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SUMMACHAR

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**FOR THE FIRST TIME IN HISTORY,
WATER TRADING ON
WALL STREET**



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**HOW DO
IPOs
WORK?**



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**PROPOSED WAGE BILL MAY
REDUCE YOUR TAKE HOME SALARY**



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**OLA ANNOUNCES LARGEST
E-SCOOTER PRODUCTION
FACILITY IN INDIA**



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1 For The First Time In History, Water Trading On Wall Street

Back in September 2020, CME – world’s largest futures exchange – had announced that soon Water Futures, linked to the \$1.1 billion California spot water market, would be launched. And now, water has officially started trading on the Wall Street for the first time in history. But what caused this move?

Water Trading On Wall Street

- **Water Futures** will enable traders to hedge against, or bet on the potential for water scarcity.
- There is speculation that the high-profile investor Michael Burry, of “The Big Short”, is eyeing to invest in this water contracts.

What Is A Futures Contract Though?

- An **agreement** to buy or sell an asset, like water, at a specific time in the future at an agreed-upon price is known as a futures contract.
- Oil, precious metals, food commodities, natural gas, even electricity, etc have historically been traded via Futures Contracts.

How Will Water Be Traded?

- An acre feet is the amount of water it takes to cover an acre over land in one foot of water. One contract would represent **10 acre feet** of water – a contract's price will be determined by demand and supply of the underlying asset, water.
- In metric system, it is equal to the amount needed to cover **40,468 square metres** in about 30 cm of water.

Climate Change

- Scientists and advocates for action against climate change have warned about the potential of water to create **wars** between countries.
- Water demand for drinking, household purposes, agriculture, energy, and in developing cities is increasing with each day.
- Looking at the availability of less freshwater on the Earth, it is likely that in the coming times water contracts may have **huge value**.

Did you know? **Michael Burry** is an American physician, investor, and hedge fund manager. Burry was the first investor to recognize and profit from the impending subprime mortgage crisis.

INFOGRAPHIC STORY

DEEP DIVE STORY

2 How Do IPOs Work?

The December IPO season has already started with the Burger King IPO being a blockbuster with 157x subscription. Retail investors have been pumping in money in almost every IPO since July. Let's see what is the procedure followed by these companies and how do they get listed?

What Is IPO?

- An IPO is the selling of securities to the public in the **primary market**. Book Building is the most common process followed – it aides in price and demand discovery.
- In this mechanism, when the book is open, bids are collected from investors at various prices within a price band. The issue price is determined based on the demand generated in the process.

Process Of IPO

1. **Merchant Bankers** with regional and national reach are hired.
2. **Red Herring Prospectus** is submitted to the exchanges,
3. Company (issuer) specifies the number of securities

SUMMARY

to be issued and the fixed-price or price band.

4. Syndicate members with whom orders are to be placed are appointed. The syndicate members input the orders into an 'electronic book'.

5. Different categories as defined by **SEBI**.

6. At the close of the book-building period, the book runners **evaluate the bids** based on the demand at various price levels.

7. The **final price** is decided by the issuer post the closing of the bid.

Payment Method

The payment method is ASBA, i.e., **Application Supported by Blocked Amount**. It simply means that an applicant authorizes its bank to block the required funds in her savings or current account.

Did You Know **Book building** is a systematic process of generating, capturing, and recording investor demand for shares. Usually, the issuer appoints a major investment bank to act as a major securities underwriter or bookrunner.

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3 Proposed Wage Bill May Reduce Take-Home Salary

Expected to come into effect in April 2021, the Code on Wages 2019 is likely to **reduce salary in-hand** while increasing social security investment (PF and Gratuity). Let's understand what the proposed wage bill changes and how it impacts your salary.

Understanding Salary In-Depth

- Employee's salary is determined by various factors like profession, skill sets, years of experience, location of the profession, salary structure, etc.
- It consists of **various components** such as take home wage, allowances, LTCs, etc

Recent Announcement

- As per the proposed wage bill, government companies are **restructuring** their employees' salary packages. It is anticipated that the take-home salary might come down from the next financial year.
- However, the final wage rule will be notified only after taking public comments into consideration.

New Wage Rule

- The new wage rule draft says that the allowances component of the total cost to the company (CTC) **cannot exceed 50% of the total compensation.**
- It means that now the basic salary must be 50% and thus more money will go into PFs and gratuity fund. It also means there will be an increase in gratuity as well as **provident fund (PF)** contributions.

What Do Experts Have To Say?

- Currently, most private companies are keeping basic allowance high and keep the non-allowance portion (like basic salary) less than **50%** of employee's CTC.
- Financial experts say “the new measures will help in improving the social security and retirement-related benefits for the salaried”.

Did you know? A cuneiform inscribed clay tablet dated about 3100 BC provides a record of the daily beer rations for workers in Mesopotamia. The beer is represented by an upright jar with a pointed base. The symbol for rations is a human head eating from a bowl.

INFOGRAPHIC STORY

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4 Ola Announces Largest E-Scooter Production Facility In India

Nowadays, many automobile companies are venturing into developing electronic vehicles (EVs). Recently, India's **ride-hailing service** startup Ola announced that they will set up the world's largest e-scooter production facility in India. Let's dive deeper into Ola's plans.

About Ola

- Ola is a **mobility platform** and ride-hailing company founded by Ankit Bhati and Bhavish Aggarwal in 2010.
- The company has received funds of **\$3.8 billion** to date. The company headquarters is in Bangalore.

Launching E-Scooter

- **Ola Electric**, a subsidiary of Ola, announced to launch e-scooters in New Zealand to help its government achieve the vision of on-boarding over 64,000 new EVs by 2021.
- It will help in making the public sector **carbon neutral** by 2025.
- Tiger Global, Matrix India, Ratan Tata, and other high-profile investors have invested **~\$400 million** in Ola Electric.

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Largest E-Scooter Facility

- Ola has announced that it will set up the world's largest e-scooter production unit in India.
- Ola Electric and Tamil Nadu government signed MoU worth **₹2,400 crores** to set up an e-scooter production factory at Hosur.
- It is expected to create **+10,000 jobs**. The factory will have the capacity to produce **20 lakh units** per year. These e-scooters will cater to the domestic as well as foreign markets.

Ola's Edge

- Electric scooters are the most efficient and cleanest solution for **urban mobility**. Ola acquired Amsterdam-based EV startup Etergo developed an e-scooter called **AppScooter**.
- In 2018 the company released AppScooter. It has a range of 240 km with swappable high energy density batteries.

Did you know? Ola initially started off as **Olatrip.com**, a website that offered package weekend trips. Bhavish Aggarwal, the CEO, used to give handouts of tour/travel packages to visitors at the Commonwealth Games in Delhi.

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Hope you enjoyed reading!

For feedback, suggestions, or just to have a quick chat, reach out to us at communications@summachar.in.