

30th June DSC

India Rejects Supplemental Award on Kishenganga, Ratle Projects

India's Firm Response

India has **unequivocally rejected** the Court of Arbitration's recent supplemental decision regarding the Kishenganga and Ratle hydropower plants.

- **Legal Position:** India insists the tribunal itself is **invalid and without authority**, rendering its orders null and void.
- **Treaty Breach:** According to India, forming this arbitration body violated the **Indus Waters Treaty (IWT) of 1960**.
- **Suspension of Treaty:** Following the April 22 terror attack in Pahalgam, India has **put the IWT on hold**, citing Pakistan's continued support for cross-border militancy.

Relevance: GS 2 (International Relations), GS 3 (Infrastructure)

Background of the Dispute

- **Projects at Issue:** The hydropower projects are situated in Jammu & Kashmir.
- **Pakistan's Complaint:** Islamabad challenged certain project designs, triggering arbitration in 2016 after bilateral discussions failed.
- **Unilateral Escalation:** India views Pakistan's move to approach the World Bank as a breach of agreed dispute resolution protocols under the treaty.

India's View of the Tribunal

- **"So-Called" Arbitration:** India maintains the tribunal has **no legal existence** and lacks jurisdiction.
- **Dismissal of Award:** The supplemental ruling has been termed a **"charade"** conducted to serve Pakistan's interests.

Strategic and Legal Implications

- **Sovereign Prerogative:** India asserts its right to suspend treaty obligations when faced with terrorism.
- **No Binding Obligation:** With the treaty in abeyance, India declares it is **not compelled to comply** with its provisions, nor can any tribunal pass judgment on its conduct.

Broader Dimensions

- **Geopolitical Signal:** This marks a shift in India's approach, explicitly tying water-sharing cooperation to security considerations.
- **Rare Treaty Suspension:** Suspending the IWT is unusual and demonstrates India's move toward **conditional engagement**.
- **Article IX Violation:** India argues Pakistan ignored the requirement to first seek a **Neutral Expert**, breaching treaty procedure.
- **Vienna Convention Backing:** Under Article 60 of the **Vienna Convention on the Law of Treaties**, suspension is justified in cases of material violation.
- **Strategic Reorientation:** The decision signals a transition from automatic treaty compliance to linking cooperation with cessation of hostilities.
- **Energy Importance:** The two plants—Kishenganga (330 MW) and Ratle (850 MW)—are vital for the region's electricity supply.
- **World Bank's Dual Role Criticized:** The Bank's simultaneous clearance for a Neutral Expert and an arbitral tribunal has been criticized for eroding neutrality.
- **Lawfare by Pakistan:** The case illustrates how Islamabad is leveraging international legal channels to curb India's development projects.
- **Consent Principle:** India emphasizes that no arbitration can proceed without its explicit agreement.
- **Transboundary Precedent:** Accepting this award would set restrictive examples for future hydropower development on the western rivers.
- **China-Pakistan Nexus:** Pakistan's legal tactics coincide with deeper strategic cooperation with China on water and infrastructure.

Tax and Securities Changes Dampen Buybacks

Trends in Buybacks

- **Sharp Decline:** Up to June 26, 2025, only **four share buybacks worth ₹186 crore** were conducted, a dramatic fall from **38 buybacks exceeding ₹8,000 crore in 2024**.
- **Pre-Emptive Rush:** Many firms accelerated buybacks before September 2024 to avoid impending tax rules.

Relevance: GS 3 (Indian Economy)

Taxation Reforms

- **New Regime (Effective Oct 2024):** Tax liability now shifts from companies (previously paying a 20% buyback tax) to shareholders, aligning with dividend taxation.
- **Shareholder Impact:** Investors must now pay **capital gains tax**, reducing the net benefit of buybacks.

- **Payout Shift:** The advantage of buybacks over dividends has effectively disappeared, altering corporate distribution policies.

Regulatory Overhaul by SEBI

- **Open Market Buybacks Ended:** SEBI has **banned the open market route**, requiring all buybacks to happen via tender offers.
- **Reduced Flexibility:** Earlier, companies could repurchase shares discreetly over time—this is no longer permitted.
- **Impact on Merchant Bankers:** Investment banks are likely to see a decline in buyback-related mandates.

Market Dynamics

- **Bear Market Contrast:** Historically, buybacks increase when markets are weak—this time, tax and regulatory changes have suppressed that trend.

Implications

- **Capital Allocation Shift:** Companies are likely to prioritize **dividends, acquisitions, or capital expenditure** instead of buybacks.
- **Trade-offs:** The policy aims to close tax loopholes but also reduces options to return capital to shareholders.
- **Governance Perception:** Fewer buybacks may dampen investor sentiment about shareholder-friendly practices.

Additional Notes:

- **What is a Buyback?** A process where a firm repurchases its own shares, shrinking the outstanding stock and typically boosting earnings per share.
- **Why Buybacks?** They signal confidence in valuation, return surplus cash, and help prevent hostile takeovers.
- **Bear Market:** A prolonged decline in stock prices by at least 20%.
- **Tender Offer vs Open Market:** Tender offers require shareholders to sell at a fixed price; open market buybacks allowed incremental purchases—now discontinued.

Modern Tech to Monitor National Highways

ATMS Rollout Overview

- **National Scale:** NHAI plans to implement **Advanced Traffic Management Systems (ATMS)** across 30,000 km of major highways within 2–3 years.
- **Real-Time Enforcement:** These systems will track violations and issue **e-challans instantly**, improving compliance.
- **Pilot Example:** The **Dwarka Expressway** became the first highway equipped under the new policy.

Relevance: GS 3 (Infrastructure, Transport)

Enforcement Capabilities

- **14 Violation Types:** Includes lack of helmets, triple riding, seatbelt non-use, driving against traffic, and stray animals.
- **Integrated Policing:** Unlike earlier, enforcement agencies will be directly linked to the system to act swiftly on infractions.

Additional Context

- **What is ATMS?** A combination of **AI, cameras, sensors, and control centers** to monitor traffic and enforce rules in real time.
- **Why Now?** India leads the world in road deaths; automation reduces corruption and improves safety.
- **Policy Shift:** Since October 2023, focus has moved from passive surveillance to proactive enforcement.
- **Global Comparisons:** Similar systems operate in the **UK, UAE, and Singapore**.
- **Road Safety Targets:** Supports the ambition to **halve road deaths by 2030**, in line with UN goals.
- **Tech Integration:** Part of broader **Digital India and smart mobility strategies**.

Key Figures:

- **Road Fatalities:** ~1.68 lakh deaths in 2022.
- **Highway Load:** Just 2% of India's roads carry 40% of traffic.
- **Blackspots:** Numerous hazardous stretches lacking enforcement.
- **Pilot Results:** Violations dropped by 15–25% after implementation.

Global Potato Research Centre in Agra

Project Overview

Unit- 6B & C, Unique Avenue, 6th Floor, Super Market, GS Road, Guwahati-781006
Ph. no: +91 60016 57575

The Cabinet approved a **South Asia Regional Centre (CSARC)** in Agra under Peru's **International Potato Center (CIP)**.

- **Investment:** ₹171 crore (India: ₹115 crore, CIP: balance).
- **Location:** 10 hectares in Singna, Agra.

Relevance: GS 3 (Agriculture, Infrastructure)

About CIP

- **Founded:** 1971, Lima, Peru.
- **Mandate:** Research on potato, sweet potato, and Andean root crops.
- **Historical Link:** Potato originated in the Andes, introduced to India in the 17th century.

CSARC Objectives

- Strengthen food security and farmers' income.
- Develop high-yielding, disease-resistant varieties.
- Improve post-harvest management and processing.
- Reduce dependence on imported seeds.

Importance for India

- **Scale:** India is the world's **second-largest potato producer**.
- **Yield Gap:** Current yields are much below potential—25 t/ha vs ~50 t/ha achievable.
- **Benefits:** Access to CIP germplasm will boost productivity and exports.

How India's Coastline Grew by 3,500 km

New Measurement Insights

- **Updated Length:** The coastline expanded from **7,516 km to 11,098 km** due to high-resolution mapping.
- **No New Territory:** This reflects **better data**, not any physical addition.
- **Resolution Impact:** Measurement precision improved from 1:5 million scale to 1:250,000.
- **GIS Adoption:** Manual calculations were replaced by **modern GIS tools**.

Relevance: GS 1 (Geography), GS 3 (Internal Security)

Island Count Changes

- **Updated Numbers:** 1,389 islands now recognized after reconciling old estimates.
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Coastline Paradox

- The finer the scale, the longer the measured coastline—an example of the **coastline paradox**.
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Implications

- **Administration:** Affects zoning and coastal regulations.
 - **Development:** Improves planning for ports, tourism, and infrastructure.
 - **Security:** Helps maritime surveillance and disaster planning.
 - **Climate Resilience:** Enables better tracking of erosion.
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Current Account Swings to Surplus

Q4 FY25 Highlights

- **Surplus:** \$13.5 billion (1.3% of GDP), up from \$4.6 billion in the same quarter last year.
- **Turnaround:** From a **\$11.3 billion deficit in Q3 FY25** to surplus in Q4.

Relevance: GS 3 (Indian Economy)

Full Year Data

- **FY25 CAD:** \$23.3 billion (0.6% of GDP), marginally lower than FY24's \$26 billion.
 - **Drivers:** Stronger receipts from services, remittances, and investment income.
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Trade and Services

- **Goods Trade Deficit:** \$59.5 billion for Q4, slightly up year-on-year.
 - **Services Exports:** Net receipts rose significantly, led by IT and business services.
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Financial Flows

- **FDI Drop:** Just \$1 billion inflow in FY25, down from \$10.2 billion in FY24—raising concerns.

Insights

- **Surplus Source:** Primarily due to invisibles rather than merchandise trade.
- **Temporary Factors:** Analysts view this as seasonal, not structural.
- **FDI Worry:** Weak foreign investment could hurt growth prospects.

30th June Daily MCQs:

1. Question

Regarding India's stance on the Court of Arbitration's recent supplemental ruling under the Indus Waters Treaty (IWT), consider these statements:

1. India views the tribunal as illegitimate and without jurisdiction.
2. India has officially revoked the Indus Waters Treaty.
3. India alleges that Pakistan breached the dispute resolution mechanisms outlined in Article IX of the treaty.

Which of the above statements are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2, and 3

Correct Answer: (b)

Explanation:

- Statement 1 is accurate: India has clearly rejected the tribunal's authority, describing it as unlawful and void.
- Statement 2 is inaccurate: The treaty hasn't been permanently revoked; India suspended engagement after the Pahalgam attack but did not terminate it.
- Statement 3 is accurate: India maintains that Pakistan skipped the Neutral Expert phase, thus violating Article IX procedures.

2. Question

About recent patterns in share buybacks in India, consider the following statements:

1. There was a sharp decline in both the volume and value of share buybacks in 2025 compared to the previous year.

2. Several firms advanced buyback plans ahead of anticipated regulatory and tax amendments.
3. The rise in buybacks during 2025 was driven by bearish market trends.

Which statements are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2, and 3

Correct Answer: (a)

Explanation:

- Statement 1 is correct: Only ₹186 crore in buybacks occurred up to June 2025, significantly lower than over ₹8,000 crore in 2024.
- Statement 2 is correct: Companies moved their buyback timelines forward in response to new tax rules and SEBI regulations.
- Statement 3 is incorrect: Although buybacks usually increase during market downturns, this decline was mainly due to policy-related disincentives.

3. Question

Which technologies are commonly integrated into India's Advanced Traffic Management Systems (ATMS)?

1. AI-powered incident detection
2. Edge computing and Internet of Things (IoT) applications
3. Automatic Number Plate Recognition (ANPR)
4. Blockchain for vehicle registration

Choose the correct option:

- (a) 1, 2, and 3 only
- (b) 2, 3, and 4 only
- (c) 1 and 4 only
- (d) 1, 2, 3, and 4

Correct Answer: (a)

Explanation:

- Statements 1, 2, and 3 are correct: All are standard components of the ATMS framework.
- Statement 4 is incorrect: Blockchain is not officially used for vehicle registration in the ATMS setup.

4. Question

Regarding the planned potato research centre in Agra, consider the following objectives:

1. Breeding climate-resilient and processing-grade potato varieties
2. Encouraging local seed production to cut import reliance
3. Promoting maize cultivation across the Indo-Gangetic region
4. Enhancing post-harvest management and value chain efficiency

Which statements are correct?

- (a) 1, 2, and 3 only
(b) 1, 2, and 4 only
(c) 2, 3, and 4 only
(d) 1, 2, 3, and 4

Correct Answer: (b)

Explanation:

- Statements 1, 2, and 4 are correct: The centre's focus includes developing new tuber varieties, strengthening seed systems, and improving post-harvest infrastructure.
- Statement 3 is incorrect: Maize cultivation is not within this centre's mandate.

5. Question

Which of the following best captures the concern over India's external sector performance in FY25, despite achieving a current account surplus in the final quarter?

- (a) A rising fiscal deficit
(b) Weak foreign direct investment inflows
(c) A surge in gold imports
(d) A growing burden of servicing short-term external debt

Correct Answer: (b)

Explanation:

Net FDI inflows during FY25 were just \$1 billion, sharply down from \$10.2 billion the previous year. Inflows under foreign portfolio investment also declined to \$3.6 billion from \$44.1 billion. This trend contributed to a \$5 billion drop in foreign exchange reserves on a balance of payments basis.