

ECONSCIENCE

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WORLD'S MOST VALUED ED-TECH IN TROUBLE?

Decoding Byju's FY 20-21 financials:

Byju's, one of the most valued startup in India, has finally declared the audited results for the financial year ending 31 march 2021. Byju's projected revenues were worth ₹4400 crores but, it has come out to be ₹2500 crores which is in line with the previous figures posted by it. In comparison to the ₹262 crores loss in the previous financial year, in the recent results the loss escalated 17-fold to ₹4500 crores. At this juncture, one might ask "what actually went wrong with Byju's?" To start with, the main sources of revenue are 'Online courses', 'Streaming fees' and 'Offline course (including tablets with uploaded content and pen drive course).



Though most part of this capitalisation of expenses depends upon the auditors, this time Deloitte (auditors for Byju's) has not let the company capitalise a major portion of expense which has had shown an impact on the results. Moreover, Byju's acquisition of 'Whitehat Jr.' has contributed 30% of the total loss. The whole picture here seems hazy as of now but it will be interesting to look at what the management does next to tackle the uncertainties.

Now all this revenue may not be real as most of the services rendered by the company is for a longer period and some of the customers may default or discontinue the course sold. This problem can bring misleading figures. As for the expenses, the company had been actively capitalising expenses in the previous fillings. For instance, in march 2020 the company cut down the salary expense by more than 60% through transferring the salary expenses as an intangible asset in the balance sheet.

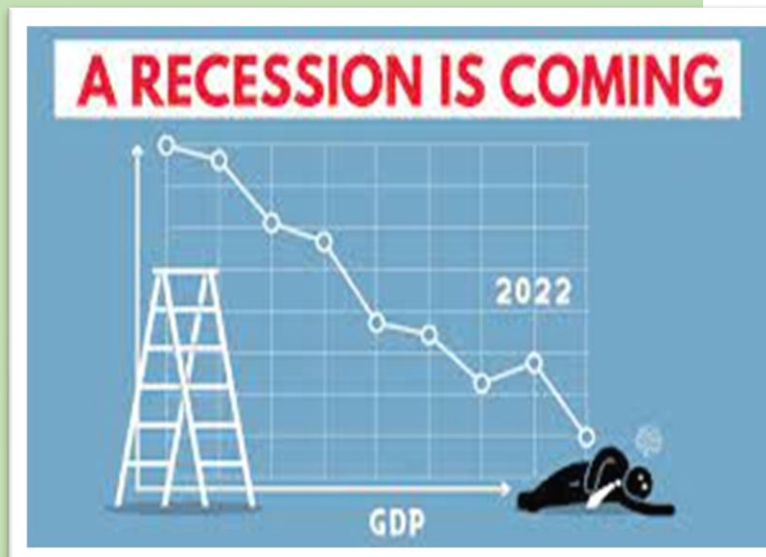
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ARE WE HEADING TOWARDS A GLOBAL RECESSION?

An explainer to Fed rate hikes and its impact on India:

The federal reserve, central bank of the U.S.A, has been constantly raising the interest rates to control the soaring Inflation in the American economy. The Fed has increased the interest rate by 3 percentage points cumulatively while making clear that it is ready to face a recessionary situation to curb the increasing inflation. This peaking Inflation is an economic aftermath of global pandemic which is being faced not just by advanced economies but also by emerging economies like India. In this explainer, we shall try to understand the reasons behind the fed rate hikes, the impact on India and markets.

To start, let us get our basics right. What is Inflation? Inflation is a general rise in the prices of goods and services, which can be translated as the decline of purchasing power over time. Now one might be curious to ask what made Inflation soar high in the first place and why is fed hiking interest rates as a measure to control Inflation? Many factors have contributed to the rising Inflation in global economies, out of them supply chain disruption due to pandemic, Russia-Ukraine war and advancing of stimulus packages in economies are the major ones. To understand how interest rate hikes help in Inflation control, let us see the economics behind it.



An economy comes into an inflationary situation when there is a simple mismatch between the supply-demand of several goods and services. When the supply of a good or service gets disrupted or money supply is increased through stimulus packages then people and businesses try to purchase more of goods and services which fuels the overall demand in the economy. Now a central bank's job is to keep this demand in check. To do this the central bank looks for measures to squeeze the money supply and hiking interest rates is one such measure. Interest rate hike in an economy increases the cost of financing the purchases of the people and businesses which in results in the cooling of the demand and eventually slows down the price rise.

There is a saying that, "when the Fed sneezes, the emerging markets catch a cold". India, being an emerging market, will have an impact over its equity market, forex market and the general economy. High interest rates in the US will make Indian equities less attractive for foreign investors and consequently leading to capital inflow into the American economy. With all this happening, the capital outflow from India would possibly cause the rupee to depreciate. Stumble in Indian stock markets, weakening of the national currency and overall broad tightening can possibly be the general impact of this hawkish Fed rate hikes on the Indian economy.



INDIAN LOGISTICS FOR GLOBAL STANDARDS

National Logistics Policy 2022:

On Saturday, 17th September 2022, PM Modi announced the new National Logistics Policy (NLP) which is aimed at easing the movement of goods and boosting the trade sector in the Indian economy. The basic gist of the policy focuses on digitization. Creating a platform to get everyone together. We are talking freight companies, ministries, businesses - a one-stop shop for everything logistics. The plan is to cut down the costs from 13-14% of the GDP to around 8%, which is the global standard.

“The focus areas in the policy include employment generation, skilling, reducing costs, process reengineering, digitisation, and multi-modal transport, among others. It is a significant move as the high logistics cost brings down the competitiveness of domestic goods in the international market”, said Mahendra Shah, Chairman and Group Managing Director, V-Trans (India) Ltd.



As good and efficient it sounds it also has its own set of problems. As of now, the nation lacks basic infrastructure. For instance, the Bharatmala Project launched at 2015, a massive network of highways was to be developed across India. It was to be completed on FY22 but now the deadline has been pushed to FY28.

Similarly, the Sagarmala Project for waterways and the Dedicated Freight Corridor (DFC) Project for railways are also moving slowly as opposed to previous estimates.

Economically, the NLP is a great move towards the advancement and streamlining of the logistics sector and the economy but logically looking, the probability tends to failure considering the current state of infrastructure in the economy.



The new logistics policy has four features: Integration of Digital System (IDS); Unified Logistics Interface Platform (ULIP); Ease of Logistics (ELOG); and System Improvement Group (SIG). Under the IDS, 30 different systems of seven departments are integrated – including data from the road transport, railways, customs, aviation, and commerce departments. A Unified Logistics Interface Platform ULIP will “bring all the digital services related to the transportation sector into a single portal”, the PM said.

DO YOU KNOW?

In India, the logistics sector is heavily dependent on roads.
(Which is around 65%)

THE MARVEL OF NATIONAL CINEMA DAY

An explainer on behavioural economics of Indian consumers

The bond of India with cinema and theatre art is deep as it is the Indian film that produces the most films in a calendar year. To keep this bond going, the Multiplex Association of India (MAI) guided nearly 4000 cinema screens to celebrate National Cinema Day in which it capped the price of tickets in theatres at ₹75 only.

In this article, we shall try to understand how consumer behaviour changes due to changes in price with special respect to the cinema industry.

This price slash has brought wonders to the industry. The very idea of National Cinema Day advocates the law of demand i.e., with decrease in prices for a product, the demand for it goes up. To further see how consumer behaviour changes as a reaction to such business ideas, let us take the example of 'Avatar' movie. 'Avatar' was released in the year 2009 and it went on to become one of the top grossing movies, this same movie was re-released on National cinema day and it earned a whopping ₹ 2.2 crores. All of this looks good on paper but it will be interesting to see what MAI takes out from this response and their further endeavours to achieve the successful revival of Indian cinema after the pandemic.

23rd September 2022

NATIONAL
CINEMA DAY

All Tickets Price Rs 75 Only

FACTS AND FIGURES

Due to lower prices, "Brahmastra" earned nearly ₹10.5 crores and showed a 240% increase in ticket sales. Other movies like "Chup" grossed at ₹2.65 crores in one day, "Dhokha" made around ₹1.15 crores in one day and "Avatar" which was re-released after 13 years made approximately ₹2 crores on that day.

National Cinema Day is a special effort as it attracts around 65 lakh people towards multiplexes in a single day. The interesting part of this whole scenario is the sudden demand push amongst the masses for cinema which is somewhat fading these days due to the introduction of OTTs. Now, one might ask what is so special about it from the economic point of view as according to the stories that went, National cinema day seems to be an event which ought to be celebrated annually.

Here the special thing is the idea of attracting a crowd by way of a price cut. The heavy price cut in movie tickets has proved out to be a great tool to change the behaviour of Indian consumers towards the cinema industry. Now let us try to find the reasons behind the need for this idea. Firstly, due to the COVID-19 pandemic, the cinema industry was one of the very first industries to be shut down, so to bring back the lost audience towards the theatres this idea became a game changer. Secondly, with the introduction of OTT, the business of multiplexes got affected and in a bad way as the cost to content in an OTT subscription is way better than buying a ticket for nearly the same cost.

