

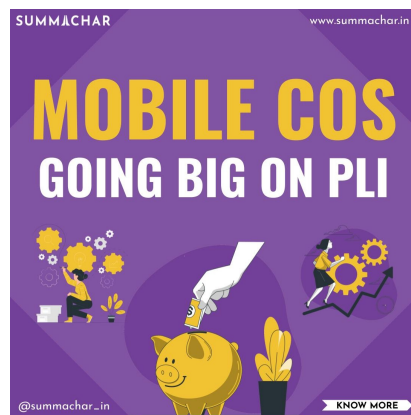
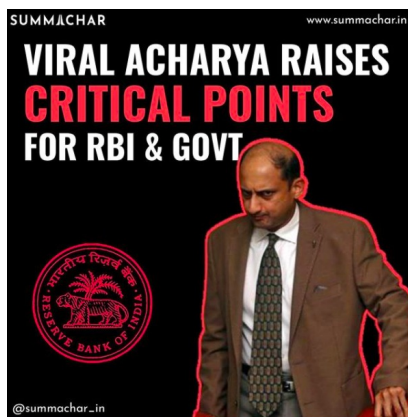
SUMMACHAR

BUSINESS NEWSLETTER

Hey Reader!

Risk Guru & Essayist Nassim Nicholas Taleb wittily once said, "**Never cross a river if it is on average four feet deep.**"

In the 5th edition of our newsletter, we'll highlight the 4 important business stories which were hard to miss for Team Summachar last week. We will tell you about what Viral Acharya has to say about RBI and the Govt.; An insight on REITS & Mindspace IPO; Entry of Private players in the Indian Space; The PLI Scheme.



1. Viral Acharya becomes talk of the town with new book

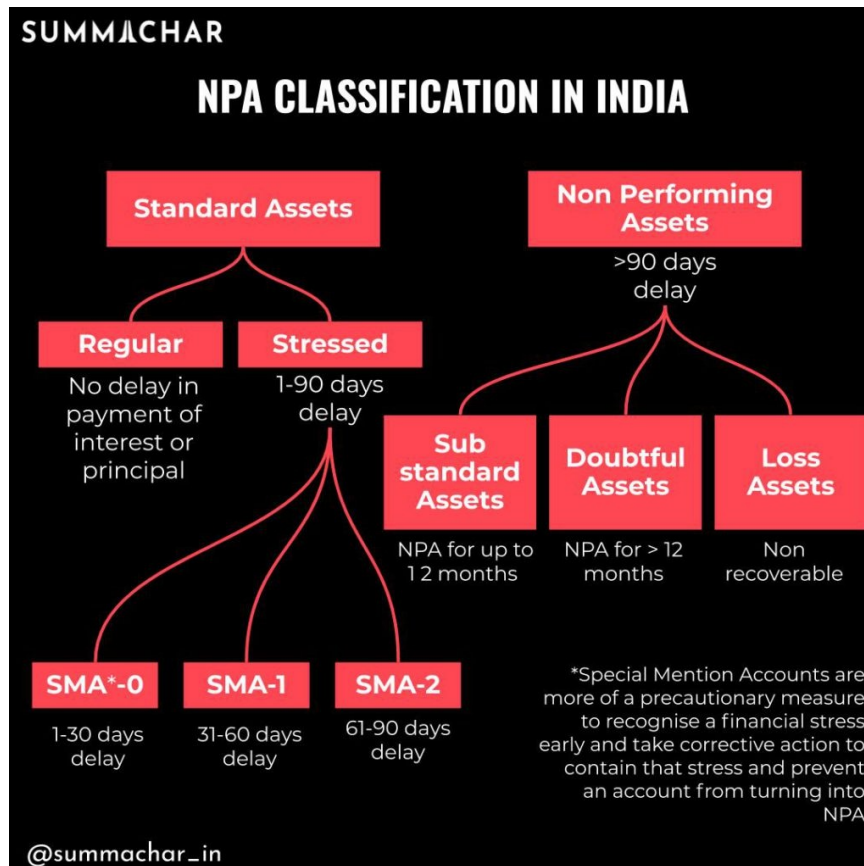
August 1

Former RBI Deputy Governor Viral Acharya has recently launched his book "**Quest For Restoring Financial Stability In India**". He talks about how fiscal dominance in India has become a mainstream practice and critically analyses RBI's functioning and the central bank's relationship with the government. But what does this mean for us?

- **Fiscal dominance** is a situation in which the government has high debt and deficit. Due to limited funds, they are unable to recapitalize public banks when they have to recognize bad loans in the books. Instead, the government pressurizes RBI to ease credit norms so that banks can avoid NPA recognition. (Effectively, keeping the house clean by shoving all the dust under the carpet.)

But what's an NPA?

- **NPA or Non-Performing Asset** is a loan or advance for which the interest payment remains overdue for a period of 90 days.
- The growing NPAs during Covid-19 would be a concern as they shall rise to ~12.5%, i.e. of the ₹100 loans given by a bank, ₹12-13 would be unrecoverable and banks will have to set aside a provision for the bad loan.
- In an interview with India Today, Viral Acharya criticized the practice of **evergreening of loans** in India, which means:
Mr. A took a loan of ₹10 lakh but is now unable to pay back the principal amount and/or interest. Now, Mr. A may take an additional loan to pay off the interest, or principal and interest both. Banks allowed this practice because that particular loan would not have to be categorized as an NPA and hence, no provision amount needed to be set aside.



Did you know? “Yaadon Ke Silsile” is a music album by Viral Acharya. The funds raised through the album were funneled into charity, **Pratham**, which works to educate children.



2. What's with REITs And Mindspace IPO?

August 1

Mindspace Business Parks **Real Estate Investment Trust** (REIT) announced to go public, for raising a sum of **₹4,500 crores**. Till now Embassy Office Parks was India's only listed REIT. So what are REITs? How do they function?

- Generally, **real estate investment** requires large sums of money to be invested for a long period of time i.e 5-10 years or more.
- The **bottleneck** with such an investment is that if in times of need someone wants to sell it, it would be seldom sold quickly and without incurring a price reduction. So investors' money remains blocked for a long time. REITs come into the picture here

to make real estate investment more liquid and affordable.

- An **REIT** is a company that **owns, operates, or finances income-generating real estate**. They pool units of a portfolio of real estate assets, just like mutual funds and allow investors to invest in parts of it through stock or share in the portfolio.
- The upside for investing in REITs is that their dividends are not taxed in India. Moreover, an investor gets a share in the profit earned through real estate investment, with the minimum subscription amount to invest being reduced from ₹2 lakh to ₹50,000.

So what do experts have to say about Mindspace's move?

Mindspace is raising money for the underlying asset of **Business Parks** in India. Experts say that at a time when Work From Home is becoming the new normal, Mindspace IPO is a **wrong offer at the wrong time**. Then again, the IPO was oversubscribed 13 times. So it could be because investors demand such products for diversifying their portfolio.

Did you know? REITs were **created in the US** after President Dwight D. Eisenhower signed **Public Law 86-779** or the Cigar Excise Tax Extension of **1960**.

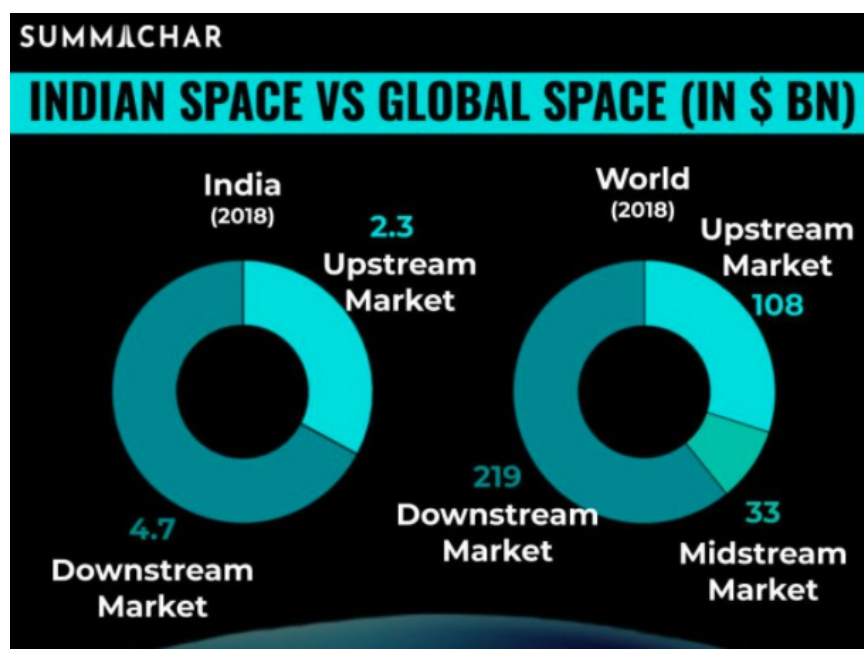


3. Race for building Space Tech Startups begins in India

August 3

The Indian Government has opened the space sector for private players with the setup of **Indian National Space Promotion and Authorization Center (IN-SPACe)**. Naturally many startups are planning to increase their **R&D** and take a lead in the global market. The launching process and space exploration contribute only **10%** in the space economy. This leaves a huge **90%** for private players. So what can they do now?

- Private companies will be allowed to access remote sensing data except for **strategic remote sensing data**.
- They can apply for **using ISRO facilities**. Their application will be accepted and studied on a case by case basis and ISRO will continue to focus on space exploration, innovation, and research and development.
- Some of the Indian startups in this space are **Agnikul Cosmos, Skyroot Aerospace, Bellatrix Aerospace, Pixxel** and **Blue Sky Analytics**.



Did you know? The **Thumba Equatorial Rocket Launching Station (TERLS)** is an Indian spaceport established on 21 November **1963** by ISRO, for launching sounding rockets.



4. PLI Scheme announced to make India self-reliant in trade and commerce

August 6

India is adopting aggressive strategies to make itself independent in terms of trade and commerce and subsequently reducing imports from foreign countries. This would make us emerge as one of the **mobile components and electronic parts manufacturing hubs** in the world. **Production Linked Incentive (PLI)** Scheme has become a centre for attraction subsequently. Let's take a deeper look as to how it has gained traction and why it will benefit us.

- Electronics manufacturing companies making **mobile phones and electronic items** like transistors, diodes, thyristors, resistors, capacitors, and nano-electronic parts will be given **4-6% incentives**.
- Creation of **3 lakh direct jobs** and **3x more indirect jobs**.
- Integral Investments worth **6000 crores** would be done over a period of **4 years** in **R&D, ToT (Terms of Trade)**, etc.

How do they plan to execute this, you may ask? Well, a nodal agency called **Project Management Agency (PMA)** will be established. **The Ministry of Electronics and Information Technology (MeitY)** will assign tasks and responsibilities to this PMA. Then this scheme will be implemented for **5 Years**. **FY 2019-20** will be taken as the base year, with total incentives of **₹40,951 crores** being given out and mobile phone production would be increased to a worth of at least **1.5 lakh crores**.

Did you know? **Steve Jobs**, the co-founder of Apple Inc., suffered from **koumpounophobia** (phobia of buttons), which some speculate, started the trend of touch screens and virtual keyboards in the design of his devices.



To read all our stories of the week, visit www.summachar.in. If you prefer to consume news in infographics, check out our awesome [Instagram page](#).

Infographic of the Week

AMOUNT OF UPI TRANSACTIONS (IN ₹ LAKH CRORES)



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One of you can be our Featured Face

We are super excited to share with you a new section wherein one of you awesome people would get a chance to be a trivia ninja! You just have to answer the question below and send the reply on this same email id. We will tell you if you have got it right or not. The **fastest reply would be featured in the next newsletter!**

Q: This is the Exhaustive list of what?

Ecuador, Colombia, Brazil, Sao Tome & Principe, Gabon, Republic of the Congo, Democratic Republic of the Congo, Uganda, Kenya, Somalia, Maldives, Indonesia and Kiribati.

We have collaborated with these colleges and institutes for our newsletter! Let us know if you want your college or organization to be a partner.



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