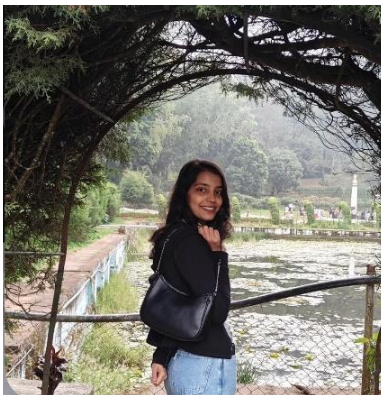
Because a massive convention centre beside an airport attracts large, high-profile events. That means frequent travel by business leaders, delegates, and international visitors. And when they fly in, they're likely to stay at nearby premium hotels and spend more across the airport ecosystem.

Put all of that together, and you've built a diversified revenue engine around the airport. One that makes AAHL far more attractive to equity investors when its IPO eventually comes around.

That's also why the group plans to invest about $11 billion over the next few years to expand its airport network. This diversification doesn't just help Adani ride India's aviation growth but also helps reposition the airports business beyond just a collection of runways and terminals.

All of this happens without Adani having to operate a single hotel. Pretty smart, eh?

By Swathi Sundar Kulkarni



Update for the Day #2642 | Why Aurionpro's Stock Is Falling Despite Doing Almost Everything Right

Aurionpro Solutions isn't a brand you consciously notice in your day-to-day life. It doesn't flash its logo at you or try to grab your attention. And yet, chances are you use its technology almost every day without realizing it.

Take something as routine as the metro. If you live in Chennai or Delhi, you can plan a trip on Google Maps, buy a ticket, and store it in Google Wallet. That entire journey is powered by Aurionpro's backend. Or think about those moments when you tap your phone, credit card, or debit card at a metro gate and walk straight in without a metro card. Those payment validators you're tapping? Also Aurionpro.

The same quiet presence shows up in some banks, where you can walk into a branch, take a digital token, and watch your queue number and waiting time pop up on a screen. That system often runs on Aurionpro's software.

So, at its core, Aurionpro is a classic behind the scenes player. It's a B2B (business to business) and B2G (business to government) company that sells software platforms and hardware to banks, metro rail networks, and government infrastructure projects. You don't see the brand, but you feel the convenience it enables.

And that's why its latest announcement caught attention. Just a couple of days ago, Aurionpro said it had bagged a multi-year deal from a leading public sector bank for its cash management system. Now this isn't exactly new for the company. Its client list already includes large Indian banks like SBI, Bank of Baroda, Axis Bank, and Kotak Mahindra Bank, along with several global banks. And last year alone, SBI awarded Aurionpro a ₹100 crore contract for licensing and maintaining iCashpro+, its transaction banking and cash management platform, which corporate banking customers rely on to move money to multiple suppliers, track cash balances, manage invoices, and match incoming payments.

And yet, despite landing steady contracts, Aurionpro's stock hasn't been having a great run.

In the days following the announcement of this new PSU deal for instance, the share price slipped quite a bit, only to recover on Friday. Zoom out further, and the picture looks even tougher. Over the past year, the stock is down roughly 35%, even though the SBI deal was one of the company's biggest wins. Today, it's trading about 42% below its 52-week high.

Now, when a stock doesn't perform well, your first instinct is to stop looking at the price chart and start digging into the business itself. Has growth slowed? Is something broken under the hood?

That's exactly where we went looking. And what we found was… confusing.

Because on paper, Aurionpro has been doing almost everything right.

Over the last three years, its revenue from operations has grown at a steady clip of about 32%

every year, reaching ₹1,173 crore in FY25. And the momentum hasn't faded. In just the first half of FY26, the company has already clocked ₹694 crore in revenue, which is a 28.5% jump compared to the same period last year.

Roughly 57% of that money flows in from banking and fintech deals. The remaining 43% comes from its technology and innovation businesses — things like smart transit solutions for metro networks, including its recent Mumbai Metro contract.

Break it down another way, and about two-thirds of its revenue comes from software and services, with the rest coming from equipment sales and product licences. Geographically, India contributes around 66% of revenues, while the rest comes from markets across Asia-Pacific, Europe, and the US.

And this revenue mix translates beautifully into profits.

In FY25, Aurionpro posted an operating profit margin of about 28%. To put that in context, IT heavyweights like Infosys and TCS typically operate in the 23–24% range. Net profit margins are healthy too, sitting around 16% and staying fairly consistent over the last few years.

All of this sounds great for a company that was doing under ₹400 crore in revenue just five years ago.

Which brings us to the obvious question. If everything looks this good, what exactly is the market worried about?

To understand that, you have to rewind a bit and look at how Aurionpro actually came into being.

Look, Aurionpro isn't a flashy, new-age tech startup. Its story goes back to 1997, when it began as VAIDS (Value Added Information Distribution Services), a small Microsoft and Java coding firm founded by Bhavesh Talsania, a chartered accountant, and Amit Sheth, a finance professional.

The first real turning point came in 1999. A leading private sector bank asked the firm to build cash management solutions. That single project quietly set Aurionpro on its banking path. The same year, Paresh Zaveri joined as a promoter, bringing in deep banking expertise. But the real inflection arrived in 2003, when Aurionpro partnered with a firm founded by ex-Citigroup bankers specialising in transaction banking. That partnership shaped the company into the enterprise banking tech player we know today. And in 2005, it went public.

Now, if you scan through Aurionpro's financials from those early years all the way up to 2021, you'll notice something interesting. Revenues stayed fairly modest, mostly in the ₹400–600 crore range. Not because the company was struggling, but because it was spread thin. Aurionpro was running three very different businesses — Cyberinc (identity management), Trejhara (data centres), and generic IT services. That made Aurionpro look like just another IT services company, lost in a sea of thousands of similar firms.

The management eventually saw the problem and decided to hit reset. And reset pretty hard.

In 2018, Aurionpro sold Cyberinc to KPMG for ₹217 crore and spun off Trejhara. On paper, the company shrank. But in reality, it gained focus. The leadership had realised that services businesses don't scale without constantly adding people, which hurts margins. And if Aurionpro wanted to compete with global banking tech vendors, it needed to go all in. The cash from the sale gave it the firepower to do that. And that's exactly what followed.

From 2020 onwards, Aurionpro went on an acquisition spree. It bought SC Soft, a Singapore-based smart city solutions company that now powers tap-to-pay transit systems. It acquired Integro to strengthen its lending and credit assessment capabilities for banks. And Arya.ai to build out enterprise AI solutions for banking.

In fact, FY25 alone saw some big-ticket additions like Fenixys SAS which expanded its reach into European capital markets, while Fintra Software strengthened its cash management offerings for corporate banking customers.

The result was a sharper company, built around just two verticals: Banking & Fintech, and the Technology Innovation Group.

But it wasn't just acquisitions at work. Aurionpro also benefited from near-perfect timing.

During and after COVID, banks realised their systems weren't built for contactless payments, real-time settlements, and fully digital corporate banking. They needed upgrades, fast. Aurionpro had already built its transaction banking platform, iCashpro+, back in 2018 and even won an award for innovation in banking technology in 2020. So while competitors were still upgrading, Aurionpro was already market-ready. That made it a natural choice for large PSU banks.

Then came another push around 2022. The government rolled out the National Common Mobility Card (NCMC), which meant cities had to replace old ticketing systems with contactless readers across metros and transport networks. Aurionpro's transit AFC (Automatic Fare Collection) business suddenly became essential, and metro contracts followed.

Together, these shifts opened doors overseas too, where the banking software market is far larger than India's. And as a result, revenues, which had stayed flat for years, nearly tripled between FY21 and FY25.

But rapid growth also changes expectations. As revenues surged, the market started pricing Aurionpro aggressively. For context, at its 2024 peak, the stock traded at about 33 times earnings, well above the industry average of 26 and even higher than Infosys at around 29. So once valuations ran ahead of reality, a correction was almost inevitable.

Another factor at play is the broader mood in IT stocks. Over the past year, the NIFTY IT index has fallen by about 13%. When the entire sector is under pressure, even companies doing reasonably well tend to get dragged down. Aurionpro likely didn't escape that sell off.

But beyond market sentiment, the recent dips seem to come down to expectations versus reality.

For FY26, management guided for consistent growth of 30% or more and laid out an ambitious target of ₹5,000 crore in revenue by FY30. Against that backdrop, the H1 FY26 numbers came in a tad softer — revenue grew 28.5% compared to H1 FY25. On its own, that doesn't look alarming. But when you annualise it, it translates to roughly ₹150 crore less than what the market was expecting. And markets are rarely forgiving, even when the miss is small.

There's also the ROCE story. Returns on capital have slipped from a peak of about 25% in FY23 to around 18% now. That naturally raises eyebrows. But a large part of this drop is explained by higher capital employed after acquisitions and a rise in working capital, not a deterioration in the business itself.

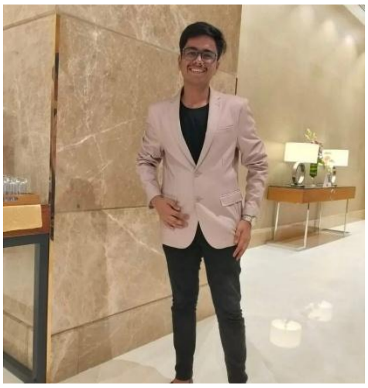
Which brings us to the bigger point.

Sometimes, stocks fall not because companies are doing badly, but because investors expect too much, too quickly. When growth becomes steady and predictable, it can start to feel flat — even if the company is still moving forward. In that situation, it's often expectations that correct, not the business.

That might be the case with Aurionpro too. The fall in its stock price looks less like a verdict on poor performance and more like a reset in investor judgement. That reset has likely pushed the stock closer to fair value.

Where it goes from here will depend on whether the company keeps delivering, and whether investors are willing to recalibrate what "good enough" really looks like.

By Lakshya Bansal



Update for the Day #2643 | The Pesticide Management Bill explained

A lot of people in India still earn their living from agriculture.

And because farming sits at the centre of everything, there's a whole world built around it — everything from tractors and seeds to fertilisers and, crucially, pesticides.

Now, these chemicals aren't some side activity. India is the 4th largest producer of agrochemicals in the world, after the US, Japan and China. We're also the third largest exporter, shipping $3.3 billion in FY25. That's three times as much as what we exported a decade ago.

Besides, pesticides are also part of how crops survive pests and diseases. Without them, a lot of food would never make it from the field to our plates.

Yet for all that scale, India doesn't use a lot of pesticides compared to many other countries. For context, India uses just 0.4 kg of pesticides per hectare, which is less than China's 1.83 kg or even other countries like Brazil and Argentina.

Now you might think, less chemicals are a good thing because you're getting cleaner produce. But that's not always how it works.

Pests don't magically disappear just because fewer chemicals are used. Because when crops start getting damaged, farmers feel pressure to act fast. That often means using stronger sprays, using them more often, or using them without clear guidance. And when these chemicals are handled badly, say with wrong labels, wrong doses, or weak oversight, the harm doesn't stop at farms. It spills over into people's health.

So India ends up in a not-so-good situation. To put things in perspective, India records over 7,700 deaths from accidental and intentional pesticide poisoning every year.

Put these facts together, and what you essentially have is a paradox. A country that feeds more than a billion people, sells pesticides to the world, battles massive crop losses and poisoning deaths.

And all of it is governed by an obsolete law written in 1968, when India had far fewer people, far fewer pesticides and far less data.

The original Insecticides Act was framed at a time when India looked very different from today. It was designed for an era with fewer people, food scarcity, fewer pesticide options and very little scientific data to tell us about health and environmental effects. It was never built for drone spraying, digital supply chains, or export markets that reject entire consignments over microscopic traces of pesticide residue.

Despite that, the law did establish some strong ideas for its time. For example, it required a mandatory registration for every pesticide manufactured. This made sure that nobody could just make and sell their own chemicals without proper documentation.

And even if the registration was received, you'd need state licenses to make and sell them. Along with that, it had rules for some basic toxicity and safety checks. There were even separate provisions for what a manufacturer should do with expired products and how they should store and dispose of them. Overall, it gave the government some power with regards to pesticides.

But over time, when agriculture modernised, the law didn't. In the past two decades, we've seen a lot of changes in how India as a country sees and consumes food, which naturally means it changes how we grow it as well. This mismatch started creating problems, some of which still linger today.

There are fakes and counterfeit fertilizers entering the market every year. Those chemicals come in direct contact with consumers who eat the produce grown from those substandard chemicals.

Then there's the export hurdle. Chemicals being shipped abroad face higher regulations than back home, so if they fail testing, exporters end up facing rejections. But most importantly, the older laws don't have space for environmental risk assessments, digital traceability and even protective gear norms.

This gap meant that everything from the registration to inspection was still paper-driven and manual. And with no national digital trail, tracking a pesticide from manufacture to use is almost impossible.

That is the gap the Pesticide Management Bill is trying to fill. The new bill takes the 57 year old Act into the digital era, and introduces rules that make sense with today's agriculture.

To start with, the Bill creates two central bodies — a Central Pesticides Board for scientific guidance and a strengthened Registration Committee that decides what gets approved, renewed or rejected.

Unlike the 1968 Act, which only broadly mentioned "safety and efficacy", the new framework spells out clear scientific criteria: environmental impact, toxicity, residue behaviour, human exposure risk and even how the product behaves under India's diverse climate conditions.

But of all the new rules, the biggest shift is digitalisation. Every pesticide — whether imported, manufactured or sold, must now be digitally registered. This data feeds into a national pesticide registry, a central database that traces a pesticide through its entire lifecycle. Instead of paper files sitting in different state offices, regulators can now track where a product was made, how much was produced, where it was shipped and who sold it. For an industry historically plagued by fakes and spurious products, this level of transparency is a game changer.

The Bill also tightens rules around labelling, packaging, transport and disposal. Labels must be clearer, packaging more standardised, and expired products must be collected and disposed of following stricter norms. Testing laboratories need accreditation, which means farmers are far less likely to end up with adulterated or poor-quality chemicals.

Another important addition is worker and farmer safety. For the first time, the law acknowledges the need for protective gear, training and safe-handling norms. It also builds a framework to monitor pesticide poisoning cases, something the 1968 Act never elaborated clearly.

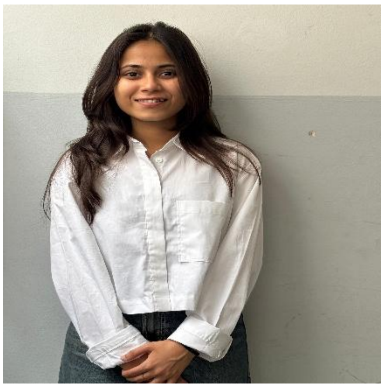
States also get more power. They can temporarily ban a pesticide or a specific batch for up to a year if they detect problems. Penalties for misbranded, substandard or spurious pesticides go up sharply, and enforcement officers have clearer authority to suspend or cancel licences.

The Pesticide Management Bill, 2025 tries to turn a scattered, paper-driven system into a transparent, digitally traceable one. It doesn't change the core idea of registration — that existed even in 1968. What it changes is everything around it: how pesticides are approved, how they move through the market, how they're monitored, and how violations are punished.

But even with all these upgrades, the new Bill isn't without gaps. Its language on risk reduction is soft, asking regulators to merely "strive" to minimise harm, rather than mandating it. The states, meanwhile, can only issue temporary bans for up to a year and still lack the power to tailor pesticide rules to their own ecological needs. The Bill brings in digital systems, but doesn't address how small dealers or farmers will adapt to it.

Sure it might not answer every question, but for the first time in over five decades, India is rewriting the rulebook for the chemicals that touch our soil, our crops and our plates. It may not close every gap. But it finally starts to bridge the distance between where Indian agriculture is, and where its laws need to be.

By Lakshi Rajesh Solanki



Update for the Day #2644 | Why is every app trying to become a microfinance app?

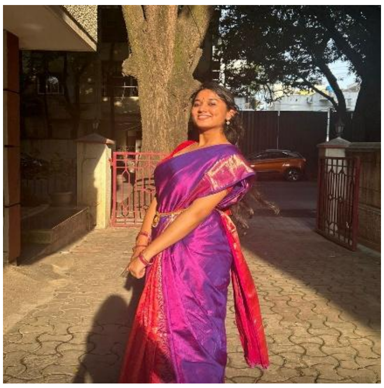
A decade ago, it would have sounded strange if someone said you could invest, borrow, or save money through an e-commerce or ride-hailing app. These platforms were built to sell products, deliver food, or book rides—not manage your finances. Yet today, Amazon lets users invest through Amazon Pay, WhatsApp offers UPI within chats, Airtel runs a payments bank, and Ola provides personal loans. Microfinance has quietly embedded itself into everyday consumer apps.

To understand why, we need to look at how these platforms evolved. In the early days, Indian consumer apps competed mainly on distribution. Whoever acquired users fastest - through discounts, cashbacks, and aggressive marketing - won. The assumption was that once scale was achieved, profits would follow. But over time, that belief broke down. Growth slowed, competition intensified, capital became scarce, and companies realised that users alone did not guarantee profitability.

Selling goods or services turned out to be a weak standalone business model. Margins were thin, loyalty was fragile, and price wars never truly ended. Finance, however, offered something different. Unlike commerce transactions that end at checkout, financial products create recurring engagement and predictable revenue. Savings, investments, and credit anchor users over long time horizons and make platforms harder to replace. NBFCs were willing to lend but lacked distribution. Consumer apps filled this gap perfectly. They already track user behaviour - spending patterns, transaction history, repayment consistency, and cash flows—allowing them to underwrite small loans through partnerships with regulated lenders.

This shift gave rise to products like buy-now-pay-later and co-branded credit cards. Credit became a tool to accelerate spending while building long-term financial relationships. But the same convenience also introduced risks. Borrowing now feels effortless, costs are often opaque, and multiple small loans across apps can quietly pile up.Still, embedded finance isn't inherently bad. For many first-time borrowers, it offers a gateway into formal credit and helps build a financial footprint. The real challenge lies in transparency, regulation, and user discipline. As finance becomes frictionless and invisible, responsible design and conscious borrowing - will matter more than ever.

By Ananya Sudarshan



Update for the Day #2645| Can India's pharma companies survive under Trump's uncertainty?

Last week, PhonePe finally dropped its Updated DRHP (Draft Red Herring Prospectus). And the first thing it tells you is that this IPO isn't about raising money to run or expand the business. It's mostly about giving early investors a way out.

For context, PhonePe is planning an IPO worth roughly ₹13,500 crore. But the entire issue is an Offer For Sale. That means PhonePe isn't issuing any new shares and won't receive a single rupee from the IPO. Instead, existing shareholders, Tiger Global and Microsoft Global Finance are exiting, while Walmart through its entity, WM Digital Commerce Holdings, is offloading about 9% of its stake to the public.

That detail changes how you should read this IPO.

Because when a company isn't raising fresh capital, it's effectively telling you that it doesn't need the money for growth. And that's true for PhonePe. It already sits on a healthy cash pile of around ₹1,100 crore, built over years of private funding and, more recently, improving cash flows.

So in a way, PhonePe is coming to the market saying, "We're not here because we need your money to operate; we're here because we want to be publicly owned."

But to decide if taking a piece of PhonePe's ownership is worth it, the obvious next question is how PhonePe actually makes money. And that's where the story really begins.

After all, for most users, PhonePe looks like a free payments app.

But PhonePe isn't just that. Over time, it has built an ecosystem made up of three distinct platforms.

The first is the PhonePe Platform, which is its main business. This includes the consumer-facing app that you and I use to send money, pay bills, recharge our phones, and check balances. It also includes the PhonePe Business App, where merchants accept digital payments.

Then there's Share.Market, a stock broking and mutual funds app designed to help everyday Indians invest. And finally, there's the Indus Appstore, an Indian alternative to the Google Play Store.

Still, the reason you mostly see PhonePe as an app for sending money, scanning QR codes, and paying bills isn't accidental. Even though about 99% of its revenue comes from the PhonePe Platform, and a large part of that is tied to consumer payments, PhonePe doesn't make meaningful money from UPI transactions. Person-to-person transfers, QR payments at kirana stores, and basic bill payments are either loss-making or close to zero-margin.

And that's simply because PhonePe can't charge users or merchants freely without risking its scale.

But PhonePe has never treated payments as the end product. Payments are just the entry point.

How PhonePe makes money, Source: DRHP

What payments give PhonePe is habit, trust, and distribution. Hundreds of millions of Indians use PhonePe multiple times a day. In fact, about 30 crore consumer transactions happen on the app every single day. That means PhonePe knows where you spend money, when you spend it, what your bank balance looks like, and even when you might need money. And that makes PhonePe far more valuable than a simple payments utility. It turns into a financial distribution platform.

The real money starts showing up once you move beyond pure payments.

One major revenue stream comes from merchants, especially online merchants. A QR code at a roadside shop doesn't generate much revenue. But PhonePe's payment gateway for e-commerce businesses does. Online merchants pay transaction fees when customers use UPI, cards, wallets, or netbanking through PhonePe's gateway. On top of that, PhonePe sells merchant devices like SmartSpeakers and card machines, offers faster settlements and reconciliation tools, and increasingly, advertising. Merchants can pay PhonePe to promote their business inside the app to nearby or relevant users. Each of these revenue streams may look small on its own, but at PhonePe's scale, they add up to steady, recurring income.

The most profitable part of PhonePe's business, though, is financial services distribution — especially lending.

PhonePe works as a lending service provider, connecting users and merchants with banks and NBFCs (Non-Banking Financial Companies). It uses transaction data to identify eligible borrowers, handles onboarding and repayment flows, and earns commissions from lending partners for every loan disbursed. Since it doesn't carry these loans on its own balance sheet, the business is asset-light and highly scalable. And the margins here are significantly higher than in payments.

Insurance distribution follows a similar playbook. PhonePe sells health, life, and general insurance products from insurers, earns commissions, and takes on no underwriting risk. Insurance isn't a high-frequency purchase, but each sale carries healthy margins. Over time, as users grow more comfortable buying financial products digitally, this business can quietly compound.

Together, lending and insurance explain how PhonePe has managed to make its core platform profitable at an operating level, even while payments themselves remain free.

Payments bring users in. Financial products monetise them.

That said, these products currently contribute only about 7–11% of PhonePe's overall revenue, leaving plenty of room to grow.

Beyond this, PhonePe is also placing long-term bets that aren't meaningful revenue drivers yet. Share.Market, its stockbroking and mutual funds platform we spoke about earlier, is one such bet. It operates in a fiercely competitive space and is unlikely to contribute much to profits in the short term. But PhonePe believes its massive user base gives it a low-cost way to acquire investors over time.

The Indus Appstore is similar. It's more strategic than commercial for now and an attempt to build a Made-in-India alternative to global app stores, offer better terms to developers, and gain more control over distribution. Monetisation here will take time, and success is far from guaranteed.

Put simply, PhonePe today makes money mainly from merchant services, lending distribution, insurance commissions, and advertising. Payments are the glue, not the profit centre. And the newer platforms are still scaling, with much more uncertainty around how big they eventually become.

But PhonePe thinks about growth like a spinning wheel that keeps gaining momentum. The more people use the platform, the more transactions happen. More transactions mean richer data about what users want and how they behave. And that data allows PhonePe to build new products in investments, insurance, and lending. These new products, in turn, have the potential to generate additional revenue and improve profitability.

The cycle then repeats, creating what PhonePe believes could be a sustainable growth engine over the long term.

A big part of making this flywheel work is where PhonePe is focusing its expansion. Much of its growth is coming from Tier-2 and Tier-3 cities. In fact, about 65% of PhonePe's users come from smaller cities, not metros. And that matters because financial services in these regions are still deeply underpenetrated. Many people don't have access to investment accounts, insurance, or formal credit. PhonePe sees this gap as a massive opportunity to bring first-time users into the financial system.

This reach isn't limited to consumers. PhonePe's merchant network already spans 98% of India's postal codes, giving it deep geographic penetration, even in remote areas. That kind of footprint makes it easier to scale new products without starting from scratch.

The financials reflect this momentum. In FY25, PhonePe reported revenue from operations of ₹7,115 crore, growing at a 56% CAGR (compound annual growth rate) over the last two years. The company is still loss-making, with losses of ₹1,727 crore in FY25, but those losses have narrowed sharply from ₹2,796 crore in FY23. That's a sign that scale is starting to work in its favour.

The clearest evidence shows up in operating profitability. PhonePe's adjusted EBITDA margin (operating profit) has swung from -12.88% in FY23 to a positive 20.76% in FY25. In simple terms, the core business has moved from burning cash to generating operating profits. That's a crucial shift as PhonePe looks to sustain growth going forward.

That brings us to the risks. Because for all its scale and improving finances, PhonePe's business model isn't without its weak spots.

The biggest risk sitting over PhonePe is regulation. The company operates in areas that are tightly controlled by regulators, and while PhonePe follows the rules today, the rules themselves can change. UPI pricing is regulated. Lending commissions are governed by RBI norms. Insurance payouts and commissions are overseen by IRDAI. If regulators decide to cap commissions, restrict how lending platforms operate, or tighten rules around default-loss guarantees (where platforms promise to absorb initial losses if borrowers default), PhonePe's most profitable businesses could see their margins shrink almost overnight.

One example of how this regulatory risk could play out is UPI itself. NPCI has proposed a rule that would cap any single app at 30% of all UPI transactions in the system, a limit that's currently deferred until December 31, 2026. At 49%, PhonePe already sits close to that threshold. If the cap is enforced, it could limit PhonePe's ability to onboard new users or grow transaction volumes further. And while payments themselves don't make meaningful money, they power everything else. Slower payment growth would mean weaker engagement, less data, and fewer opportunities to sell loans, insurance, merchant services, and ads.

The second major risk is PhonePe's dependence on UPI and partner banks. Almost everything PhonePe does runs on UPI. But UPI isn't PhonePe's infrastructure. It depends on NPCI systems and sponsor banks to process transactions smoothly. If there are technical glitches, policy changes, transaction limits, or bank-related issues, the user experience takes a hit.

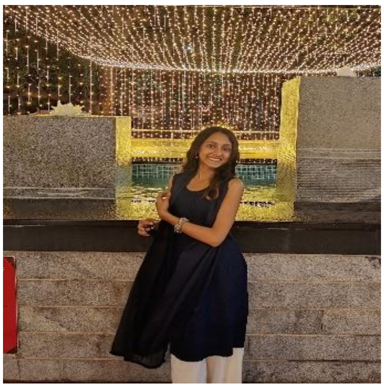
The third risk lies in competition, especially when it comes to monetisation. PhonePe's future profits depend heavily on earning commissions from lending and insurance. But banks, NBFCs, fintech startups, and even rival apps are all chasing the same customers. If lenders push back on commissions or competitors offer better terms, PhonePe may have to give up margins to keep volumes high. Growth might continue, but profitability could stall.

And then there's valuation. Since this is an OFS-driven IPO with marquee investors exiting, public market investors will be watching closely. They'll want to see steady improvements in growth, margins, and cash flows after listing — not just big user numbers.

Put it all together, and the PhonePe DRHP tells a fairly clear story. This is a scaled platform using payments to power a profitable financial distribution business, while placing long-term bets on new digital platforms.

And whether it succeeds in the public markets will depend less on how many UPI transactions it processes, and far more on how well it converts that scale into sustainable profits.

By Rishika Harlallka



Update for the day #2646 | The $1.5 trillion SpaceX IPO Explained

For as long as humans have looked up, space has represented both possibility and insignificance. Ancient sailors used the stars to navigate oceans they barely understood. Astronomers mapped distant galaxies, knowing they would never reach them. And governments spent billions during the last century not just to plant flags on the Moon, but to prove technological supremacy back on Earth.

However, for decades, the one brutal reality that has always constrained space exploration was cost. It was astronomically expensive, politically motivated, and rarely profitable. Rockets were built to be used once. Failures were accepted as the cost of ambition. And the idea that space could be a commercial industry rather than a government programme felt almost absurd.

Because for decades, launching a single kilogram into orbit could cost tens of thousands of dollars. This was because rockets were discarded after a single use, and innovation moved at the pace of government procurement cycles.

So even if the technology existed, the economics simply did not. As a result, space remained the domain of superpowers. NASA, ISRO, Roscosmos, and a handful of state-backed agencies dictated who could go up, when, and why.

But that assumption quietly collapsed over the past two decades. Space is no longer just about national pride or scientific curiosity. It is becoming infrastructure. And at the centre of that shift sits a private company that now wants public investors to join their journey into the stars.

You see, a few days ago, an eye-popping number started doing the rounds on Wall Street: $1.5 trillion. That's what some bankers and private-market analysts believe SpaceX could be worth if and when it goes public. To put that in perspective, that would make SpaceX more valuable than Apple and Meta on listing day, and roughly a third of all the listed companies in India.

It sounds absurd. And yet, the chatter refuses to die down. SpaceX's latest private-market valuation (around $800 billion) already makes it the most valuable private company on the planet. Add to that that SpaceX now launches more rockets than every other country combined and controls over 60% of global orbital lift capacity (basically how much mass a company can send into space over a period of time).And Starlink, its satellite-internet arm, has millions of paying subscribers and thousands of satellites in orbit, forming the largest constellation we have ever built (we, as in humans).

This got the ball rolling: if Starlink were spun off and listed separately, it could itself be worth hundreds of billions. Stitch that together with SpaceX's launch business and future projects like Starship, and the $1.5 trillion number doesn't look completely deranged.Because SpaceX isn't a normal company. And Elon Musk isn't a normal founder either.

For most of his career, Musk has actively resisted public markets. He has repeatedly said that taking Tesla public was painful because they were forced to make short-term decisions and engineers were distracted from actually building.

So SpaceX was deliberately kept private. It was Musk's sandbox for high-risk engineering, where rockets could explode, timelines could slip, and millions could be burned in pursuit of goals that might take decades to materialise. Which is why it was surprising when Elon himself called the rumours accurate. So if Musk, of all people, is now open to listing SpaceX, the obvious question is why.

Well, the most straightforward answer is scale. SpaceX is entering a phase where private capital may no longer be enough. Starship development, Starlink satellite replacements, lunar contracts, defence launches, and deep-space ambitions all require capital on a scale that private markets simply struggle to sustain indefinitely.

There's also a quieter, more speculative reason. Interest in space-based data centres is picking up, especially as companies prepare for a world shaped by AI, and eventually, AGI. Training and running these frontier models demands enormous computing power, energy, and cooling capacity. Putting parts of that infrastructure in orbit or near space could, in theory, solve constraints around land, power availability, and latency for global data transmission. SpaceX is unusually well-positioned here.

An IPO dramatically widens the funding pool and gives SpaceX liquidity to fund such projects whose timelines may not be defined as such. However, the public markets don't fund visions. They fund outcomes. Shareholders will care deeply about Starlink's margins, satellite replacement costs, regulatory risks, and free cash flow. They may be far less enthusiastic about rockets exploding during test flights or billions being poured into Mars missions with no clear commercial return. And all of that could create a fundamental tension.

On the upside, SpaceX has done something few incumbents ever manage: it collapsed the cost curve of an entire industry. That alone reshaped space economics. But Starlink went a step further and changed the business model entirely. Instead of relying on lumpy launch contracts and government payments, SpaceX now earns recurring subscription revenue beamed from low-Earth orbit. They have actual customers from rural households, ships at sea, airlines, and the military.

But here's the problem. SpaceX's strengths are also its risks. What happens if SpaceX's long-term goal of making humanity a multi-planetary species doesn't align with shareholders' interests?

Because the cost of developing the Starship, transporting cargo and humans, setting up habitats, and sustaining repeated missions could easily run north of $1 trillion. And more importantly, there is no obvious revenue model at the end of it.

From a shareholder perspective, that is a sinkhole, and history often suggests that the markets win those arguments.

That's why the SpaceX IPO is controversial in a way few others are: whether a company can remain comfortable with failure and a long gestation period once it has millions of shareholders demanding predictability.

Then there's the practical question of control.

Start with geopolitics. SpaceX isn't just a commercial launcher. Its satellites shape battlefield communications. Starlink terminals have already influenced conflicts and diplomatic negotiations. A publicly listed SpaceX would sit at the intersection of markets, militaries, and foreign policy. And regulators would have to answer uncomfortable questions.

You also can't miss the Musk factor. SpaceX thrives on high-risk engineering. Rockets explode, and prototypes can fail. And that could be alright. However, that culture only works in private markets but not so much for a public company. Imagine explaining to analysts why a Starship exploded and why that's actually progress.

There's also the accounting reality behind Starlink. Yes, it has subscribers. But it also has a perpetual capex requirement because satellites don't last forever. They need constant replacement. Pricing a business that requires continuous reinvestment just to stand still isn't easy. If Starlink is carved out, investors will have to decide whether it's a utility company, a tech company, or something entirely new. Each comes with very different valuations.

And that's before we even question the headline number itself.A $1.5 trillion IPO would be unprecedented. Alibaba, Google, and Meta have not debuted anywhere close to that valuation. Even Saudi Aramco barely crossed the $1.7 trillion mark. SpaceX, by contrast, is still a capital-hungry company operating in one of the most complex industries known to mankind. The upside may be astronomical, but so is the uncertainty.

Which brings us to the real reason this conversation matters.The SpaceX IPO is about how markets price frontier technology. For decades, public markets rewarded predictable cash flows and penalised moonshots. SpaceX challenges that logic. It sits somewhere between an infrastructure provider, a defence contractor, a telecom provider, and, let's face it, a sci-fi startup.

If it lists, investors will have to rethink how they value companies building things the world has never seen at scale.

And that's why the $1.5 trillion number should be read less as a forecast and more as a signal. A signal that space is no longer a niche sector for governments, but commercial and deeply intertwined with everyday life.

By Srikhar M R

Update for the Day #2647 | Bharat Coking Coal IPO: A Strategic PSU at the Heart of India's Steel Story

India's infrastructure growth rests heavily on steel—and steel, in turn, depends on coking coal, a scarce but critical raw material. While India is the world's second-largest producer and consumer of coal overall, it remains heavily dependent on imports for coking coal, sourcing nearly 90% of its requirement from countries like Australia, the US, Canada, and Russia. This structural dependence makes domestic coking coal supply strategically vital.

That's where Bharat Coking Coal Ltd (BCCL) comes in.

BCCL, a subsidiary of Coal India Ltd, is India's largest producer of coking coal, accounting for around 58% of domestic production. Incorporated to manage and develop coking coal reserves in the Jharia (Jharkhand) and Raniganj (West Bengal) coalfields, the company has over five decades of operating history following the nationalisation of coking coal mines in the early 1970s.

The company is now launching a ₹1,071 crore IPO through a complete Offer for Sale (OFS). Since it's a pure OFS, BCCL will not receive any proceeds; the entire amount will accrue to the government via Coal India.

Business Model & Strategic Role

BCCL extracts raw coking coal from underground and opencast mines and processes it through washeries to remove impurities and produce higher-grade coking coal and coke—key inputs for blast furnace–based steelmaking. Beyond commercial operations, BCCL carries a strategic mandate: ensuring domestic availability of coking coal to reduce India's exposure to volatile global prices and supply disruptions.

Financial Snapshot

BCCL reported revenues of approximately ₹14,400 crore in FY25, broadly stable compared to FY24. Profits moderated to around ₹1,240 crore, down from ₹1,564 crore in FY24, but significantly higher than FY23 levels. The company is now debt-free, has resumed dividend payouts, and shows strong operating efficiency with a pre-IPO P/E of ~8.6x, ROCE close to 30%, and RoNW of about 21%.

Key Risks

Despite its positioning as a coking coal producer, a large portion of BCCL's revenue still comes from the power sector (around 74%), with only 18% linked directly to steel. Customer concentration is another concern, with Steel Authority of India Ltd (SAIL) contributing roughly 14–17% of revenue, exposing BCCL to payment and working-capital risks. Additionally, the business remains cyclical, closely tied to economic activity, infrastructure spending, and steel demand. Over the long term, global shifts toward cleaner steelmaking technologies pose a structural challenge, even if their impact in India remains gradual.

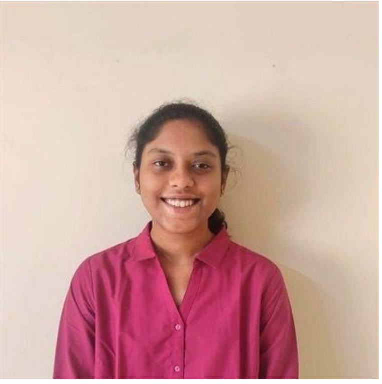
Environmental Overhang

Coking coal carries a significant environmental cost—emissions occur both during mining and processing, and again during steel production in blast furnaces. With the steel sector already accounting for a sizable share of India's carbon emissions, continued reliance on coking coal raises sustainability concerns amid tightening environmental scrutiny.

Bottom Line

BCCL is a strategic asset in India's industrial ecosystem, offering domestic supply security for a critical input in steelmaking. Its financial performance has stabilised, and operational metrics are strong for a PSU. However, exposure to commodity cycles, customer concentration, and long-term energy transition risks make it a stock best suited for investors comfortable riding the coal–steel cycle rather than those seeking secular, low-volatility growth.

By B S Shivani



Update for the Day #2648 | Can foreign capital fix PSU banks?

For decades, television broadcasting was a game reserved for the rich.

If you wanted to run a TV channel, you needed satellites in orbit, antennas on the ground, long-term carriage agreements with cable operators, and massive physical infrastructure just to get your content in front of viewers. Distribution was expensive, slow to scale, and tightly controlled by a handful of gatekeepers.

Then the internet quietly began eating into television.

First came YouTube. Then Netflix and other streaming platforms. And after COVID accelerated a shift already underway, viewers stopped caring where content came from. They only cared that it was available on-demand, on any screen, anywhere, at any time. In that world, the idea that you still needed a satellite in space to run a TV channel started sounding outdated.

In many ways, Amagi Media Labs helped fuel that shift.

Amagi doesn't rely on satellites or heavy hardware. Instead, it operates as a cloud-based software platform that allows media companies to distribute, manage, and monetise content digitally. Broadcasters no longer need to negotiate with cable networks or pay for expensive bandwidth. Using software alone, they can launch channels across connected TVs and streaming platforms globally.

This is not a cosmetic change. It is structural.

Amagi sits at the backbone of this new ecosystem. It helps content owners schedule programming, insert advertisements in real time, manage ad inventory, and monetise content across platforms, all through the cloud. Broadcasters don't need to build or maintain expensive infrastructure. They simply plug into Amagi's systems.

That structure has made Amagi a global business almost by default. More than 70% of its revenue comes from North America, with Europe contributing another 17%. The company works with over 400 content providers across 40 countries, meaning its revenue is not dependent on the health of Indian television or any single broadcaster.

Understanding how Amagi makes money helps clarify the IPO story.

The largest revenue contributor is streaming unification, accounting for about 57% of revenue. Think of this as the plumbing layer of modern streaming. Every FAST and OTT platform has its own technology stack and reporting systems. Managing each one separately is a nightmare for content owners. Amagi acts as a single bridge. Content is uploaded once, and Amagi's software automatically adapts, schedules, and distributes it across dozens of platforms worldwide.

The second stream is monetisation and marketplace, which contributes around 24% of revenue. FAST TV is free for viewers, so advertising is the entire business model. Matching advertisers with the right channels, audiences, geographies, and time slots is complex. Amagi sits in the middle, managing ad inventory, pricing, targeting, delivery, and measurement. When ads run, the content owner earns revenue, and Amagi takes a share as its fee.

The third stream is cloud monetisation, contributing roughly 19% of revenue. Many broadcasters still operate on legacy, on-premise systems. Amagi helps migrate these workflows to the cloud, offering tools for content management, playout, monitoring, and reliability. In simple terms, it modernises a TV channel's backend without the broadcaster having to build anything from scratch.

On paper, this looks like a clean play on the future of broadcasting, riding the OTT and FAST wave that public markets generally like. But the story is not without friction.

The first concern is cost. Operating global, mission-critical cloud infrastructure is expensive. Amagi has historically run with high operating expenses and reported its first year of profitability only last year, more than a decade after its founding. Investors now have to judge whether this profitability marks the beginning of a durable trend or merely reflects temporary cost discipline.

As Amagi continues to scale, invest in technology, and expand into new markets, the key question is whether margins can hold or whether costs will start creeping back up.

There is also the industry backdrop to consider. Traditional linear television has been in long-term decline as audiences move to on-demand and often ad-free platforms. Amagi benefits from this transition, but it remains tied to the broader media and advertising ecosystem. During economic slowdowns, advertising budgets are often the first to be cut. Broadcasters may value cost-saving software, but vendor spending still comes under pressure when margins tighten.

Competition adds another layer of risk. OTT monetisation is an attractive opportunity, and large technology companies already operate at enormous scale in advertising, cloud infrastructure, and data analytics. Amagi's advantage lies in its focus and deep understanding of broadcaster needs. Maintaining that edge will require continuous investment and execution discipline.

This is where the IPO proceeds matter.

The IPO is sized at ₹1,789 crore, of which ₹973 crore is an offer for sale. From the ₹816 crore fresh issue, around ₹550 crore is earmarked for technology and infrastructure, with the remainder allocated to general corporate purposes and inorganic growth, including acquisitions. The strategy is clear: deepen the moat and consolidate smaller players. Executed well, this could strengthen Amagi's position as core infrastructure. Executed poorly, it could strain margins and dilute focus.

So how should one think about this IPO?

At its core, Amagi is a bet on how television evolves, not how it used to work. It is a bet that free, ad-supported streaming grows faster than subscription-only models, and that content owners continue to prefer flexible, software-driven distribution over owning heavy infrastructure. That is a reasonable bet, but not a risk-free one.

Infrastructure businesses do not become stable utilities overnight. They go through long phases of experimentation, volatility, and reinvestment before cash flows become predictable. Amagi is still in that proving phase.

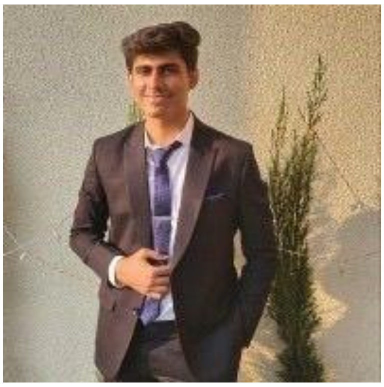
The valuation reflects this. At the upper end of the price band of ₹361 per share, the company is valued at roughly ₹7,800 crore, close to seven times its FY25 revenue of ₹1,162 crore. Revenue has grown at a healthy 30% CAGR over the last two years, but there are no directly comparable listed peers, in India or globally, to anchor expectations.

This makes the IPO less about listing-day price action and more about a long-term question.

In the next decade of digital entertainment, who builds the pipes?

Investors now have to decide whether Amagi becomes the backbone of global ad-supported streaming television or remains a specialised technology provider that benefited from a one-time transition. That answer will emerge not from the IPO hype, but from how effectively the company converts scale into sustainable profitability as the growth story matures.

By Narayan Lal V



Update for the Day #2649 | What will happen if India gets a 500% tariff?

Just a few days ago, Trump approved a bill that would impose tariffs of up to 500% on countries that purchase oil from Russia. The bill was essentially framed as a way to pressure India and others to cut trade ties with Russia. But in effect, it sent an entirely different message that trade policy could be used as a blunt geopolitical weapon.

Now, a 500% tariff is unreal. If implemented, it would practically wipe out demand for Indian exports in the US. A pharmaceutical shipment worth ₹1 crore would cost ₹6 crore by the time it reached an American port. A t-shirt sold at Walmart for $10 would cost $60.

And even highly competitive Indian IT service contracts, already priced thinly, would become unaffordable overnight. No importer or procurement head in the US is going to pay six times the price for the same product or service. Instead, they'll simply look elsewhere. And that's the core of the problem.

Because the US is our single largest export partner. For context, in 2024, 18% of all Indian exports (physical goods, not services) or roughly $80 billion, went to the US. That includes pharmaceuticals, engineering goods, chemicals, textiles, and even gems and jewellery.

So the real question is: if the US intentionally or otherwise blocks India from its market, how can India respond?

Do we retaliate? Do we shift trading partners? Can we sign new free trade agreements to replace the demand that the US once fulfilled? And if so, how many countries would it take to match up to what one market, the US, provides?

That's the puzzle we hope to unpack in this edition of Finshots.

So, how many FTAs does India need to replace the US?

Let's start with the math. In FY2024, India's total exports (goods and services) stood at about $434 billion, of which the US accounted for nearly 18%. That's $79 billion worth of demand. So, in theory, if India wanted to offset that entirely, it would need to find other countries willing to buy that worth of goods and services.

Now, let's take a closer look at what we export to the US. There's electronics, precious stones, pharmaceuticals, textiles, mineral fuel, and a lot more stuff.

But here's the catch. Finding other buyers for these goods sounds achievable until you realise just how concentrated global trade is.

Take a look at the numbers:

The UAE is India's 2nd largest export destination. However, it accounts for only 8.2% of India's exports. The Netherlands comes next with 5.6%. Then comes Singapore (3.6%), China (3.5%), the UK (3.3%), Saudi Arabia (2.8%), Bangladesh (2.6%), and Germany (2.4%).

Collectively, these eight countries make up around 32% of our exports. That sounds like a lot, but remember the US alone accounts for more than half of that.

But let us assume that demand from the US will cease entirely post 500% tariffs. What happens then?

Well, we can go out and sign free trade agreements with the remaining top countries. And to be fair, India already has free trade agreements with some of these countries.

For instance:

- We have a CEPA (Comprehensive Economic Partnership Agreement) with the UAE, signed in 2022.
- We have a CECA (Comprehensive Economic Cooperation Agreement) with Singapore, which has been in effect since 2005.
- We also have a newly signed FTA with the UK, which kicked off in July 2025.
- Bangladesh is covered under SAFTA, the South Asia Free Trade Agreement.
- We've signed a Trade and Economic Partnership Agreement (TEPA) with EFTA nations, like Iceland, Liechtenstein, Switzerland and Norway.
- We're negotiating with the EU, which would cover Germany and the Netherlands. In fact, this might be finalised as soon as next week.

So, in theory, all these markets could help absorb some of the shortfall from a US pullback. But here's the problem. Just because we sign an FTA doesn't mean a country will suddenly double its imports from India. There are natural capacity limits. Every economy has a certain size and structure.

For example, the Netherlands can't magically import more pharmaceuticals. Singapore isn't going to replace the US as a buyer of engineering services, and Bangladesh won't suddenly order billions in IT contracts. In practice, even after signing full-fledged trade agreements, exports take time to grow.

For instance, after the India–UAE CEPA was signed, exports to the UAE did increase, especially in sectors such as engineering goods, gems and jewellery, and electronics. But it wasn't a $30 billion spike overnight. It was a measured, marginal increase spread across quarters.

And then there's the issue of product-market fit. India exports high-end pharmaceuticals, custom machinery, engineering design, and software to the US. These are sectors that thrive on standards, IP protection, stable legal systems, and concentrated demand. You can't simply shift that demand to a new country just because tariffs are lower there. The market has to exist. The companies have to want it. And more importantly, legal and compliance systems have to support it.

You could offer the same drug in five new countries, but if their regulators don't approve it or their hospitals don't need it at that scale, it won't matter. So even if India signed ten new FTAs tomorrow, it would take years for companies to cultivate the same level of access they currently enjoy with American buyers.

That's why it's not just about finding new buyers. But about building new relationships and creating new demand pathways. And all of that takes time, money, and trust.

So what can India actually do, you ask?

Let's be honest here. If the US ever goes through with a 500% tariff, India cannot replace that demand overnight, not with five FTAs, not even with ten. What it can do is lower the concentration risk over time. That means two things:

First, expand and deepen trade ties.

India needs to keep signing FTAs, but strategically.

We already have good agreements with the UAE, Singapore, the UK, and EFTA countries. Agreements with the EU, Brazil, Chile, and maybe even the US are in the works. These are important because they lower tariffs, but more importantly, they lower friction. That makes it easier for Indian goods and services to flow across borders, with fewer approvals, better recognition of standards, and more predictable rules.

But the real work begins only after the FTA is signed. Indian exporters have to actually go out and cultivate demand in these countries. That means building sales teams, navigating local laws, and being competitive on pricing and quality. Without that follow-through, the FTA is just a piece of paper.

Second, build demand at home.

If we can't fully replace US demand abroad, we have to create more demand domestically.

That could mean:

- Boosting consumption through infrastructure and rural spending
- Encouraging import substitution in sectors like electronics and capital goods
- Helping MSMEs scale through better credit access and supply chain integration
- Expanding PLI (Production Linked Incentive) schemes to new sectors
- Supporting domestic champions in pharma, engineering, and chemicals

The idea is simple: if exports falter, the domestic economy should be strong enough to absorb some of that shock. And in recent years, India has made progress. We did reduce GST last year to offset the tariffs, which helped consumption. In fact, Private consumption in mid-2025 was growing at nearly 8% year-on-year. That's a good sign. With the right fiscal push and policy support, India can continue growing even if global trade becomes more hostile.

So, can we afford to lose the US?

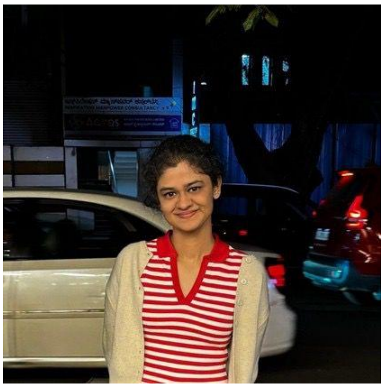
Not easily. And definitely not immediately.

The US is too large, too wealthy, and too deeply integrated into India's export ecosystem to be replaced overnight. But that doesn't mean we're defenceless. If we treat FTAs as fireproofing rather than firefighting, we can gradually reduce our dependency on them. And if we build a strong, demand-driven domestic economy, we can withstand even the sharpest external shocks.

At the end of the day, trade isn't just about tariffs. It's about trust, consistency, and relationships. And while the US may be threatening to break that trust, India still has the tools to rebalance its trade future, if it starts early and moves smart.

But for now, the best bet is to negotiate. And negotiate hard.

By Nayana H G



Update for the Day #2650 | How digital gold became India's favorite unregulated investment

A lot of people in India still earn their living from agriculture. And because farming sits at the centre of everything, there's a whole world built around it — everything from tractors and seeds to fertilisers and, crucially, pesticides. Now, these chemicals aren't some side activity. India is the 4th largest producer of agrochemicals in the world, after the US, Japan and China. We're also the third largest exporter, shipping $3.3 billion in FY25. That's three times as much as what we exported a decade ago. Besides, pesticides are also part of how crops survive pests and diseases. Without them, a lot of food would never make it from the field to our plates.

Yet for all that scale, India doesn't use a lot of pesticides compared to many other countries. For context, India uses just 0.4 kg of pesticides per hectare, which is less than China's 1.83 kg or even other countries like Brazil and Argentina. Now you might think, less chemicals are a good thing because you're getting cleaner produce.

But that's not always how it works. Pests don't magically disappear just because fewer chemicals are used. Because when crops start getting damaged, farmers feel pressure to act fast. That often means using stronger sprays, using them more often, or using them without clear guidance. And when these chemicals are handled badly, say with wrong labels, wrong doses, or weak oversight, the harm doesn't stop at farms. It spills over into people's health.

So India ends up in a not-so-good situation. To put things in perspective, India records over 7,700 deaths from accidental and intentional pesticide poisoning every year. Put these facts together, and what you essentially have is a paradox. A country that feeds more than a billion people, sells pesticides to the world, battles massive crop losses and poisoning deaths. And all of it is governed by an obsolete law written in 1968, when India had far fewer people, far fewer pesticides and far less data.

The original Insecticides Act was framed at a time when India looked very different from today. It was designed for an era with fewer people, food scarcity, fewer pesticide options and very little scientific data to tell us about health and environmental effects. It was never built for drone spraying, digital supply chains, or export markets that reject entire consignments over microscopic traces of pesticide residue. Despite that, the law did establish some strong ideas for its time. For example, it required a mandatory registration for every pesticide manufactured. This made sure that nobody could just make and sell their own chemicals without proper documentation.

And even if the registration was received, you'd need state licenses to make and sell them. Along with that, it had rules for some basic toxicity and safety checks. There were even separate provisions for what a manufacturer should do with expired products and how they should store and dispose of them. Overall, it gave the government some power with regards to pesticides. But over time, when agriculture modernised, the law didn't. In the past two decades, we've seen a lot of changes in how India as a country sees and consumes food, which naturally means it changes how we grow it as well. This mismatch started creating problems, some of which still linger today.

There are fakes and counterfeit fertilizers entering the market every year. Those chemicals come in direct contact with consumers who eat the produce grown from those substandard chemicals.

Then there's the export hurdle. Chemicals being shipped abroad face higher regulations than back home, so if they fail testing, exporters end up facing rejections. But most importantly, the older laws don't have space for environmental risk assessments, digital traceability and even protective gear norms.

This gap meant that everything from the registration to inspection was still paper-driven and manual. And with no national digital trail, tracking a pesticide from manufacture to use is almost impossible. That is the gap the Pesticide Management Bill is trying to fill. The new bill takes the 57 year old Act into the digital era, and introduces rules that make sense with today's agriculture.

To start with, the Bill creates two central bodies — a Central Pesticides Board for scientific guidance and a strengthened Registration Committee that decides what gets approved, renewed or rejected. Unlike the 1968 Act, which only broadly mentioned "safety and efficacy", the new framework spells out clear scientific criteria: environmental impact, toxicity, residue behaviour, human exposure risk and even how the product behaves under India's diverse climate conditions.

But of all the new rules, the biggest shift is digitalisation. Every pesticide — whether imported, manufactured or sold, must now be digitally registered. This data feeds into a national pesticide registry, a central database that traces a pesticide through its entire lifecycle. Instead of paper files sitting in different state offices, regulators can now track where a product was made, how much was produced, where it was shipped and who sold it. For an industry historically plagued by fakes and spurious products, this level of transparency is a game changer.

The Bill also tightens rules around labelling, packaging, transport and disposal. Labels must be clearer, packaging more standardised, and expired products must be collected and disposed of following stricter norms. Testing laboratories need accreditation, which means farmers are far less likely to end up with adulterated or poor-quality chemicals.

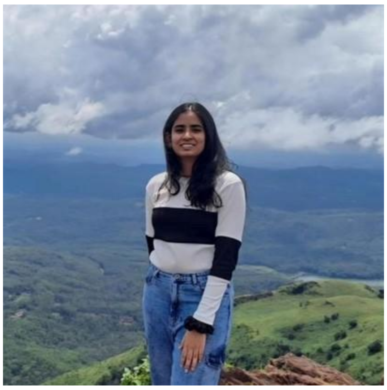
Another important addition is worker and farmer safety. For the first time, the law acknowledges the need for protective gear, training and safe-handling norms. It also builds a framework to monitor pesticide poisoning cases, something the 1968 Act never elaborated clearly. States also get more power. They can temporarily ban a pesticide or a specific batch for up to a year if they detect problems. Penalties for misbranded, substandard or spurious pesticides go up sharply, and enforcement officers have clearer authority to suspend or cancel licences.

The Pesticide Management Bill, 2025 tries to turn a scattered, paper-driven system into a transparent, digitally traceable one. It doesn't change the core idea of registration — that existed even in 1968. What it changes is everything around it: how pesticides are approved, how they move through the market, how they're monitored, and how violations are punished.

But even with all these upgrades, the new Bill isn't without gaps. Its language on risk reduction is soft, asking regulators to merely "strive" to minimise harm, rather than mandating it. The states, meanwhile, can only issue temporary bans for up to a year and still lack the power to tailor pesticide rules to their own ecological needs. The Bill brings in digital systems, but doesn't address how small dealers or farmers will adapt to it.

Sure it might not answer every question, but for the first time in over five decades, India is rewriting the rulebook for the chemicals that touch our soil, our crops and our plates. It may not close every gap. But it finally starts to bridge the distance between where Indian agriculture is, and where its laws need to be.

By Neethu R



Update for the Day #2651 | Increasing Use of AI Tools in Daily Business Operations

New Year didn't start very well for India's quick commerce market. While you and I were partying and counting down to midnight, gig workers represented by unions went on strike to push back against unpredictable payouts, the lack of social security in their jobs, and, most importantly, time-bound or 10-minute deliveries that consumers have grown to love. And as you already know, it didn't go in vain. One of their demands was met a couple of days ago, when the Union Labour Ministry intervened and asked quick commerce platforms to do away with 10-minute deliveries.

Blinkit blinked first and quietly removed its promise of "10-minute delivery" across all platforms. And while no peers have followed suit, at least at the time of writing this story, we'll have to see if they do so eventually.

This must have made you wonder, "Does this change anything for India's quick commerce sector?"

After all, if you remember how Zepto started, you might recall its co-founder, Kaivalya Vohra, once saying, "...customers love a rapid delivery experience. The data speaks for itself – once we started delivering in 10 minutes, our NPS shot up and has constantly remained at around 85 with a 50%+ week-on-week user retention rate, which shows the incredibly strong customer love for our product".

For context, this was way back when Vohra was running KiranaKart, Zepto's predecessor. Along with Aadit Palicha, Zepto's co-founder and CEO, he partnered with nearby kirana stores to deliver groceries to neighbourhoods during the pandemic-induced lockdown, using a simple app. Back then, large online platforms took up to a week to deliver, while local kirana stores struggled to keep up with the surge in demand. That gap is what pushed Vohra and Palicha to build KiranaKart in the first place.

On average, deliveries still took around 45 minutes. But they noticed something interesting. Whenever they managed to deliver faster — say, in under 15 minutes, customer retention improved noticeably. They measured this using NPS, or Net Promoter Score, which captures how likely users are to recommend a platform to a friend or colleague. Customers rate this likelihood on a scale of 0 to 10, and the score is calculated based on the percentage of promoters (those who rate it 9 or 10), passives, and detractors (those who rate it 6 or below).

That insight is probably what gave the duo the confidence to build an entire business around the idea of 10-minute deliveries. And now that this promise is being rolled back, there are two things that could happen. The first possibility is actually quite simple. Nothing really changes.

That's because, plainly put, it's just the "10-minute" label that's gone, not the underlying promise of fast delivery. The time cap was one of many marketing hooks (and a very successful one) that helped consumers quantify how quickly groceries could arrive, unlike apparel, gadgets, or electronics. But in reality, deliveries were never always under 10 minutes anyway.

Most of us have experienced 15–20 minute deliveries, which is closer to the actual average. As Karan Taurani of Elara Capital told NDTV Profit, gig workers on these platforms typically fulfil about 2.5–3 orders per hour. That math naturally translates to lead times of 20 minutes or more across platforms.

So if orders still arrive within, say, 30 minutes, very little changes. After all, the idea of getting things "now" — that hit of instant gratification, is something social media and quick commerce have already wired our brains for. In fact, if you look at Blinkit's performance over the last few quarters, you'll notice that its Net Order Value (NOV) or the total value of orders after discounts, has consistently grown by about 107–137% quarter-on-quarter over the past year.

In its earnings calls, the management has largely attributed this growth to higher order density per dark store (a nearby fulfilment hub that looks like a store but serves only online orders, helping platforms deliver faster) and a strategic shift from a marketplace model to an inventory-led one. In simple terms, Blinkit moved from being a connector, i.e., linking customers to kirana stores and earning a commission, to acting more like a retailer itself.

Earlier, the inventory belonged to third-party retailers, who set prices while Blinkit handled logistics. Now, Blinkit procures the inventory, controls pricing, and manages delivery end-to-end. That shift naturally boosts NOV and could improve margins over time. The highlight though is this: nowhere does the management credit 10-minute deliveries as a key driver of NOV growth. And if speed alone were doing the heavy lifting, it would have featured prominently in earnings discussions, no?

That brings us to the second possibility. What could change is the psychological side of things for consumers, and as a result for the business. You see, the "10-minute delivery" promise quietly messed with our brains in a very predictable way. Behavioural economists call this 'hyperbolic discounting', which is just a fancy way of saying we value things that happen right now far more than things that happen later, even when waiting is cheaper or more sensible.

So when a platform says "get it in 10 minutes", your brain treats speed as something special. You stop comparing prices rationally. Even if a competitor offers the same product for a few rupees less but delivers it tomorrow, you don't think, "I could get this tomorrow for free." Instead, you think, "I want it now." That's why people are often happy to pay extra delivery fees for 10-minute delivery. In short, speed sells.

But now that this marketing label can't be used anymore, platforms may have to find new, and possibly more expensive ways to convince people to place orders. This becomes especially tricky for categories like gadgets or apparel, where urgency is naturally lower and "10 minutes" was never the real need. To maintain the same order volumes, platforms might have to lean more heavily on discounts. And discounts, as you know, are expensive. Many platforms have already tried to limit these while quietly raising platform, handling, or convenience fees to push unit economics closer to profitability.

So that's one thing we'll have to see: what will platforms do to retain their most impulsive buyers once speed stops doing the psychological heavy lifting? The other thing to watch is how this might affect repeat purchases on these apps. Studies on quick commerce show that if a delivery arrives late, people subconsciously wait longer before placing their next order. But when a delivery comes earlier than expected, the opposite happens and they place repeat orders sooner.

Blinkit's higher net average order value hints at this dynamic. Customers seem to trust it more, which makes them comfortable placing bigger orders and ordering more often, largely because it usually delivers when it says it will.

So even if the "10-minute" label disappears, the underlying idea still holds. Platforms need to deliver quickly and consistently, or at least stick to the time they promise on the screen once an order is placed. Without that, frustration creeps in. In other words, even without the 10-minute badge, complacency isn't an option. So yeah, losing this marketing tool may not hurt platforms in a big way. The real challenge though, will probably be holding on to the most impulsive buyers.

And if, in that process, platforms come up with new or more creative ways to signal who delivers the fastest, we're unlikely to see any real change in how fast or carefully quick commerce delivery personnel ride on the roads or the pressure they face to deliver quickly.

By Yogesh K Bagrecha

Update for the Day #2652 | FTAs in 2026: Is India Winning the New Trade Order?

Just weeks into 2026, the global trade landscape is shifting fast — not because of tariffs, but because Free Trade Agreements (FTAs) are becoming strategic tools in a fragmented world economy. Countries are racing to secure market access, supply-chain resilience, and investment ties beyond traditional partners. And at the heart of this race are two major stories: India's push to clinch a mega trade deal with the European Union and broader global FTA momentum reshaping how goods and services move across borders.

The Big News: India-EU FTA Nears Final Signature

After nearly two decades of negotiations, India and the European Union are on the verge of finalizing a Free Trade Agreement — possibly as soon as the 27-nation bloc's summit in New Delhi later this month.

This deal isn't just incremental; many policymakers in New Delhi are calling it the "mother of all deals."

Here's why it matters:

- The EU is India's largest goods trading partner, dwarfing many of India's existing FTA markets.
- Negotiators have reportedly concluded 20 of 24 chapters, leaving only a handful of sensitive issues unresolved.
- The pact could dramatically expand tariff-free access for Indian exporters in sectors like pharmaceuticals, engineering goods, chemicals, textiles, and IT services.

For the EU, India offers a counterweight to China-centric supply chains while securing critical markets for European industrial products and services.

This moment is strategically timed: the EU leadership is expected to co-chair the India-EU Summit with Indian leaders around Republic Day celebrations — providing a diplomatic stage to finalize the FTA.

Why the India-EU FTA Is a Game Changer

The India-EU agreement could redefine global trade calculus in several ways:

1. Scale beyond any existing Indian FTA:

Europe accounts for a larger share of global GDP than most of India's current FTA partners combined. Finalizing preferential access here could unlock new export corridors.

2. Services and investment get centre stage:

Unlike older FTAs that focused narrowly on tariffs, the forthcoming deal emphasizes investment, digital trade, and regulatory cooperation, reflecting a broader economic partnership approach.

3. A geo-economic pivot:

With U.S. trade policy seen as increasingly unpredictable, a strong India-EU pact sends a message that India is diversifying beyond a single superpower market — building supply-chain security with multiple poles of demand.

Beyond EU: Other FTA Developments to Watch in 2026

India's trade push is part of a larger global trend:

India-US Trade Deal Progress

India and the United States are also in active negotiations on a bilateral trade deal. Commerce officials have described talks as ongoing and "very close," even if no deadline has been set yet.

This agreement, if concluded, would be more than a traditional tariff deal — potentially encompassing digital trade, labour standards, and supply-chain security.

India-New Zealand FTA Takes Shape

Another example of India broadening its trade net is the FTA with New Zealand, recently announced and likely to expand agricultural and services trade between the two economies.

Global FTA Progress Elsewhere

Trade diplomacy isn't limited to India. Several major blocs and economies are moving ahead:

- EU-Mercosur Free Trade Deal: After 25 years of negotiation, the EU and the South American Mercosur bloc are finally poised to sign a landmark deal, opening one of the world's largest trade areas.
- Switzerland-U.S. Trade Negotiations: Switzerland has adopted a formal mandate to negotiate a binding trade agreement with the United States — a sign that smaller economies are seeking deep market access beyond Europe.
- U.S.-Taiwan Trade Deal: Though not labelled an FTA, the recent economic partnership cutting tariffs and securing massive Taiwanese investment (especially in semiconductors) signals how trade deals are now being tied to industrial strategies.
- Canada-China Tariff Reductions: Canada and China made unusual bilateral tariff concessions on EVs and agricultural products as part of a broader diplomatic reset — demonstrating the flexibility and strategic utility of trade agreements beyond traditional allies.

But There Are Risks Too

FTAs aren't a guaranteed export booster. India's experience shows that while tariff barriers fall, trade deficits with FTA partners can widen if imports grow faster than exports. A recent government report noted that India's trade deficit with some FTA markets expanded sharply, driven by surging imports even as exports stagnated in certain sectors.

This serves as a reminder that FTAs must be paired with domestic competitiveness, export diversification, and supply-chain readiness to truly deliver benefits.

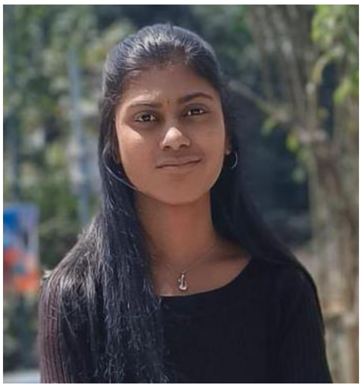
FTAs in India's Broader Trade Strategy

India isn't just signing agreements — it's reshaping its FTA playbook. Rather than focusing solely on tariff reductions, recent agreements are increasingly integrated with investment commitments, supply chain cooperation, digital trade rules, and regulatory harmonization.

This shift reflects an important realization:

Tariffs alone don't drive global value chains anymore — trust, standards, and predictable rules do.

By Deekshitha P B



Update for the Day #2653 |New Marketing Playbooks: How Indian Businesses Are Expanding Beyond Conventional Platforms

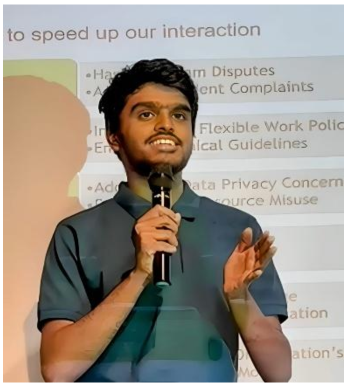
Indian businesses both traditional and digital first are rapidly rethinking their marketing strategies as consumer attention shifts across platforms. What was once dominated by television print and basic digital advertising has evolved into a multi platform ecosystem where relevance and engagement matter more than sheer visibility. Conventional businesses including FMCG brands financial services firms and retailers are now actively using Instagram to build and remain culturally relevant among younger audiences.

At the same time newer platforms such as Reddit are gaining traction as strategic marketing channels. Traditionally seen as a discussion driven community platform Reddit is now being explored by brands for deeper engagement product discovery and sentiment led marketing. Companies are entering Reddit not to push advertisements but to participate in conversations understand consumer behaviour and build credibility within niche communities. This represents a shift from broadcast style marketing to dialogue driven brand building.

A notable development in this space is Sachin Tendulkar's association with Reddit as a brand ambassador for India. His involvement reflects a deliberate strategy to localise a global platform using a figure who commands unmatched trust and recognition across generations. For Reddit the association helps bridge the gap between a community focused platform and mainstream Indian audiences. For businesses it sends a clear signal that even unconventional platforms can achieve scale when anchored by cultural credibility.

The growing use of Instagram by conventional businesses and the entry of brands into Reddit highlight a broader trend in Indian marketing. Success today depends less on choosing the right platform and more on understanding where meaningful conversations happen. Companies that effectively combine mass reach community engagement and trusted brand voices are better positioned to build long term consumer loyalty in an increasingly fragmented digital landscape.

By Shankar B S



Update for the Day #2654 | How Toyota learned to sell luxury by not selling a Toyota

There is a popular myth that the word Lexus stands for "Luxury Export to the United States". It is not true. However, it is also not completely wrong. Because in the 1980s, that was exactly the problem Toyota was trying to solve. At the time, the United States was the largest car market in the world. And Toyota was already a big player. Its cars were reliable, fuel-efficient, and, more importantly, sensible. Americans trusted Toyotas to start every morning and pretty much run forever.

But that trust came with a ceiling. People were happy to buy an affordable Toyota. However, they were not willing to buy an expensive one. No matter how well-engineered the car was, spending luxury money on a Toyota badge just did not feel right. So, Toyota faced an uncomfortable truth. If it wanted to sell luxury cars abroad, especially in the US, it could not do it as Toyota.

That is when the company made an unusually bold decision, and instead of tweaking its existing image, it decided to build an entirely new brand from scratch. One that had no association with its economic counterpart. That brand would eventually be called Lexus.

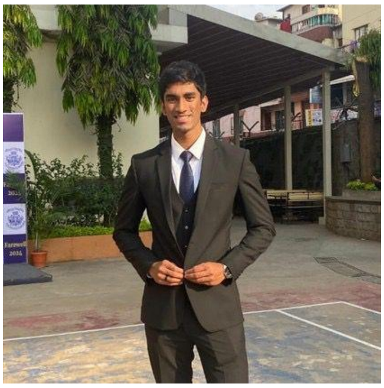
However, before launching it, Toyota did something very un-Toyota-like. It slowed down and went outside Japan. Guided by the Japanese philosophy of Genchi Genbutsu, which roughly translates to "go and see for yourself", Toyota sent engineers, designers, and planners to the US years before launch. Their job was not just to study competitors, but to observe how Americans thought about luxury. What did they value in a premium car? How did they define comfort? What kind of silence felt expensive? What kind of design felt authoritative rather than flashy?
The result was Lexus' first flagship sedan, the LS 400. When it launched in 1989, it shocked the industry, as it was obsessively well-built and significantly cheaper than its European rivals. There was even an ad campaign that famously stacked champagne glasses on its hood to demonstrate how little the engine vibrated. But more importantly, buyers did not see it as an expensive Toyota. They saw it as an actual luxury brand. And that rebranding exercise did more than just sell cars. It symbolized something larger about Japan's economic journey.

After World War II, Japan's recovery was deeply tied to the US. US occupation policies reshaped Japanese industry, management practices, and trade priorities. Early American demand gave Japanese exporters a massive external market to grow into. This was, in fact, on purpose. Post World War II, an American banker, Joseph Dodge, was sent to Japan during the US occupation to stabilize the Japanese economy. At the time, Japan was struggling with high inflation, weak public finances, and an economy heavily dependent on government support. That was when a series of economic policies was introduced by Dodge to help the Japanese economy. This was called the Dodge Line.

For decades, Japan exported value to the US by being cheaper, more efficient, and more reliable. The Dodge Line imposed strict fiscal discipline by cutting subsidies, balancing the government budget, and tightening credit. But its most lasting impact came from fixing the exchange rate at 360 yen to the US dollar. That fixed rate deliberately kept the yen weak, which may have been detrimental in the short-term, but it also made Japanese exports more cost-efficient. But Lexus marked a shift and showed that Japan was no longer just exporting cost efficiency. It was exporting aspiration. By the late 1980s, Japanese companies were confident enough to compete not just on price or quality, but on brand, emotion, and identity. Over time, Japan diversified its markets and products, even as its economic relationship with the US remained central.

So, while Lexus may not officially stand for Luxury Export to the United States, the spirit of that idea still holds. Because sometimes, to sell something expensive, you do not change the product. But you change the story people tell themselves when they buy it.

By Siddarth Sunil



Update for the Day #2655 | The Shadowfax Technologies IPO

Try to picture the last time your doorbell rang for a delivery. It could have been a Zomato order, a package from Flipkart or a return pickup for an outfit. In all these cases, a delivery executive is waiting downstairs, calling you to confirm your address. Now you might remember why they're calling and for what. But you probably don't remember the company on their jacket. And there's a good chance that the same logistics company was quietly running the backend.

Shadowfax Technologies is one such company that ensures your online orders move from the warehouse all the way to your doorstep, especially the final 5–10 kilometres that nobody else wants to deal with, including food deliveries during peak hours and high demand. And now, they're coming to the markets with a ₹1,907 crore IPO. At its core, logistics is the middleman between you as the consumer and your favourite restaurant, tech brand, or apparel store. No matter what you buy, there's always a logistics company in the middle making that delivery possible. And the middle has never mattered more than today. The online retail market is the fastest growing channel in India, with an estimated growth of 20-25% CAGR between 2025 to 2030. Zoom in further and the picture gets even more extreme. Quick commerce is growing even faster at 50-62% till 2030. And the numbers tell a simple story: India has a larger high to middle income household number, with a consumer base of 1.5 billion people ordering more frequently than ever before.

But here's the thing. The companies that are driving this growth, aren't the ones doing the heavy lifting. The e-commerce giants and consumer brands don't really run their logistics at scale. They don't all hire delivery drivers or manage lakhs of riders themselves. Because this part, although the most important, is also operationally complex. Which is why it's outsourced to third-party companies or gig-workers. That middle-layer, connecting warehouses, riders and your doorstep is where companies like Shadowfax Technologies come in. Just in FY25 alone, e-commerce logistics handled 4.9 to 5.3 billion shipments.

In a normal business, scale means success. More reach translates to more customers, and that could give the idea that the business is growing, and that's largely true. But logistics is a business where growth alone isn't enough. The truth is, logistics is a volume driven business, and like the weather, it fluctuates seasonally. Add thin margins, constant rider attrition, and pricing controlled by platforms, you have a highly competitive business. Because technology and compliance costs don't shrink with the order size. In logistics, scale isn't a competitive advantage, it's the bare minimum to stay alive.

This is why Shadowfax Technologies has a reach of 14,758 pin codes and 4,299 touchpoints, giving them strong legs to stand against the competition. That reach has given them an edge to capture about 23% of the market share in third party logistics in FY25. That's almost a 3x growth from 8% in FY22. That means they cater to all the top clients across diverse e-commerce businesses like Meesho, Flipkart (also its early investor), Swiggy, Zomato, Uber and the list goes on. That means they have a dynamic presence across end-to-end delivery, last mile delivery, food delivery and hyperlocal delivery, being the only third party logistics provider to do so.

At Shadowfax's scale, logistics is about orchestration, not just moving parcels. That orchestration runs on the company's in-house logistics management system. It handles routing, real-time tracking, automated payouts, and dispute resolution across millions of deliveries. Crucially, the cost of building and maintaining such systems barely changes whether a company handles ten thousand deliveries or ten million. Smaller players struggle here but larger ones survive by spreading that fixed cost across volume. The company also runs separate in-house systems for partner management (Frodo), fraud detection (SF Shield), and address intelligence (SF Maps).

At the heart of Shadowfax's operations is its crowdsourced delivery workforce. With over two lakh active delivery partners and no exclusive arrangements, supply is flexible but not guaranteed. Incentives, seasonal demand, and regulatory changes directly affect availability and cost. Any tightening of gig-worker rules or rider shortages could quickly hurt margins and service levels. We're already seeing shifts in quick commerce happen right now. Given their wide list of delivery options and large scale clients, you'd assume that the company's financials are iron-clad. And you'd be right, but with a twist. Shadowfax made ₹1,884 crore in FY24. And by H1 FY26, it had already made the same amount.

But, as we said before, margins are razor-thin for logistics companies as a whole. So despite impressive revenues, the company earned just ₹21 crores worth of profit in H1FY26. Still, it was an improvement over FY25's ₹6.4 crores profit from revenues of ₹2,485 crores. And this shows how brutal the industry is as well. Competitors also aren't faring any better. Take Delhivery, which made a net profit of ₹162 crores in FY25. Not only was it the first profitable year, but the profit itself came from revenues of ₹8,932 crores.

Also, when was the last time you actually paid out of pocket for a delivery? If you can't really remember, that's because most third-party logistics companies don't charge consumers at all — they operate as B2B businesses, paid by platforms and brands.

But since the platforms are few and far between, concentration risk is a real problem. Shadowfax earned almost 49% of its revenue from its single largest client in H1FY26. The top ten clients make up about 84% of its revenues. So any shift in pricing and relationships with its clients can seriously affect future revenues. Shadowfax's financials tell a familiar logistics story. Scale has arrived faster than comfort. Revenues are compounding, market share is rising, and profitability has finally appeared — but margins remain unforgivingly thin. In an industry where even leaders struggle to break past low single-digit margins, capital isn't about expansion alone. It's about resilience.

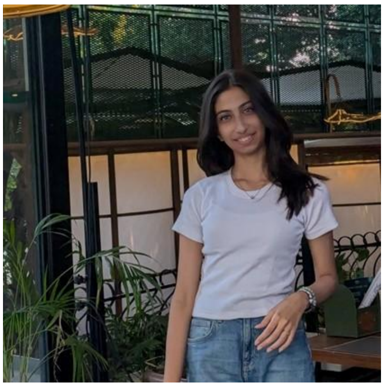
That's where the IPO comes into the picture. With a price band of ₹118 to ₹124, Shadowfax is valued at about ₹7,168 crores going by the upper price band. Out of ₹1,907 crores from the issue, ₹1000 crores go straight to the company's use. ₹423 crores will go into capital expenditure for its network infrastructure and another ₹350 crores will be towards general corporate purposes and acquisitions. The rest of the capital raised will go into lease payments for new first mile, last mile and sort centres which are part of its delivery web.

The remaining ₹907 crores is an offer for sale (OFS). Early institutional backers like Flipkart, Mirae Asset, NewQuest and Eight Roads are offloading their investment through the IPO. That said, here are a few things worth knowing about logistics and Shadowfax's business if you're curious about how this IPO pans out. Demand doesn't grow in a straight line. The business is highly seasonal, with sharp spikes during festive sales and promotional periods, followed by slower quarters. Infrastructure and manpower, however, can't be switched off just as easily. This mismatch between fixed readiness and variable demand is one of the reasons margins remain thin.

There's another pressure point that doesn't show up in headline profits. Logistics is a working-capital-heavy business. Delivery partners, fuel vendors, and network operations need to be paid upfront, while collections from large platform clients often come later. As volumes rise, this cash gap widens. Which is why a large chunk of proceeds is headed towards working capital needs of the company.

So yeah, Shadowfax's IPO isn't a bet on whether Indians will keep buying stuff online. That's already a given. It's a bet on logistics as a whole, with all its perks and risks, and whether it can be organised efficiently. So the next time that bell rings, you probably still won't notice the company behind the delivery. But for investors and ecommerce platforms, companies like Shadowfax aren't invisible anymore.

By Shreya V Bhat



Update for the day #2656 | Can Metropolitan Stock Exchange challenge the NSE – BSE duopoly?

Stock exchanges make money by charging a small fee on every trade that happens on their platform. So, when you buy 100 shares of Reliance Industries or sell your Infosys shares, the exchange — whether it's NSE or BSE, pockets a tiny cut.

These fees are usually charged per crore of turnover. For instance, BSE charges about ₹325 per crore for equity delivery trades.

Now, that may sound small. But when millions of trades happen every single day, those fees add up fast. In fact, transaction charges account for roughly 70–75% of BSE's revenue. They're not just important. They're basically the entire business model.

But here's the thing.

This model only works if you have volume. Without volume, there are no transactions. And without transactions, there's no money flowing to the exchange.

This creates a brutal problem for any new exchange trying to enter the market.

Because let's say, you buy 100 shares on a new exchange. Later, you want to sell them. But there aren't enough buyers or sellers active on that platform. So your order just sits there. You're stuck holding shares you can't easily sell. That's what illiquidity looks like. And no investor wants to take that risk.

So investors naturally gravitate towards NSE and BSE, where they know there will always be someone on the other side of the trade.

This phenomenon is called liquidity concentration. And once NSE and BSE captured most traders and investors over all these years, it became nearly impossible for a new exchange to attract them.

But why are we telling you all this?

Well, because the chatter is that Dalal Street is set to witness the addition of a new stock exchange by the end of January 2026 — the Metropolitan Stock Exchange (MSE).

And that naturally makes you wonder why it took so many years for another national stock exchange to even think of competing with the NSE–BSE duopoly in India.

For starters, the liquidity problem we discussed earlier is exactly why India has had only two national stock exchanges for decades.

Add to that the barriers to starting a new exchange, which are designed, almost intentionally, to be extremely high.

To put things in perspective, market regulator, SEBI, requires a minimum net worth (assets minus liabilities) of ₹100 crore just to grant a license. But that's not enough. You also need to set up a separate clearing corporation — the entity that settles who owes money to whom after trades. That clearing corporation also needs a net worth of ₹100 crore. So right from day one, you're looking at over ₹200 crore invested even before you're in business.

Then, after you launch, you need to achieve a minimum annual trading volume of ₹1,000 crore. If you fail to hit this threshold for two consecutive years, SEBI can shut you down, no questions asked. And that logic makes sense because if very few trades happen on an exchange, prices aren't reliable and investors can get stuck. Thinly traded exchanges are also easier to manipulate and harder to regulate. Plus, an exchange that barely trades doesn't help companies raise capital or investors deploy money efficiently. So SEBI would rather have you either scale up meaningfully or not exist at all.

And these are just a few of the hurdles. There are many other governance requirements like setting up statutory committees for surveillance, grievance redressal, and market integrity. You also need at least 25 trading members or brokers willing to operate on your platform. But brokers won't join a new exchange unless they're confident it will have volume. Which turns this into a classic "chicken-and-egg problem", where you need participants to generate volume, but you need volume to attract participants.

All of this explains why India hasn't really had a third stock exchange alongside BSE and NSE. Even NSE itself came into existence after brokers like Harshad Mehta formed powerful cartels and manipulated stocks on the BSE. That episode prompted the government to clean up the financial system by roping in Indian financial institutions such as LIC, SBI, IFCI and IDFC, along with a few global players, to promote a new exchange — the NSE.

This makes one thing clear. Without deep backing and a credible path to survival, setting up a stock exchange in India is a pretty hard business.

This is where the MSE is trying something different. The exchange has decided to boost liquidity through something called a comprehensive Liquidity Enhancement Scheme (LES).

What this essentially means is that instead of letting trading volumes build organically, MSE identifies around 130 liquid stocks — companies like Reliance, HDFC, TCS, and other regularly traded names. It then appoints designated market makers, or trading firms, whose job is to continuously provide buy and sell quotes, even when no one else is trading. So when retail investors want to place a trade on the exchange, there's always a buyer or a seller available.

In return, these market makers are compensated, and the exchange also waives transaction fees for trades executed under this scheme. Think of it as temporarily subsidising liquidity, by guaranteeing tight bid–ask spreads and consistent quotes on some of the most liquid stocks, so that early participants can actually execute trades without friction.

This arrangement will run for the next six months, giving the exchange time to build critical mass and brand recognition, after which organic trading volumes could pick up.

Which brings us to the next question: why has MSE decided to scale up now?

To begin with, MSE isn't a new stock exchange. When it launched in 2008, it was called MCX-SX and focused on currency derivatives trading. NSE, which already dominated the market, responded by offering the same product at zero transaction fees. MSE couldn't compete with free and alleged that this amounted to predatory pricing, where NSE was deliberately underpricing to drive out competition.

MSE lost both money and volume, and eventually filed a complaint with India's competition regulator, the Competition Commission of India (CCI). The CCI agreed with MSE, found NSE guilty of abusing its dominant position, and ordered NSE to pay ₹856 crore in compensation.

But NSE appealed. The case moved to higher courts and, for more than a decade, bounced around the legal system without resolution.

Now, though, NSE is at a critical juncture. It's preparing to go public. And when a company lists on the stock market, it must disclose all pending lawsuits and contingent liabilities. A ₹856 crore case hanging over NSE's head would meaningfully dent its IPO valuation. Which gives NSE a strong incentive to settle the matter before listing.

If that happens, MSE suddenly ends up with a permanent financial war chest, enough to operate at losses for years, if needed, while it builds market share. That alone changes the equation, turning MSE from an unsustainable startup into a well-funded competitor.

There's another factor at play, as you probably already know. In 2024, SEBI changed the rules and said exchanges could offer weekly derivatives expiry on only one index per week.

The immediate impact was that NSE, which controls roughly 95% of the F&O market, had to discontinue Bank Nifty weekly options. These contracts alone accounted for about 47.5% of NSE's weekly options premium turnover.

That, in turn, opened up a small but meaningful opportunity. MSE could now launch its own derivatives products on days that don't clash with NSE or BSE expiries, giving traders more days in the week to hedge or speculate.

And finally, there's capital. Since 2024, MSE has raised about ₹1,240 crore from leading brokers and investors like Zerodha via Rainmatter Investments, Groww via its promoter entity Billionbrains Garage Ventures, and, more recently, Peak XV Venture Partners.

These brokers collectively control close to 40% of India's retail demat accounts. And that kind of backing doesn't just bring money. It brings distribution. Which means MSE isn't starting from zero this time.

But yeah, even with all this going in favour of MSE, there's no denying that some brutal realities could derail the whole plan.

For starters, the liquidity subsidies are temporary. The Liquidity Enhancement Scheme runs only until June 30, 2026. Once MSE stops paying market makers to provide quotes, we'll find out if traders actually want to use the exchange on their own. Will they stay, or will they drift back to NSE where volumes are guaranteed?

Second, NSE's dominance is almost unbreakable. NSE controls over 90% of India's equity and derivatives trading. This means that every trading algorithm, every broker's app, every institutional investor's infrastructure is built around the NSE. To challenge this, MSE doesn't just need to attract traders. It needs to become so essential that they can't ignore it.

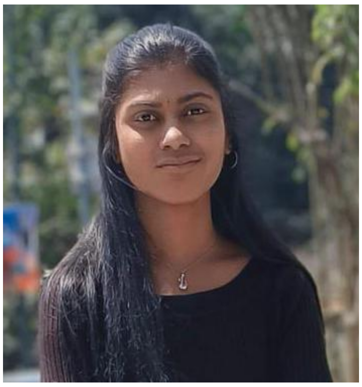
MSE might have to innovate relentlessly since it can't compete on volume. Instead, it might have to think on the lines of launching products and features that traders find valuable enough to use a second exchange. Maybe it's the Friday derivatives expiry, lower fees or something completely new. But without continuous innovation, MSE will find it hard to break out of its niche.

And finally, NSE and BSE won't sit idle. They're ultimately giants who will match MSE's products, improve their own schemes, and use their dominance to make MSE's life harder.

Which means that if MSE fails to win over even one of these challenges, it could risk remaining a small, subsidised also-ran stock exchange in an NSE-dominated market.

For now, we'll only have to wait and see if MSE can genuinely emerge as India's third national stock exchange, ending over 25 years of duopoly.

By Deekshitha P B



Update for the day #2657 | Titan's U-turn on lab-grown diamonds

Titan's stock ended the week by climbing up. And while Titan is a company of many things — watches, jewellery, eyewear, fragrances and accessories, this time, the market seemed to latch on to one unusual move.
A brand-new store called be Yon, which opened in Mumbai just a few days ago.

Now, if New Year celebrations kept you distracted, here's a quick brief. beYon is Titan's foray into the world of lab-grown diamonds (LGDs). And this isn't just a one-off experiment. The company plans to open more be Yon stores across Mumbai, take the concept to Delhi, and eventually branch out beyond jewellery into watches, perfumes, sarees, and handbags. In fact, it seems like a good reason why Titan's stock popped, even hitting its 52-week high. Because for the longest time, Titan was fairly unsure about placing its bets on LGDs.

If you've been reading us for a while, you might remember our story on Titan's American dream. Back then, we mentioned how, despite LGDs making up more than 20% of global diamond jewellery sales and being a popular choice for engagement rings in the US, Titan wasn't keen on including them in its North America expansion plans. The same caution showed up in India too. None of its jewellery brands Tanishq, Mia, Zoya, or CaratLane, offered an LGD range.

And that was likely because Titan wanted to protect its image as a premium lifestyle brand. LGDs, after all, are cheaper alternatives. And Titan didn't want to dilute its positioning by jumping in too early. So even as Trent or competitors like Senco and Malabar Gold & Diamonds moved in, Titan stayed calm and "not worried" about missing the bus.

But something has clearly shifted and Titan has finally said yes to lab-grown diamonds. Which makes you wonder, "What changed its mind?" To begin with, think about what's happened to gold prices in 2025. They've gone through the roof — up nearly 77% domestically. And when gold gets that expensive, people stop seeing it purely as something to wear and start treating it more like an investment.

That shift showed up clearly in Titan's jewellery business too. In its latest quarterly results, revenue grew 20% in Q2FY26, and EBIT (earnings before interest and tax) jumped 55% YoY. But despite that, buyer growth in the plain gold jewellery segment actually fell 11% YoY.

What changed was how people were buying. Customers leaned more towards coins, bullion, or studded jewellery. Coins and bullion make more sense if you're buying gold as an investment. And studded jewellery works better for weddings and festivals because it helps keep the ticket size manageable.

But here's the catch. Margins are much better on jewellery than on coins. Jewellery allows Titan to charge for design and craftsmanship, which means higher pricing power and better profits. Coins, on the other hand, are mostly about gold weight and leave little room for margins.

Now, when gold prices stay this high and you don't offer a cheaper alternative like LGDs, overall jewellery demand starts to feel the pressure. That's a real problem for Titan because the sub-₹50,000 price band has traditionally been its mass-market sweet spot.

So at around ₹1.3 lakh per 10 grams, a customer who once bought 10 grams of gold now ends up buying 5 grams, or maybe even less. Scale that behaviour across millions of customers, and you suddenly have a structural buyer acquisition issue.

This is exactly where LGDs come in. Because they're at least 40% cheaper than natural diamonds, they can comfortably sit in the sub-₹1 lakh segment. That helps Titan plug the pricing gap and pull back price-sensitive buyers who've effectively been priced out of gold.

The other issue sits at the very top end of the market. Customers who buy large natural diamond solitaires (₹2 lakh and above) usually see them as both jewellery and an investment. But lately, natural diamond prices have been volatile, and that's made many of these buyers uneasy. As a result, some are postponing solitaire purchases, while others are even shifting that money into gold, which feels safer and more predictable.

Now, this matters because solitaires carry very high margins. And the people who buy them are Titan's highest lifetime-value customers. That's one big reason why Titan stayed away from LGDs for so long. It didn't want to risk alienating this premium, high-margin customer base.

But if demand starts weakening here, Titan doesn't just lose sales. It risks losing its most profitable slice of business or the premium margin pool that does a lot of the heavy lifting. So, at this point, Titan can't simply say, "We want to stay premium", and leave it at that. Because sticking rigidly to that stance can actually become risky.

This is where LGDs are different. These aren't sold as investments at all. They're clearly positioned as consumption-led purchases. So, when Titan diversifies into LGDs, it doesn't carry the same risk as these buyers aren't worried about future price swings. In fact, this segment can help offset the slowdown among premium solitaire buyers who are currently holding back. And over time, some LGD buyers could even become occasional natural diamond buyers whenever prices cool off.

And finally, LGDs are a growing market not just because they're cheaper, but because they're also more sustainable. They don't involve digging deep into the earth or causing the kind of environmental damage that comes with traditional diamond mining. And that story matters, especially to younger buyers.

Now, this is where Titan's younger-facing jewellery brands like Mia and Zoya run into a problem. As gold prices keep climbing, it becomes harder for these brands to keep offering jewellery that feels affordable for everyday wear. Sure, Titan has started experimenting with 9-carat gold jewellery, which is just 37% gold, mixed with other metals like copper. But you can only take that route so far. You can't keep cutting gold content endlessly, because at some point, gold jewellery stops feeling like… gold jewellery.

This is where LGDs become the escape hatch. They give Titan a completely different differentiation angle — sustainability, transparency, ethical sourcing, all of which resonate strongly with Gen Z and millennials. And they do this without forcing Titan to overhaul its brand identity or wait for gold prices to cool off just to stay relevant in daily-wear jewellery.

But you might still have one last question. Won't this cannibalise Titan's natural diamond sales?

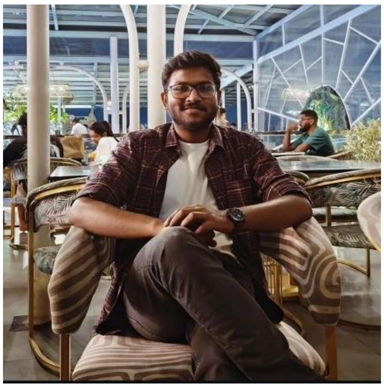
Probably not.

People who buy natural diamonds do so for a very specific reason — exclusivity. That's the whole point. And that mindset doesn't change just because a cheaper alternative exists. So a natural diamond buyer isn't suddenly going to switch to an LGD simply to save some money.

What LGDs really do is open up a brand-new slice of the consumer pie. A different segment, with different motivations, sitting alongside Titan's existing customers. That helps keep sales growing and profits balanced, especially at a time when both gold and natural diamond demand are under pressure.

And that, more than anything else, explains what may have finally changed Titan's mind about LGDs.

By Vignesh Kumar S



Update for the Day #2658| The economies behind a common language

Before the 18th century, the region we now call France didn't speak modern French. It was a mosaic of languages and dialects that had evolved from Latin over centuries. There were French dialects like Picard, Norman, and Occitan. And then there were entirely different regional languages such as Breton, Basque, and Alsatian. Each came with its own sense of identity. France, linguistically speaking, was anything but unified. However, in 1539, François I, the then King of France, signed the Ordinance of Villers-Cotterêts into law, mandating the use of French on all public documents.

And in 1882, the Jules Ferry laws prohibited the use of regional languages in schools, while providing free, secular education in France. This is widely considered to be the beginning of the decline of French regional languages.

Because, you see, post the French Revolution, a standard French language was mandated not just to build political unity, but to remake the economy itself. The revolutionaries argued that linguistic standardisation could lower barriers, align markets, and pull a fragmented country into a single unified nation.

Language is usually discussed as culture, identity, or emotion. But one can also look at it through an economic lens, as language behaves more like infrastructure. Much like roads, power grids, or payment systems, it determines who can interact with whom, how easily labour can move, how quickly skills transfer across regions, and how firms scale. In that sense, language really shapes access to markets and opportunities long before politics or governments enter the conversation.

A shared language reduces transaction costs across an economy, and communication becomes easier. Workers will find it easier to move across regions, firms spend less resources on training and translation, and ideas will spread faster between markets.

Over time, this improves productivity and allows capital to flow more freely, because information asymmetries are lower and integration costs fall. This is why large economies and even corporations tend to converge on a common working language, even when cultural diversity remains.

While all this is true, linguistic fragmentation performs a different economic function. It preserves local identity, social trust, and participation within communities. But it also raises coordination costs. Workers are more tightly bound to local labour markets, and productivity gains diffuse unevenly across regions. Growth still happens, but it happens in pockets rather than at scale.

Every large economy, therefore, faces an unavoidable trade-off between efficiency and inclusion. What makes language policy particularly sensitive is that this trade-off is rarely acknowledged in economic terms.

Instead, debates are framed almost entirely around politics, while the underlying costs remain implicit. Over time, those costs compound through wages, mobility, and economics.

Let's understand this with an example.

India illustrates this tension with unusual clarity because of our diversity. In a multilingual setting, the concept of linguistic distance becomes economically important. Linguistic distance refers to how easily speakers of one language can learn or understand another. Languages such as Bhojpuri or Haryanvi are structurally closer to Hindi, whereas languages like Kannada or Tamil are much farther away. This difference translates directly into learning costs.

When the official language imposed by the state does not match the local language, learning outcomes suffer. In fact, a study tracking Indian districts formed during colonial reorganisation showed lower literacy and graduation rates in linguistically mismatched regions. The same pattern appears globally. Immigrants exposed early to the dominant language perform better than those who are not. A common language can improve coordination and efficiency, but when it is enforced rather than chosen, behavioural responses like resistance and disengagement often undo those gains.

As a result, the economic burden of adopting a common language is not evenly distributed. Some groups face relatively low adjustment costs and gain quicker access to national labour markets and institutions. Others face higher costs in terms of time, effort, and foregone opportunities. These asymmetries shape this behaviour.

Groups that bear higher learning costs are understandably less willing to accept linguistic standardisation, not merely for cultural reasons, but because the economic burden falls disproportionately on them.

In this context, what often appears as resistance to a language is more accurately a resistance to unequal cost-sharing. The disagreement is not about communication itself, but about who pays for coordination and who benefits from it.

In France, for instance, there was a minor backlash from the priests for alienating Latin. This was because Latin was the official language of the Church and courts back then, and promoting French did not feel right to them. However, the masses did not mind because primary education in the standard French language was made free. In a country that was primarily engaged in farming back then, this was a significant economic incentive to formally educate their children.

In India, though, there is no such incentive to promote a single language across the entire country.

So, when such an incentive does not exist, and the linguistic gap is greater in certain states, language debates become emotionally charged because they map directly onto economic outcomes such as mobility, earnings, and access to capital.

At the same time, preserving local languages has its own economic value. Trust, participation, and social cohesion influence how local economies function. People are more willing to engage in economic systems they feel represented in, and exclusion can generate long-term inefficiencies through disengagement and political friction. Ignoring these effects can undermine growth even if short-term coordination improves.

The mistake lies in treating language as either a cultural issue or a growth issue. In reality, language choices involve a trade-off between near-term efficiency and long-term inclusion. Economies that prioritise coordination alone may unlock faster integration in the long term, but they accumulate exclusion risks that surface later. Economies that prioritise identity without coordination protect participation but limit their ability to scale.

While it worked for the French, the mistake is framing language as culture vs growth. Because in India, we are too big and diverse to just have one language. Our tradition, culture, and even food are linked to our mother tongue, which may differ significantly from one region to another.

However, in France, most languages came from just Latin. Add to this that France is a physically smaller country than India. So, their culture is not entirely different from region to region. At least, not as much as India.

Language, therefore, does more than shape communication. It influences how opportunity is distributed across an economy, affecting wages, mobility, growth, and access to markets. Treating language as purely cultural obscures these economic mechanisms, and that itself carries a cost. But that cost is worth it when the latter choice is preserving local languages and sustaining identity.

By Chelsea D'sa

Update for the Day #2659 | Increasing FEMA scrutiny on ODI, FDI layering, and round-tripping structures

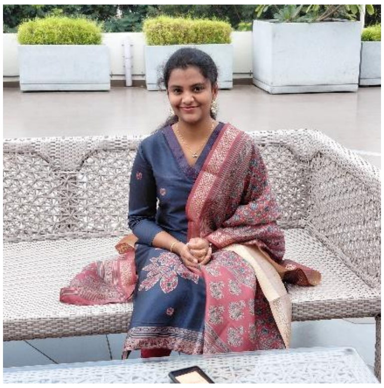
Increasing FEMA scrutiny on ODI, FDI layering, and round-tripping structures has entered a far more mature and unforgiving phase. What earlier operated in bank reporting, RBI filings, valuation reports, and tax disclosures is now being viewed as one connected data trail. Regulators are correlating ODI filings with downstream investments, tracing ultimate beneficial ownership, and matching timelines across jurisdictions to identify whether capital is genuinely moving outward or merely taking a circular route back into India.

What has changed materially is the shift in focus from legal permissibility to economic reality. Multi-layered structures involving intermediate jurisdictions are being tested on questions of control, funding source, and commercial rationale. Round-tripping concerns are being raised not only where money comes back directly, but also where it re-enters through debt, preference instruments, or downstream subsidiaries that blur the outward-inward distinction.

Another critical pressure point is valuation and timing. ODI and FDI transactions executed at sharply divergent valuations within short time spans are attracting attention, particularly where internal group entities are involved. Regulators are reading valuation reports alongside board minutes, shareholder agreements, and funding schedules to assess whether pricing reflects substance or convenience. Delays in reporting, inconsistent disclosures between AD banks and RBI, and retroactive clean-ups are now being viewed as risk indicators rather than procedural lapses.

For businesses, the implication is structural. FEMA compliance can no longer be treated as a filing exercise delegated to the end of a transaction. It needs to be designed into the transaction from day one. Fund flow mapping, control analysis, alignment between tax and FEMA positions, and contemporaneous documentation are becoming non-negotiable. The regulatory lens has widened, and once a structure is questioned, the review rarely remains confined to FEMA alone. In this environment, the strongest defence is not technical compliance, but a structure that can withstand a substance-driven narrative scrutiny.

By Sanjana SM



Update for the Day #2660| The DISCOM profit anomaly

Electricity, like air and water, is something you only notice when it disappears. Until then, we treat it as a given — a right, a necessity, something we're all entitled to. And to an extent, that's fair. The modern world simply doesn't run without it. We wouldn't be writing this story, and you wouldn't be reading it, without electricity flowing quietly through our devices every day.

And because of how essential it is, you'd assume regulation, policy, and groundwork would move in tandem — building a future where power cuts are rare, electricity distribution companies aren't constantly asking for handouts, and the system runs like a well-coiled machine. If only.

But the central government looked like it had enough of the constant losses, piling debt, and just the irregularities overall with the system. The DISCOMs (short for distribution companies) had a loss mountain that kept rising up and there seemed to be no end to the pile. To give you a clearer idea, the country's power distribution utilities recorded a net loss of ₹67,900 crores way back in 2014. This was a period when India's electricity demand was significantly lower than it is today, and the system was under far less strain. Things didn't look any better 2 fiscal years ago, when losses were still ₹25,500 crores. It was significantly lower, sure, but definitely big enough to cause a dent to the government's coffers.

That's why, back in October last year, the central government was considering another bailout for DISCOMs. It wasn't the first, and given the state of DISCOMs in India, it also didn't look like the last. Only this bailout was an eye-watering ₹1 lakh crore. But it wasn't going to come for free and it came with a lot of tough conditions.

Conditions that state DISCOMs had to meet if they wanted the bailout to clear piling losses. Some of them being privatization , handing over control or listing them on exchanges. Also, with the upcoming Electricity Amendment Bill, the decoupling of IEX and multiple bailouts, it looked like the government grew tired of saving DISCOMs from debt. We even did an explainer why India keeps having power cuts despite exporting electricity.

We've covered at length why India still has power cuts, why DISCOMs keep losing money, and why the way electricity is transmitted and distributed leaves these companies structurally disadvantaged. Which is why what happened next is so hard to ignore.

A couple of days ago, out of nowhere, these utility companies collectively posted a net positive profit after a decade. In a press release by the government, India's collective DISCOMs put together recorded a net profit of ₹2,701 crores. That's a rare sight. This result seems to clash with everything we know about India's power sector. So what changed?

If you've read our previous story, you'd understand that power cuts in India aren't about generating electricity. They're about how it's distributed.

For every kilowatt of electricity generated, it has to be moved, priced, billed, collected and accounted for. And in India, that entire chain is handled by state-run electricity distribution companies — DISCOMs. Losses, in some form, are built into the system: electricity lost in transmission, power sold below cost, subsidies that arrive late, and bills that are never fully collected.

Which is why DISCOMs turning profitable doesn’t suddenly mean power cuts have vanished or distribution losses have been solved. Those problems still exist. What’s changed is something else.

Now it’s time to read between the lines when the announcement says ‘profit’. If you look closely, it clearly shows that it’s the collective profit after tax (PAT) of all the DISCOMs, meaning they look good as a group overall. But there are still about 50 DISCOMs that are still in loss, so it’s not all green.

Now we know you’re probably thinking, ‘Hey, but power prices and in turn my electricity bills have gone up over the years. So why are they still under loss?’. And you’d be right partially, but the truth is retail consumers are just one part of the power story. Every major industry needs electricity — agriculture, construction, IT, manufacturing. Every single one of them. Some of them were heavily subsidized, which meant that utilities distributors had to sell electricity to them at a discount or expect delays in payments albeit with no consequences.

And that delay wasn’t just at the consumer level. When money didn’t come on time, DISCOMs didn’t receive payments, so they delayed it towards power generators. For years, this was allowed. Basically, customers could afford to delay payments because the DISCOMs could, and that number crept up to a worrying number — over ₹1,39,000 crores of unpaid dues in 2022. To make matters worse, there weren’t even late payment fees imposed.

Observing the industry operate like this, the central government brought down the hammer and the storm came with it. In October, a document by the Ministry of Power came out stating that DISCOMs would have to shed control to the private sector, or have themselves listed on the stock exchange in three years' time. Meet these requirements; you’d get the bailout. The timing wasn’t coincidental. Around the same time, the draft Electricity Amendment Bill was being floated around the country, open for public opinion. Something had to change and it had to happen fast.

And that ‘something’ for starters was closing long-ignored leaks, the biggest one being late payments.

For a long time, delayed payments were treated as an inconvenience, not a problem. And penalties existed on paper, but were rarely enforced. This meant that payment delays became routine.

That’s when Late Payment Surcharges stopped being optional.

Under the new rules, delayed payments automatically attracted penalties. Chronic defaulters risked losing access to fresh power. Old dues could no longer be endlessly rolled over. Once delay became expensive, behavior began to change. Outstanding dues to the power generating companies fell steadily to ₹49,400 crore by FY24, and further down to just ₹4,927 crore as of this month (January 2026).

But penalties alone weren’t enough. The real question was why DISCOMs suddenly cared about enforcing them when late payments were the norm.

That’s where the Revamped Distribution Sector Scheme (RDSS) came in.

Introduced back in 2022, the RDSS tied the future of DISCOMs to their present behavior. Access to nearly ₹3 lakh crore in central funding for infrastructure upgrades, smart metering, and network improvements was no longer guaranteed. It depended on meeting performance targets — reducing losses, narrowing the gap between costs and revenue, improving billing and collection, and maintaining payment discipline.

In other words, enforcing late payments wasn’t just about avoiding penalties anymore. It became a prerequisite for survival.

Once future funding depended on clean books, DISCOMs could no longer afford to tolerate delay — whether from consumers, government departments, or state agencies. Subsidies had to be accounted for transparently. Bills had to be collected. And money had to move through the system on time. That’s when enforcement stopped being selective and started becoming systemic.

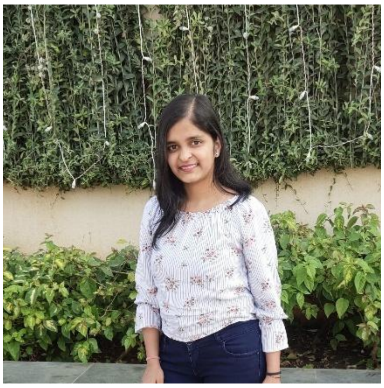
The Average Cost of Supply–Average Revenue Realized (ACS–ARR) losses declined steadily. This simply tells you how much money DISCOMs lose between buying power and getting paid for it. That number shrank to ₹0.06 per kWh from ₹0.78 per kWh.

And once all these initiatives started moving together, the numbers finally reflected it. Cash flows stabilized. Losses stopped compounding. And for the first time in over a decade, profits appeared.

But this is where the anomaly becomes clear. None of this automatically means that DISCOMs have become structurally efficient. Instead, it shows that with incentives, enforcement, and accounting rules combined, the bleeding slowed enough for profits to appear.

Now with talks that the upcoming Budget session would bring up the Electricity Amendment Bill, we’ll know soon if the recent reform of utilities distributors can alter some rules, or if the old rulebook will be completely replaced by the new one. And who knows, India might finally have summers with power supply that’s less fragile.

By Vandana M Panwar



Update for the Day #2661| Indians and Stock Market Investments

Earlier this week, SEBI released a detailed investor survey on retail investor participation. And beneath all the charts, tables, and segmentation, the regulator was circling around a deceptively simple question.

Why has investor awareness failed to convert into sustained participation, even after a decade of digital and regulatory reforms?

You see, the premise behind India's market-building effort has been straightforward. If markets are made accessible, affordable, and safe, people will eventually participate. And over the years, SEBI has done much of the heavy lifting. Digital KYC reduced onboarding friction. Settlement cycles became faster. Broker norms were tightened. Disclosures improved. Grievance redressal systems were strengthened.

On paper, the foundations look solid. And yet, participation remains low. For context, SEBI's survey found that only 9.5% of Indians actually invest despite 63% of them being aware of the stock market. That's based on a sample of 90,000 Indian households.To put this in perspective, roughly 55% of households in the US are directly invested in the stock market. In Vietnam, the number is around 16%.

But in India, the disconnect is stark. It's more like people know markets exist. And many have even engaged briefly. But most either stay out or drift away after entering.

Why?

Well, that's the puzzle SEBI is trying to solve.For instance, it has been found out from the survey:

1.Key barrier to investing in securities market products are complexity and information gaps (74%), risk and return concerns (73%) and trust and transparency issues (51%)

2. Across securities, the strongest motivators for non-investors are ease of processes (73%) and Education and Information (62%), followed closely by cost efficiency (61%) and trust/ assurance (58%)

3. Digital media dominates awareness among non-investors, with social media (56%) as the leading channel across products. At the same time, television (40%) continues to play a strong role – especially for MFs and Corporate Bonds – showing that mass media still matters for credibility and reach

The instinctive explanation for this is fear. Indians are risk-averse. Markets are volatile. People prefer safety. There is some truth to this. But the survey points to a more uncomfortable explanation. The biggest barriers are not access or even expected returns. They are complexity and confusion. Many households don't feel equipped to navigate markets on their own. They don't know how to start, whom to trust, or what "normal" behaviour looks like once money is invested. And when volatility shows up, as it inevitably does, the default response is to step back rather than stay invested.

In that sense, awareness hasn't failed. Capability has.

And by capability, we mean what's missing isn't information, but the mental models, and decision frameworks that help people act under uncertainty and stay invested when outcomes don't move as expected.

Now you'll say that digital reforms made investing easier to enter the markets. Discount-brokerage apps such as Zerodha, Upstox & Groww replaced intermediaries. As a result, processes became faster, but reassurance thinned out to an extent.

And you're right. But then you'd also agree that investors are now expected to make decisions continuously, interpret outcomes independently, and process a constant stream of information coming from apps, social media, and financial influencers.

For many people, this is overwhelming. And often unnecessary.

Over time, this cognitive overload runs into a deeper reality. As incomes rise, money stops being only about safety and starts being about progress. Better housing. Mobility. Education. Experiences. Freedom. But for a large section of the population, those goals increasingly feel out of reach through slow, conventional savings alone.

Which means that the markets get framed in two extreme ways. For some, the stock market stops looking like a normal place to save and grow money. It starts looking either like a shortcut to get ahead quickly or a gamble where getting one call wrong can set you back for years.

Sure, SEBI can regulate products, platforms, and intermediaries. But it cannot regulate how people perceive uncertainty, how they process losses, or how comfortable they feel with financial ambiguity.

That is why the gap persists. Even though people know that the markets exist, they don't feel comfortable living with them.

Another interesting thing about the investor survey is that it challenges a long-held belief in Indian market policy. That building access and protection is enough to build participation. However, it isn't.

India's stock market problem is not a lack of awareness. But a lack of confidence, clarity, and continuity. People need markets that feel navigable before they invest, understandable while they are invested, and survivable when things go wrong.

This also explains familiar patterns of why participation spikes briefly and then fades, such as what we saw right after COVID. So, if SEBI wants broader participation, investing shouldn't feel like a second job that demands constant attention and decision-making. It should fit into everyday life, where people can invest, step away, and still feel confident that they are doing something reasonable.

So, what can we do about this? Well, remember we referenced earlier that the participation of Americans in the stock market is 55%? That's not an accident, and not because the US is a developed economy. At least not entirely.

A large share of this participation comes through retirement accounts like 401(k)s and IRAs (Individual Retirement Arrangements), rather than direct investing. For the uninitiated, a 401(k) is an employer-sponsored retirement savings plan where employees set aside a portion of their pay, usually with an employer match, into a retirement fund that's automatically invested in diversified stock portfolios or mutual funds.

And while 401(k) participation isn't mandatory, automatic enrolment and tax incentives have made equity ownership the default for millions of workers. So if India wants to raise long-term market participation meaningfully, it will likely need a comparable retirement-linked investment framework, where investing happens by default rather than by choice.

Now, you might say, "Well, Finshots. We already have the EPF & NPS in India. Is that not equivalent to the 401k?"

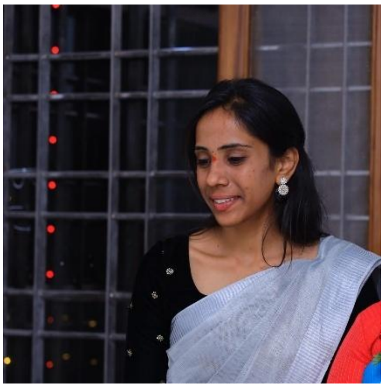
Sure, but there are a few key differences.

Firstly, your EPF money doesn't go directly into stocks. It's invested in ETFs (Exchange Traded Funds or market-linked instruments) and mostly in government bonds and fixed securities. NPS, on the other hand, does invest a portion of your money in stocks. But that depends on your choice. You can aggressively allocate your NPS savings to equities or stay away from stock market exposure altogether.

Secondly, if you're a salaried employee, you're automatically enrolled in EPF. NPS is optional unless you're part of the public sector. In contrast, in the US, employees are enrolled in a 401(k) by default and have to actively opt out if they don't want it. You can also invest 100% of your contributions in the markets, tax-free.

That isn't the case in India. Here, you usually have to opt in, and that extra friction makes investing that much harder. Because until investing feels like something you are incentivised to do, awareness alone will keep hitting a ceiling.

By Sneha D V



Update for the day #2662 | MSME Loan Relief: What's Really Happening?

On 19 September, the Finance Ministry made a quiet but important request. Public sector banks were asked not to classify stressed MSME loans as NPAs until March 2020, and instead work on recasting and restructuring the debt.

On paper it sounds technical. In reality, it's an admission that a large part of the MSME ecosystem is struggling to stay afloat. If a small or medium enterprise has stopped servicing its loan, banks don't have to formally acknowledge it as a bad loan just yet. The business gets time. The bank gets breathing room.

To understand why this matters, it helps to look at how we got here.

For much of the past decade, MSMEs have operated under increasing pressure. After demonetisation and the rollout of GST, that pressure intensified. Cash flows tightened. Compliance costs rose. Margins thinned.

Many businesses responded the only way they could, by borrowing more.

Borrowing works as long as growth follows. But when the slowdown deepens, a different pattern.

Interest is paid by taking fresh loans. Debt compounds. And one day, repayment simply stops.

That's the point where the system breaks.

Once an account is classified as an NPA, banks stop lending. Formal credit disappears overnight. Informal finance is rarely large or cheap enough to help.

For most MSMEs, this is where survival ends.

The government's intervention recognises that this isn't an isolated problem. There are thousands of MSMEs on the edge, with nearly ₹80,000 crore of stressed loans. A mass collapse would ripple through employment, supply chains, and bank balance sheets.

But delaying recognition doesn't make the risk disappear.

If these businesses recover, the strategy works. If they don't, banks may end up carrying an even larger stock of problem loans later. This brings us to the exit strategy.

In the Economic Survey, former CEA Arvind Subramanian outlined two possible outcomes.

The Phoenix scenario assumes recovery. Economic conditions improve. Businesses stabilise. Loans are repaid.

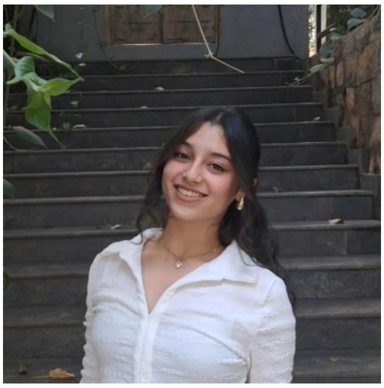
The Containment scenario is less optimistic. Some MSME stress persists, but strong overall growth allows banks to dilute the damage through healthier lending elsewhere.

If neither materialises, the problem compounds, until it cannot be ignored.

A related reminder of why early recognition matters came from the Punjab and Maharashtra Co-operative (PMC) Bank scam (2019) case, where exposure of around ₹6,500 crore to Housing Development and Infrastructure Limited, over 70% of the bank's loan book, went undisclosed for years.

Bottom line, this measure buys time. What it ultimately delivers depends on economic recovery, disciplined restructuring and better credit governance.

By Asmi Shenoy



Update for the Day #2663 | The Shock That Sent Gold Soaring

The gold surge of early 2026 didn't arrive quietly—it crashed into the global system like a warning siren. What began as unsettling headlines quickly became a full-blown market awakening. Trade wars reignited, geopolitical fault lines widened, and supply chains once again looked fragile. As tariffs returned and global tensions flared, investors sensed that inflation, currency volatility, and policy uncertainty were no longer distant risks. Gold, long treated as a quiet hedge, erupted past $5,000 an ounce, not because it suddenly became more valuable, but because everything else felt less reliable.

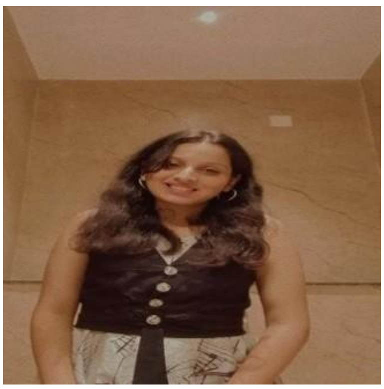
This rally was powered by more than fear—it was fueled by momentum and mistrust. Central banks, particularly in Asia, had already been accumulating gold steadily, signaling a slow but deliberate shift away from currency dependence. Social media turned price charts into viral proof of instability, transforming gold from a defensive asset into a self-reinforcing phenomenon. Silver's explosive rally added to the frenzy, making the move feel less like caution and more like a collective rush.

The effects rippled far beyond trading desks. For households, gold suddenly became a double-edged sword. Those holding gold felt unexpectedly secure, even prosperous, as long-term savings swelled in value. Jewellery prices soared, wedding budgets stretched, and inflation anxieties deepened as gold's rise echoed a broader loss of confidence in purchasing power.

Governments could not ignore what the markets were shouting. A runaway gold rally raises import bills, pressures the current account, and complicates inflation control—especially in gold-loving economies like India. As policymakers look toward the upcoming Union Budget, gold's surge becomes more than a market event; it becomes a policy challenge. Expect sharper focus on curbing physical imports, encouraging paper gold, and balancing fiscal prudence with public sentiment that increasingly views gold not as luxury, but as insurance.

Ultimately, gold's historic surge tells a deeper story. It reflects a world where trust in stability—economic, political, and monetary—has thinned. When gold stops whispering and starts shouting, it isn't forecasting a single crisis. It is revealing a collective fear that uncertainty itself has become the new normal.

By Aditi Gadiya



Update for the Day #2664 |Leadership Change at Eternal: Why the Market's Reaction Was So Mixed

On Wednesday, Deepinder Goyal announced that he will step down as CEO of Eternal effective 1st February. In his letter to shareholders, Goyal said he wants to pursue experimental ideas that are better explored outside Eternal's core business. Subject to shareholder approval, he will continue as Director and Vice Chairman, so this isn't a complete exit.

The announcement came after market hours on a day when the stock had already risen ~5% on expectations of strong Q3FY26 results. While the stock initially touched a two-month high, it later reversed course and ended the next day down over 2.5%, with further weakness thereafter. Clearly, the market was conflicted.

Q3FY26: Strong on the surface, nuanced underneath

Eternal reported a solid quarter:

Revenue grew 20% QoQ to ₹16,315 crore

EBITDA jumped 54% QoQ to ₹368 crore, beating estimates

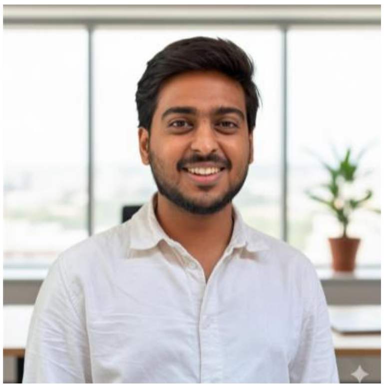
Margins improved to 2.2% from 1.7%

Net profit rose 57% QoQ to ₹102 crore, though it missed estimates

Year-on-year comparisons, however, are distorted. Blinkit shifted from a marketplace model to an inventory-led model starting Q1FY26. Earlier, Blinkit earned only a commission on orders. Now, it books the full order value as revenue. This mechanically inflates revenue and EBITDA growth, making headline YoY numbers look more dramatic than the underlying improvement. In fact, net margins have softened from ~1% last year to ~0.6% this quarter.

Over time, investors tend to associate a company's success closely with its founder — a cognitive bias known as the halo effect. Goyal took Zomato from zero to scale, expanded it into multiple verticals like Hyperpure, Blinkit, and District, and built Eternal into a diversified platform. Naturally, much of the company's success is attributed to him personally.

By Manjunath A S



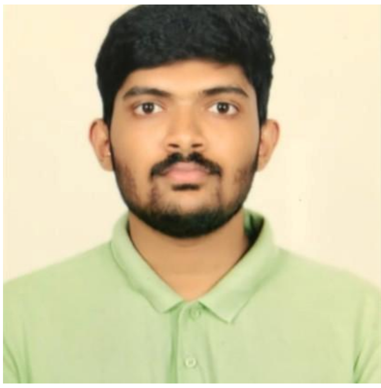
Update for the Day #2665 | Black Money (Undisclosed Foreign Income and Assets) Act, 2015 & Disclosure of Foreign Assets

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to curb tax evasion involving foreign income and assets and to bring undisclosed offshore wealth into the tax net. The Act applies primarily to Indian residents who hold foreign income or assets that have not been disclosed to Indian tax authorities. Under the Act, undisclosed foreign income or assets are taxed at a flat rate of 30% of their value. In addition, a penalty equal to three times the amount of tax (i.e., 90%) is levied. Consequently, the total tax and penalty together amount to 120% of the value of the undisclosed foreign asset or income, making the law extremely stringent.

Apart from monetary penalties, the Act also provides for severe prosecution provisions. Willful failure to disclose foreign income or assets can result in rigorous imprisonment ranging from 3 to 10 years, along with a fine. Even for non-filing of return in relation to foreign income or assets, imprisonment of 6 months to 7 years may be imposed. A crucial compliance requirement is the disclosure of foreign assets in Schedule FA of the Income Tax Return (ITR). This includes foreign bank accounts, equity shares, ESOPs, financial interests, trusts, immovable property, and other overseas assets. Importantly, disclosure is mandatory even if the asset does not yield any income during the year.

Failure to disclose foreign assets in the ITR also attracts a separate penalty of ₹10 lakh under the Black Money Act, subject to limited exceptions (such as small balance bank accounts). The law is further enforced through international information-sharing arrangements like CRS and FATCA, which provide the Indian tax authorities access to overseas financial data. Overall, the Black Money Law underscores India's strict approach toward undisclosed foreign assets, combining high penalties, prosecution, and global cooperation to ensure compliance and transparency.

By Darshan Y C



Update for the Day #2666 | Is India’s startup ecosystem playing it too safe?

I came across an interesting discussion regarding Commerce Minister Piyush Goyal’s comments at the Startup Mahakumbh. He raised a provocative point: while Indian startups are succeeding in consumer convenience (quick commerce, fantasy sports, etc.), are we lagging in "Deep Tech" innovation compared to global peers like China?

The Contrast with China: While India has mastered the art of consumer apps, China has spent the last decade building a state-led ecosystem focused on breakthroughs in:

1.AI: Open-source models (like DeepSeek) rivalling GPT-4.

2.Semiconductors: Domestic GPU development to reduce reliance on Nvidia.

3.EVs & 3D Manufacturing: Creating software-first vehicles and reducing drug development timelines via AI.

The Structural Gap: The article highlights that this difference isn't just about founder mindset; it’s about structural support.

1.Government Backing: China’s ‘Made in China 2025’ initiative included massive R&D tax cuts ($80.7B in 2024 alone) and direct state procurement of deep tech products.

2.Financial Muscle: China’s R&D spending hit $496 billion in 2024, compared to India’s ₹20,000 crore allocation. This is largely driven by a tax base over 5x the size of India's.

3.Talent Pool: China currently has 2.5x more R&D workers than India.

The "Atmanirbhar" Challenge: Moving from consumer tech to deep tech is difficult when we are still dependent on imported high-performance chips and components. While initiatives like the "India AI Mission" (₹10,000 crore) are a start, bridging the gap requires a massive overhaul in how we fund risk and develop R&D talent.

By Akshay A

Update for the Day #2667 | The Economic Survey 2026 explained

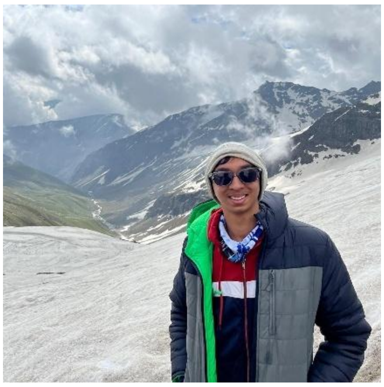
Ahead of the Union Budget, the latest Economic Survey provides an overview of India's economic performance and highlights emerging global and structural risks. India's GDP growth for FY26 is estimated at **7%**, higher than earlier projections and significantly above growth rates in most advanced and developing economies. This marks the fourth consecutive year that India has remained the fastest-growing major economy.

On the external front, exports of goods and services have shown resilience, with services exports — particularly IT and business services — playing a key role in cushioning volatility in global goods trade. From a supply-side perspective, services remain the largest growth driver, followed by a pickup in manufacturing, while agriculture has provided stable support. However, despite these positive macro indicators, financial market signals have been more cautious

The Survey notes that in a global environment marked by geopolitical tensions, trade uncertainty, and tighter financial conditions, strong domestic fundamentals alone are no longer enough to ensure currency stability or steady capital inflows. A key structural issue flagged is India's continued dependence on foreign capital, driven by persistent goods trade deficits. While services exports and remittances provide important support, they do not generate foreign exchange at the same scale and stability as manufacturing-led exports. This dependence makes the economy more vulnerable during periods of global risk aversion and contributes to relatively higher borrowing costs.

Accordingly, the Survey emphasizes the need to scale up globally competitive manufacturing, deepen integration into global value chains, and avoid excessive protectionism that can reduce efficiency and export competitiveness. Trade agreements such as the proposed India–EU FTA are viewed as steps toward improving productivity, competitiveness, and long-term external resilience. In summary, while India's growth outlook remains strong, the Survey underscores that long-term stability will depend on reducing external vulnerabilities and strengthening the manufacturing base alongside services.

By Anjan Talanki



Update for the Day #2668 | Free Trade Agreements in the Current Geopolitical Environment: A Strategic Perspective

In recent years, Free Trade Agreements (FTAs) have assumed greater strategic importance amid rising geopolitical uncertainties. According to the World Trade Organization (WTO) and the International Monetary Fund (IMF), global trade is increasingly influenced by geopolitical tensions, including the US-China trade disputes, the Russia–Ukraine conflict, and disruptions to key maritime trade routes.

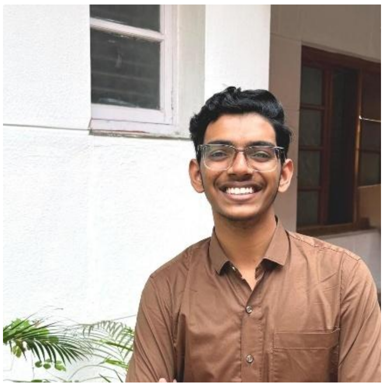
Modern FTAs now extend beyond tariff liberalization and increasingly focus on supply chain resilience, digital trade, investment protection, and regulatory cooperation. The OECD notes that countries are using FTAs as tools of economic diplomacy to align trade relationships with strategic and security considerations. This shift reflects a move away from pure cost-based globalization towards a model prioritizing stability, diversification, and trusted partnerships.

India's recent trade policy illustrates this evolving approach. As highlighted by the Ministry of Commerce & Industry, Government of India, agreements such as the India-UAE Comprehensive Economic Partnership Agreement (CEPA) and the India-Australia Economic Cooperation and Trade Agreement (ECTA) are designed to enhance market access while safeguarding domestic interests. Ongoing negotiations with the UK, EU, and EFTA countries further demonstrate India's intent to integrate into global value chains without compromising strategic autonomy.

From a business perspective, these geopolitical and trade developments have direct implications. The World Bank has observed a growing trend of "friend-shoring" and supply chain re-alignment, with companies seeking production and sourcing options in geopolitically aligned countries.

In conclusion, FTAs in the current geopolitical climate are no longer purely economic instruments but strategic frameworks shaping global trade and investment flows. Businesses and policymakers that closely track geopolitical developments and understand the strategic intent behind FTAs will be better positioned to manage risks and capitalize on emerging opportunities in an increasingly fragmented global economy.

By Naveen Kumar



Update for the Day #2669 | Why are Indians scared to invest in the stock market?

Recently SEBI released a detailed investor survey on retail investor participation. And beneath all the charts, tables, and segmentation, the regulator was circling around a deceptively simple question.

Why has investor awareness failed to convert into sustained participation, even after a decade of digital and regulatory reforms?

You see, the premise behind India's market-building effort has been straightforward. If markets are made accessible, affordable, and safe, people will eventually participate. And over the years, SEBI has done much of the heavy lifting.

Digital KYC reduced onboarding friction. Settlement cycles became faster. Broker norms were tightened. Disclosures improved. Grievance redressal systems were strengthened.

On paper, the foundations look solid. And yet, participation remains low. For context, SEBI's survey found that only 9.5% of Indians actually invest despite 63% of them being aware of the stock market. That's based on a sample of 90,000 Indian households.

To put this in perspective, roughly 55% of households in the US are directly invested in the stock market. In Vietnam, the number is around 16%.

But in India, the disconnect is stark. It's more like people know markets exist. And many have even engaged briefly. But most either stay out or drift away after entering.

Why?

Well, that's the puzzle SEBI is trying to solve.
The instinctive explanation for this is fear. Indians are risk-averse. Markets are volatile. People prefer safety. There is some truth to this. But the survey points to a more uncomfortable explanation.

The biggest barriers are not access or even expected returns. They are complexity and confusion. Many households don't feel equipped to navigate markets on their own.

They don't know how to start, whom to trust, or what "normal" behaviour looks like once money is invested. And when volatility shows up, as it inevitably does, the default response is to step back rather than stay invested.

In that sense, awareness hasn't failed. Capability has.
And by capability, we mean what's missing isn't information, but the mental models, and decision frameworks that help people act under uncertainty and stay invested when outcomes don't move as expected.

Now you'll say that digital reforms made investing easier to enter the markets. Discount-brokerage apps such as Zerodha, Upstox & Groww replaced intermediaries. As a result, processes became faster, but reassurance thinned out to an extent.

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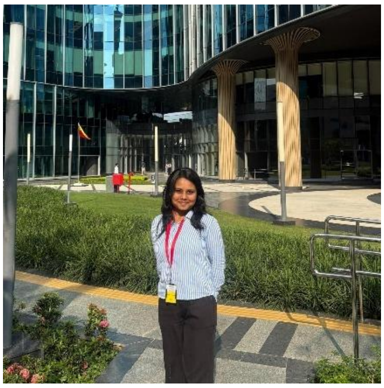
By Manya D



Update for the Day #2670 | The Race Between Gold and the Stock Market

In the world of investments, one race has never slowed down—the race between gold and the stock market. Each represents a different philosophy of wealth creation, and each responds uniquely to the changing economic landscape.

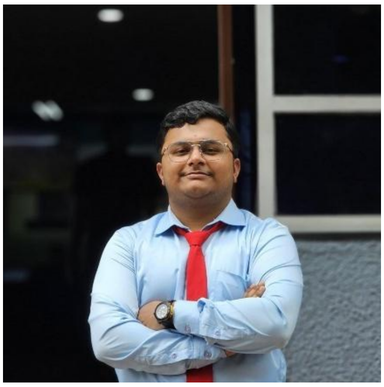
The stock market thrives on growth, innovation, and optimism. When businesses perform well, profits rise, and investor confidence is strong, stocks surge ahead. They offer the potential for high returns, making them attractive during periods of economic expansion. However, this speed comes with risk. Market crashes, interest rate hikes, geopolitical tensions, and corporate failures can quickly wipe out gains, reminding investors that stocks are closely tied to uncertainty.

Gold, on the other hand, runs a different race-one of stability and preservation. It does not depend on company earnings or economic cycles. When markets fall, inflation rises, or currencies weaken, gold often gains strength. Investors turn to it as a safe haven, trusting its intrinsic value built over centuries. While gold may not always deliver rapid returns like stocks, it provides protection when financial markets lose balance.

As economies grow, stocks often take the lead. But when fear enters the market, gold catches up—and sometimes overtakes. This constant shift keeps the competition alive, with investors reassessing their positions based on risk appetite and market conditions.

In the end, the race between gold and the stock market has no single winner. Stocks represent growth and opportunity, while gold symbolizes security and resilience. Smart investing is not about choosing one over the other, but about knowing when to run with growth and when to seek safety. In an unpredictable world, both remain essential contenders in every investor's portfolio.

By Akash R



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