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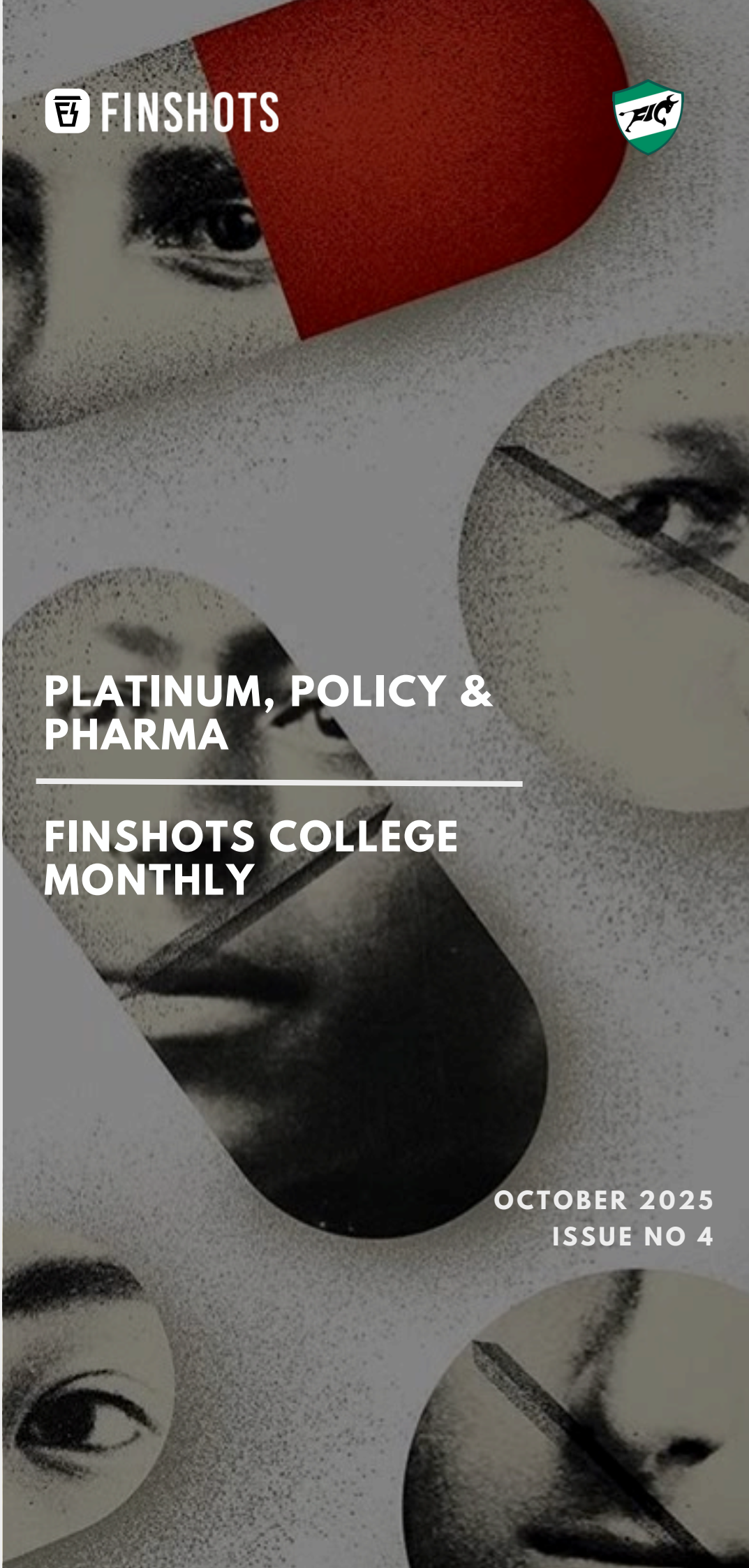


PLATINUM, POLICY & PHARMA

FINSHOTS COLLEGE MONTHLY

OCTOBER 2025
ISSUE NO 4

× FIC SRCC

Finshots College Monthly

In this month's newsletter, we talk about

- why platinum's been on a rise lately and whether it deserves a place in the 'safe-haven' portfolio.

- why Ford Motor Company wants to return to India four years after its exit.

- whether the IMF's growth projections are accurate and if India can grow at the rate it projects.

- why the world's pharmacy still needs China's chemistry and what India can do to catch up.

- discussions, stories and more.

Gold is cool, but what about Platinum?

I first got hooked on platinum as a kid when my uncle told me, “Everyone runs after gold, but it’s platinum and diamonds that are truly expensive.” That stuck somewhere in my head. And years later, right before my wedding, it popped up again. Amid all the jewellery shopping, my investor brain couldn’t help but compare gold and platinum (yeah, my gold-loving parents and in-laws didn’t like it one bit). But what I found was fascinating.

See, platinum isn’t just another shiny precious metal. It belongs to a special club on the periodic table called the “platinum group metals” (PGMs) — alongside palladium, rhodium, ruthenium, iridium, and osmium. These are some of the rarest elements on Earth. And platinum is their undisputed star.

It’s incredibly dense and stable meaning it doesn’t rust, tarnish, or react with air and water.

Even acids can't corrode it, except for one rare chemical mix called "aqua regia" (a mix of nitric and hydrochloric acid) that can dissolve gold too. Hold a small cube of platinum, and it feels oddly heavy. In fact, it's like holding condensed time itself, because platinum is older than the Earth, and scientists believe most of it came from meteorites that crashed here billions of years ago. Which means when you wear it, you're literally wearing space metal.

But that rarity takes a whole new meaning with platinum. About 70% of it comes from the Bushveld Complex in South Africa. It's a geological formation so deep and metal-rich that miners call it "the platinum heart of the world." Russia contributes another 10–12%, while Zimbabwe and North America fill in the rest.

Extracting it, though, is a herculean task since for every 10 tonnes of ore mined, you get just a few grams of platinum. From start to finish, it can take six months to produce a single ounce of pure metal.

Which brings us to today.

While the internet has been focusing on gold's rally, it's platinum that's been quietly outshining precious metals. It's up about 85% versus gold's 52% returns this year. And to understand why, let's take it from the top.
It's a classic case of demand and supply.

Let's start with demand, which has got two big drivers.

The first is autocatalysts. Nearly 40% of all platinum mined every year ends up inside car engines, sitting in tiny honeycomb-shaped devices called catalytic converters. They're the silent heroes that turn toxic exhaust fumes into less harmful gases. It wasn't this way all along. For decades, automakers preferred palladium for petrol engines and platinum for diesel. But when palladium prices shot past $3,000 an ounce in 2022, manufacturers began swapping it out for platinum. And that single shift, according to the World Platinum Investment Council (WPIC), could add nearly 850,000 ounces of new demand this year (roughly 12% of total global supply).

The second driver is less obvious: industrial demand that comprises mostly chemical, glass and medical manufacturing, and forms about 30% of the mix. An interesting bit here is the hydrogen fuel cells, which convert hydrogen into electricity. And platinum acts as a catalyst in electrolyzers that split water into hydrogen and oxygen. So, as governments pour billions into green-hydrogen projects, platinum could quietly become the metal behind the revolution. The rest of the demand comes from jewellery (25%) and investment (about 10%).

Then, there's supply.

Actually, the Earth simply doesn't produce enough platinum. South Africa's platinum mines are deep, old, and energy-hungry. And the country's chronic electricity crisis has made things worse. Blackouts have halted smelters, delayed processing, and even flooded shafts. Russia, the second-largest producer, has its own headaches from sanctions, export bottlenecks, and ageing infrastructure.

Combine the two, and you get what the WPIC calls a "record deficit" — nearly one million ounces short last year.

But hold on. Before you think I've been singing platinum's praises, let me tell you why this isn't a sure shot ride up. Because there's a reason platinum never became as beloved, or as stable, as gold.

Just think about it. Why don't central banks, the biggest buyers of precious metals, hoard platinum the way they hoard gold in their reserves?

The answer is surprisingly philosophical. Reserves aren't about rarity. They're about trust and utility.

Gold has millennia of faith behind it. And it's what central banks hold because it behaves like money — standardised 400-ounce bars, deepest liquidity in the precious metals market, and a global lending & leasing network that makes it a universal hedge with zero counterparty risk. That's the reason why, when the IMF set up the global reserve framework, gold

became the chosen anchor. And it's also why the IMF's reserve database (COFER) tracks currencies and gold, but not platinum. Because platinum's market is tiny (just about 5-6% of gold mining output), more industrial led as well as cyclical, and less liquid. And that's not what central banks want. They look for a geopolitical hedge that can be mobilised in days without moving the market.

In fact, central banks don't just avoid platinum, silver, or palladium but they practically can't hold them. That's because these metals simply aren't recognised by the international banking system and central banking community as monetary reserve assets.

So, gold thrives on history, belief as well as supply, whereas platinum thrives on chemistry. And when the economy slows, chemistry loses to psychology. That's why platinum prices crashed nearly 60% during the 2008 financial crisis and again after the 2015 Dieselgate scandal that wrecked diesel-engine demand in Europe.

Sidebar: In 2015, the US Environmental Protection Agency discovered that Volkswagen had been rigging its cars to cheat emissions tests, allowing vehicles to emit 40 times the legal limit of nitrogen oxide for over a decade using software called a "defeat device." This scandal came to be known as Dieselgate.

You can even see it in the charts. Platinum has fallen during nearly every major US recession, often by double digits. And this goes back again to its utility. Since most of its demand is industrial, when growth cools and factories shut, the metal's purpose pauses. Gold, meanwhile, rallies in the very same conditions. That's why it has lagged gold and silver and has minimal investment demand compared to gold.

"Okay Finshots, but what makes platinum investable for us now?", you might ask.

There's no straight answer to that. But what you can understand is that you can profit from it by knowing that precious metals move in phases. And platinum, like all precious metals, moves in cycles.

So what cycle are we in today? One way to gauge that is by looking at the capex-to-depreciation ratio. It simply tells us how much mining companies are reinvesting to replace ageing assets (or mines in this case). Right now, that ratio for platinum is at its lowest in decades. Which means miners are not spending enough to open new mines or upgrade old ones. Platinum supply actually peaked around 8 million ounces in 2019 and has been slipping since. And even if prices rise, output might not catch up for years.

Sure, EVs may eventually replace normal cars and the demand for platinum could fade with it. But there's an interesting contrast here because the world still sells about 56% internal-combustion vehicles a year of the total vehicle sales. And even trucks, hybrids, and industrial engines will need catalytic converters for years to come. Combine that with low inventories, long mining lead times, and hesitant reinvestment... and you get a market where even small demand shocks can push prices sharply higher.

So when buyers can't get enough platinum from mines, they hit the spot market. And that's when prices start to dance. The backup source is recycled metal from old jewellery and car parts, but that market moves at a snail's pace. It's too small (20% of the overall platinum supply in 2024) and too illiquid to quench the kind of demand we're seeing now.
So what do you, the Indian investor, make of it all?

Well, options here are limited. India doesn't yet have a platinum ETF. You can buy physical bars or coins from select refiners, or turn to global physical ETFs. Physical platinum bars (without any jewellery modification) attract 3% GST on purchase, and a capital gains tax on sale. Not an eye popping proposition, but it's an option if you're looking to diversify your safe haven bets.

But even if you do so, brace for volatility. Expect phases where EV headlines could scare you. And know that if deficits persist while producers stay parsimonious on capex, price has only one pressure valve left.

As for the "safe haven" drawer: platinum won't replace gold in a central bank vault or in your emergency corpus.

It is, however, a mispriced claim on scarcity plus chemistry.

That's why my compromise at the wedding shopping counter was a platinum ring I could defend to the family and to my spreadsheet. Two years on, it still feels like I'm wearing a little sliver of space, and the thesis finally has company.

So tell us, dear readers, where are your bets placed?

Why Ford just can't let go of India

When I look at the roads today, and hear car enthusiasts praise the brilliance of sub-four-metre SUVs, I can't help but wonder if anyone remembers who really started this revolution. Because like every big idea, it began with one pioneer. And one of the first players to bring this model to India was Ford Motors.

Their Ecosport, launched in 2013, was among the first and most successful "compact" SUVs in the country. Before that, your choices were simple: you could either buy a hatchback, a sedan, or a full-size SUV. There was no middle ground.

And that "middle ground" wasn't an accident but policy-driven. India's 2006 Budget introduced lower excise duty for cars shorter than 4 metres with small engines, while the 2013 Budget raised taxes on longer SUVs. And that change created the perfect opening for compact SUVs that EcoSport capitalised on.

That's mostly why, today, that once niche-segment has become India's hottest car category. Every major carmaker now has a compact SUV in its lineup, often its best-selling model. But ironically, Ford Motor is nowhere in sight.

So what happened, you ask?

You see, Ford entered India in 1995 and over the next two decades poured nearly $2 billion into its local operations. It built two large manufacturing plants: one in Sanand, Gujarat, and another in Chennai, Tamil Nadu. And it even turned profitable after a few rocky years. But as the car market changed, sustaining growth became harder than simply building cars. Rising competition and shifting consumer preferences toward compact and affordable vehicles meant that even a global brand with deep pockets struggled to carve out a meaningful share.

By 2021, the numbers no longer made sense. Its market share had slipped to just 1.75%, and it had racked up more than $2 billion in cumulative losses. The math didn't add up and so it faced a hard choice: either keep burning cash to keep the plants running or shut shop and move on. Eventually, it picked the latter, and by FY23, it completed its exit by closing its last plant and leaving behind two decades of legacy on Indian roads.

It was this when many assumed the end of Ford's story in India. Their American dream, as it turned out, stayed American.

But that wasn't quite it. Because when foreign manufacturers leave, they usually sell their assets. In Ford's case, that meant those two massive factories. So Ford did sell the Sanand plant to Tata Motors in early 2023: land, machinery, and workforce included. It was capable of producing 3 lakh cars a year but running well below capacity due to lesser demand.

And that left the Maraimalai Nagar plant in Chennai. Everyone expected Ford would sell that too, and they nearly did. The JSW Group, fresh from acquiring a stake in MG Motor India and China's SAIC, was in advanced talks to buy it. But in a surprise twist, Ford backed out.

And that's when the rumours began: maybe Ford wasn't done with India after all. Because why would a carmaker hold on to an idle factory unless there were plans brewing, no?

By mid-2024, those rumours gained weight. Reports suggested Ford was planning to revamp its Chennai plant to export engines to Asia and Africa. The company even signed a letter of intent with the Tamil Nadu government to restart the plant for exports. And it all sounded like a sensible strategy until a new variable entered the picture: Tariffs!

Now, we know what you're thinking. Wouldn't Ford actually benefit from tariffs since it's an American company? Well, yes and no.

Yes, because it's based in the US, but no, because it also means it's affected by Washington's ever evolving trade policies, which discourage outsourcing to low-cost destinations like India. So Ford's executives in Michigan are now stuck deciding whether restarting production in Tamil Nadu makes financial sense under these new trade headwinds.

And honestly, you can see why Ford is cautious. When it operated both Indian plants, it had a combined capacity of 4.4 lakh cars a year but used only about 25% of it. Despite being one of the world's biggest automakers, it captured a measly share of the Indian market and lost billions.

One big reason for this was its joint venture with Mahindra & Mahindra. It was meant to develop low-cost platforms for Indian buyers but it fell apart in 2020. And when that collapsed, Ford lost its best shot at localisation and affordability.

And this wasn't a one-off problem because American automakers have long struggled in India. For instance, I remember convincing my parents to buy a Chevrolet back in 2011, confident that the brand would stick around. But just six years later, General Motors, Chevy's parent company, also exited India in 2017. From GM to Ford, and even Harley-Davidson in the two-wheeler space, US manufacturers have all faced the same issue here: a value-obsessed audience, razor-thin margins, and a market dominated by Maruti Suzuki and Hyundai that understand the Indian psyche.

From a buyer's point of view, that kind of uncertainty hurts. A brand's shaky presence means limited service centres, pricier parts, and fewer third-party options. When they sense that instability, they naturally go vocal for local. Especially, when it's a luxury, long-term purchase worth lakhs.

Besides, many also point out that it wasn't just about price sensitivity. The tax structure itself rewarded compact cars, local supplier integration was shallow, and American brands lacked the dealer and financing networks that Indian buyers rely on.

Ford, however, did try to soften that blow. Even after its first exit, it retained over 90% of its service network and committed to long-term parts support, a move that kept owner trust alive.
Still, walking away completely isn't easy. Because India is no longer just another emerging market – it's now the third-largest automobile market globally. In the first half of FY25, it exported over 25 lakh vehicles, up 14% year-on-year.

What began as a small export hub and bridge between Western automakers and developing countries has turned India into the world's fourth-largest car manufacturer. Every global brand here uses the same playbook: Hyundai ships from Chennai to 80+ countries, Kia exports from

Andhra Pradesh, and Maruti Suzuki alone accounts for 42% of all car exports.

So for Ford, the temptation to return is understandable. If others can turn India into a profitable export base, why can't it? Even if it's just to make and ship engines, their Chennai plant could serve as a gateway to global markets.

And Tamil Nadu gives Ford an advantage few markets can match: a dense supplier ecosystem (Renault-Nissan, Hyundai, BMW, and scores of Tier-1 vendors) plus direct port access via Ennore and Kattupalli. It even used Chennai earlier to export the EcoSport to multiple countries (and at one point, even to the US) proving the model works.

But timing matters. Ford has already committed $1 billion to an EV plant in Cologne, Germany, a bet that isn't going as planned. Last month, it announced 1,000 job cuts there due to weak demand. So, it makes sense that Ford might look again at India, where manufacturing is still competitive and export-friendly.

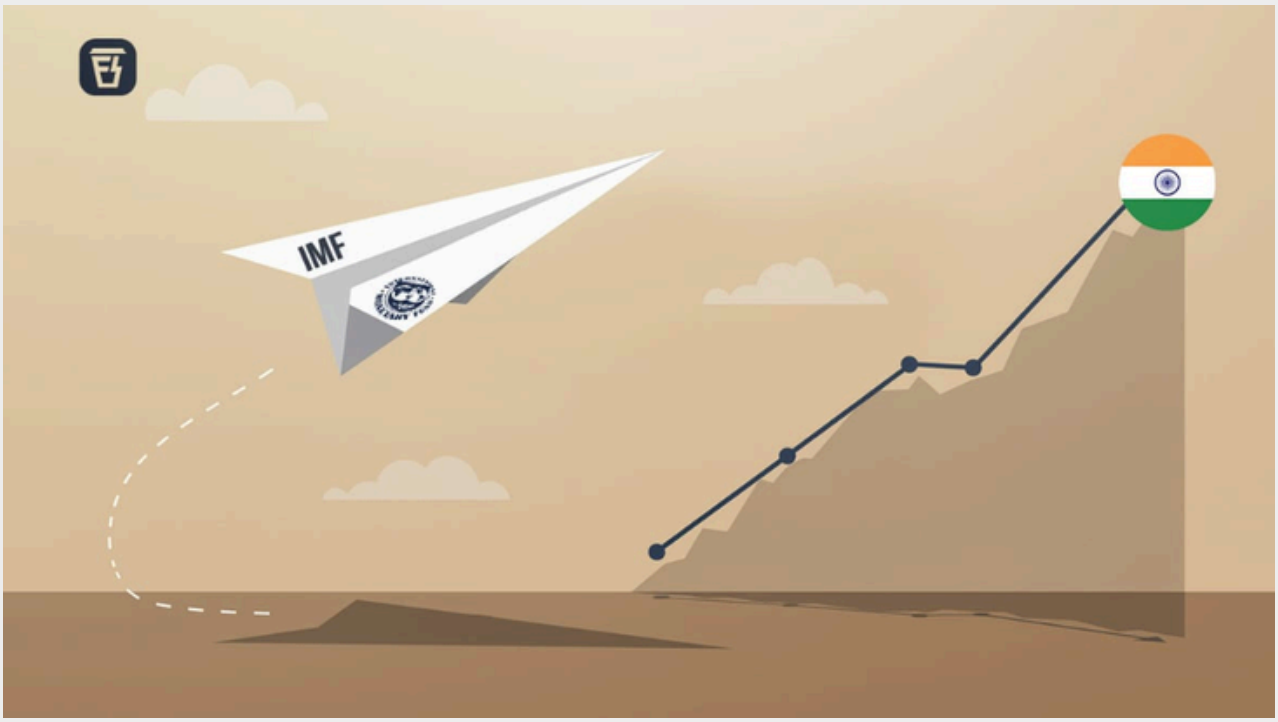
If it does return, it'll need to avoid past mistakes. Turning the Chennai plant into an export-only facility could help, since that model doesn't rely on domestic sales.

And success could very well depend on three things: higher plant utilisation, more localisation, and smooth supplier payments. Because those are the same metrics driving India's booming auto-component export market, which hit $21 billion in FY24. Plus, it will need a clear backup plan too, since tariffs and trade policies can shift overnight.

So yeah, Ford's journey in India has always been about bold beginnings, abrupt exits, and the lingering question of return. Whether it revives the Tamil Nadu plant or writes it off will depend on how well it balances trade uncertainty with India's growing export potential.

In that sense, Ford's India story remains unfinished, not a failure, but a chapter waiting to be rewritten.

Can India really grow at 6.6% like the IMF says?



Last week, the International Monetary Fund (IMF) nudged India's growth forecast a little higher for FY26 (April 2025 to March 2026). Its latest World Economic Outlook (WEO) — the report it publishes twice a year in April and October, with quick updates in January and July, now believes that India's GDP will grow at 6.6%, as compared to the 6.4% it had estimated back in July.

That may not sound like a massive jump, but the upgrade comes despite a big external blow or the steep 50% tariffs imposed by US President Donald Trump on Indian exports. Now, you'd think that kind of trade shock would dent growth expectations. But the folks at the IMF seem upbeat because India's economy surprised everyone in the first quarter of FY26 by clocking 7.8% growth. And that kind of momentum, they say, can cushion some of the damage from weaker exports in the months ahead.

Which got us thinking — how accurate are IMF growth forecasts anyway?

To answer that, we dug into past editions of the WEO, compared the forecasts against actual GDP growth numbers and read other research papers, and what we found was pretty interesting.

For starters, a Quartz story points out that IMF forecasts are usually quite accurate. Most of the time they're only off by less than 1%. But there's a catch. Their predictions tend to go wrong in the two to three years before and during economic downturns.

Look at the data from 1980 to 2024 and you'll see the pattern. Forecasts were generally on
track during stable years but slipped before and during recessions. For example, during the early 1990s recession and again around the 2008–09 global financial crisis. The IMF predicted that the global economy would shrink only slightly by 0.1% in 2009. But the real damage was far worse, with global GDP actually falling by 1.3%.

You can see this clearly in the chart below.

A similar story repeated during Covid. The IMF's forecasts during the pandemic were closer to reality but still a bit optimistic. It projected global growth would fall from 2.8% in 2019 to –3% in 2020. But in reality, growth slipped from 2.6% to –3.1%. Sure, that isn't huge, but in the years before the pandemic, the IMF's projections were up to 0.5% higher than the actual numbers.

And this isn't a one-off problem. A 2020 IMF working paper found that the IMF regularly overestimates growth. The bias is small each year, around 0.2%, but it compounds over time and becomes a full 1% after five years.

All this shows one thing — the IMF tends to be optimistic quite often. And that makes you wonder if India's upgraded growth forecast, despite the tariff hit from the US, is as reliable as it sounds.

To begin with, it doesn't fully account for financial stress in the economy, especially during or after a crisis. That's because when an economy is in trouble, businesses struggle, unemployment rises and confidence falls. To deal with this, governments and central banks step in with expansionary policies. They cut interest rates, pump money into banks to keep credit flowing, buy government bonds (quantitative easing) or provide emergency loans to financial institutions. And that, the IMF assumes, will quickly revive growth. But in reality, recoveries take time, and the impact of these policies often shows up with a delay. So IMF forecasts end up overstating how fast growth will bounce back.

Then there's another issue. Before many crises, countries often experience a credit boom. People and businesses borrow heavily. This creates something called a credit-to-GDP gap, which basically means debt levels rise much faster than the size of the economy. And when that gap becomes too large, it signals future trouble. Growth slows, and if countries have borrowed in foreign currencies, the problem worsens because debt becomes harder to repay when their currency weakens. But the IMF doesn't fully capture how this debt burden drags down growth, and ends up being too optimistic with its projections.

But it doesn't stop there. IMF forecasts often build in the expectation that countries will successfully carry out fiscal reforms or policy changes, especially if they're part of IMF-supported programmes. But reforms could get delayed, watered down or blocked by politics and when that happens, growth doesn't match expectations.

And finally, optimism also shows up when data isn't reliable. A 2024 World Bank study found that between 2010 and 2020, the IMF and World Bank got same-year GDP growth estimates wrong by around 1.3–1.5% on average. And the largest errors were in the Middle East and North Africa, where economic data is often weak or delayed. Poor statistics and lack of transparency make it harder to forecast accurately. But the study also found that even a small improvement in data quality, measured by something called Statistical Performance Indicators (SPI, formerly Statistical Capacity Index), can reduce forecast errors by nearly 0.4%.

Which brings us back to the question that if the IMF's global forecasts are often shaky, how accurate are its projections for India?

Surprisingly, India seems to be an exception.

You'll see this if you plot India's projected GDP growth against actual growth over the years starting from 1980. The difference is tiny, barely 0.01%, and that too just for a few select years. That's so small that it's statistically meaningless.

And there are two simple reasons for this.

One, the IMF updates India's forecasts far more frequently than it does for most countries. While many economies get only two updates a year, India often triggers mid-year revisions in the WEO, because its economic data moves quickly. As we saw earlier, the IMF revised its FY26 forecast to 6.6% after India reported 7.8% growth in the first quarter. The IMF also uses high-frequency indicators for India — things like GST collections, bank credit growth and manufacturing PMI. These get fed into its models through the year, so by the end of the fiscal cycle, most of the data is already known. That leaves very little room for large forecast errors.

And two, India has relatively reliable and timely GDP data for an emerging economy. Growth numbers are published every quarter with short delays and fewer changes compared to many developing countries.

India even ranks among the top emerging economies in terms of data completeness if you go by its SPI. In contrast, countries in regions like Africa, Latin America and West Asia often release data late or with gaps, forcing the IMF to rely on rough estimates and outdated inputs. It's no wonder that the projections for those regions turn out less accurate.

So yeah, while the IMF may look overly optimistic at a global level, the story for India may genuinely be different. Its forecasts for India have been far more dependable. In fact, IMF Managing Director Kristalina Georgieva has said India has repeatedly proven sceptics wrong with reforms like GST and the rapid rise of digital payments. Back in 2023, she even said that

while growth in 90% of advanced economies would stall, Asia led by India and China, would account for half of global economic expansion.
And we'll just have to wait and see if this really holds up.

How reliant is the Indian pharma industry on China?

India loves to call itself the pharmacy of the world. And that's not without reason. We make and export generic drugs to over 200 countries. But beneath this success story lies an uncomfortable truth. That the pharmacy depends on another supplier for its raw materials. Yup, because India does make the pills, but it doesn't make enough of the ingredients that make those pills work.

Those ingredients are called APIs, or Active Pharmaceutical Ingredients, which are the corechemicals that give a drug its therapeutic effect. And to make those APIs, you need

something called Key Starting Materials (KSMs) which are the high-quality raw inputs used in the earliest stages of production. So think of APIs as the cake and KSMs as the flour and butter that go into baking it.

For many critical APIs or KSMs, our import dependence is 60–70% on China, and in some cases, that number is close to100%.

Table 3 Product wise share of China in India's bulk drugs and drug intermediates imports, 2019-20

Share of China in India's imports	No of products	No of products (%)	Imports from China (US $ million)	Imports from China (%)
100%	70	12.8	239.02	3.0
90% to 99%	81	14.9	1608.91	20.3
80% to 89%	47	8.6	1277.3	16.1
70% to 79%	41	7.5	1976.33	25.0
60% to 69%	44	8.1	1184.57	15.0
50% to 59%	44	8.1	409.38	5.2
25% to 49%	88	16.1	819.63	10.4
10% to 24%	60	11.0	265.44	3.4
< 10%	70	12.8	128.99	1.6
	545	100.0	7909.57	100.0

Source: Calculated from CMIE Tradedx database for Chapter 29 8-digit groups (based on DGCI&S database).

Note: See Notes to Table 2.

Source : RIS | Discussion Paper 268

Now, this dependency wasn't built overnight. It's the result of decades of economic drift. Back in the 1980s, India produced most of its APIs domestically. But over time, environmental regulations, high energy costs, and the rise of cheaper Chinese imports made many plants simply unviable. So by the early 2000s, it was logically more profitable to focus on formulations or the so called 'finished drugs' than making the chemistry behind them. And that's how Indian manufacturers quietly outsourced that

part of the chain to China.

And honestly, for a while, no one noticed until the pandemic hit. When Chinese factories shut down, prices of common APIs like paracetamol and azithromycin spiked overnight. The supply chain froze, production slowed, and the world's pharmacy discovered it didn't control its own shelves.

Which brings up the question: what did we do, or are doing, to address this bottleneck?

Well, the government's response has been to roll out a ₹7,000 crore Production Linked Incentive (PLI) scheme to rebuild domestic API capacity. And as a part of this, it approved building three Bulk Drug Parks in Gujarat, Andhra Pradesh, and Himachal Pradesh – and pushed companies to restart manufacturing of certain compounds or fermentation-based antibiotics. Take, for instance, Aurobindo Pharma. They recently commissioned a ₹2,400 crore plant to produce Penicillin G – an antibiotic used to treat a wide range of bacterial infections.

Similarly, several companies, such as Alkem Labs and Sun Pharma, have started producing clavulanic acid, the primary ingredient in Augmentin, another antibiotic.

In just the last 2 years, since the start of the PLI scheme, we've had close to ₹3,000 crore worth of investments from various companies to start producing APIs and KSMs.

But was this enough to cease the dependence on China?

Well, not really. And let me explain why.

China has been a leader in this segment for the last few decades. Which means that it has achieved economies of scale i.e. having the know-how to produce these items economically and at a large scale.

But how did China get to this scale, you ask?

By treating pharmaceuticals as a strategic industry as far back as the 1990s and into the 2000s. It offered cheap land, reliable utilities, low-interest loans, and export-linked tax incentives to drug manufacturers. And gradually, thousands of small and mid-sized API producers sprouted across provinces like Jiangsu, Zhejiang, and Shandong.

However, the real turning point came when China integrated environmental compliance into its supply chains. This was when many Western countries scaled back bulk drug production due to concerns about pollution, and China filled that gap by building dedicated chemical parks with centralized waste treatment. It also built an ecosystem where KSM producers, intermediate processors, and API manufacturers operated in close proximity, so logistics costs can be slashed drastically.

But China's rise wasn't just about policy. It was also about resources.
You see, many of the ingredients used in pharmaceutical chemistry rely on certain minerals and specialty chemicals. These elements are used in everything from catalysts in fermentation to the purification of compounds. They are essential for producing high-purity APIs on a large scale.

And China holds a near-monopoly on that front. It controls roughly 60–70% of global rare earth mining and has a near-monopoly on its processing. This means that apart from having cheaper access to these materials, Chinese manufacturers also have an almost guaranteed access to processed specialty chemicals and minerals.

This kind of policy makes it very unstable to open a pharmaceutical manufacturing facility outside of China and to maintain continuous access to the raw ingredients needed to produce APIs at a competitive price.

Apart from policy and raw material, China has another advantage: labour. As per a World Bank study, if a typical Western API company has an average wage index of 100, this index is as low as 8 for a Chinese company and 10 for an Indian company. This means that if a Western company pays its workers ₹100 for a certain amount of work, a Chinese company would only pay about ₹8, and an Indian company would pay

about ₹10 for the same job.

And lastly, there's just one more advantage where China really takes the home run. And that is infrastructure. Since industrial clusters in China integrate chemicals, solvents, utilities, and waste treatment... the API plants can buy cheap steam, power, and intermediates next door. All while India's units face higher input costs and patchy utilities despite progress in the new parks.

So, there you have it:

1. Public policy,
2. Rare earth minerals,
3. Labour, and
4. Infrastructure.

In a nutshell, these four factors are why China has built a thriving API manufacturing industry. You could say that they mastered the chemistry, the scale, and the economics that make the drug industry stick. India, meanwhile, mastered the branding and distribution that took it to the world.

We excel at finished medicine, but at the most energy and capital-intensive stages like fermentation and key intermediates, we ceded ground decades ago. And rebuilding that lost chain takes time. It needs reliability and scale, the kind that can't be faked with pilot runs or short-term subsidies. And it needs trust. Because global buyers, especially in the US and EU, now demand stricter traceability, cleaner production, and consistent quality – all the things that can raise costs just as Chinese suppliers discount to defend their share.

Still, India has a shot worth fighting.

It doesn't need to replace China entirely. But just reduce its vulnerability by delivering on low-cost utility drugs from the bulk-drug parks we spoke of above. Plus, if big formulations sign multi-year purchase deals, and if we double down on high-import-risk APIs like antibiotics and vitamins, we could build an ecosystem where chemistry becomes as much our strength

as formulations once did.

Moreover, we can also prioritise fermentation and high-import-risk molecules under PLI, while encouraging domestic intermediates to cut Chinese feedstock dependence. And lastly, enforce quality and build traceability to win premium buyers.

Done well, these can help de-risk the chokepoints that we face today and anchor a resilient base that lets 'the world's pharmacy' stand on more of its own raw materials. And maybe that's the real test for India's chemical and pharma future. What do you think?

Today's Discussion: Loans Against Silver

“Jab gharpada hai sona, tab kahe ko rona?”
You’ve probably heard that Manappuram Finance jingle because gold loan ads are everywhere— TV, YouTube, radio, you name it.

But have you ever seen an ad for a silver-backed loan? Probably not. And it’s not because brands forgot about silver. It’s because silver loans never really took off in India.
Here’s why:
1. Storage & Cost: ₹1 lakh worth of gold = 8 grams. ₹1 lakh worth of silver = 600 grams. Silver is bulky and expensive to store, insure, and handle. Not ideal for lenders.
2. Volatility: Silver prices swing wildly since 50% of its demand comes from industries like electronics and solar. Gold, on the other hand, stays relatively stable.
3. Liquidity Issues: If borrowers default, banks can easily sell gold but finding quick buyers for silver is harder. That means more risk.
4. Lack of Regulation: Unlike gold, silver didn’t have standard RBI rules for purity, valuation, or resale. So lenders avoided it altogether. But that’s about to change.

Here’s what’s new:
- Only ornaments, jewellery, and coins are allowed as collateral (no bullion or ETFs).
- Uniform LTV ratios: up to 85% for small loans.
- A gold-to-silver ratio cap of 10:1 to limit exposure and risk.
- And all banks, NBFCs, and housing finance firms must comply by April 2026.

Looks like gold won’t be the only metal shining in finance anymore.

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And that's all for today, folks!
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