



VAJIRAM & RAVI
Institute for IAS Examination

The Analyst

CURRENT AFFAIRS Handout

21st April 2026

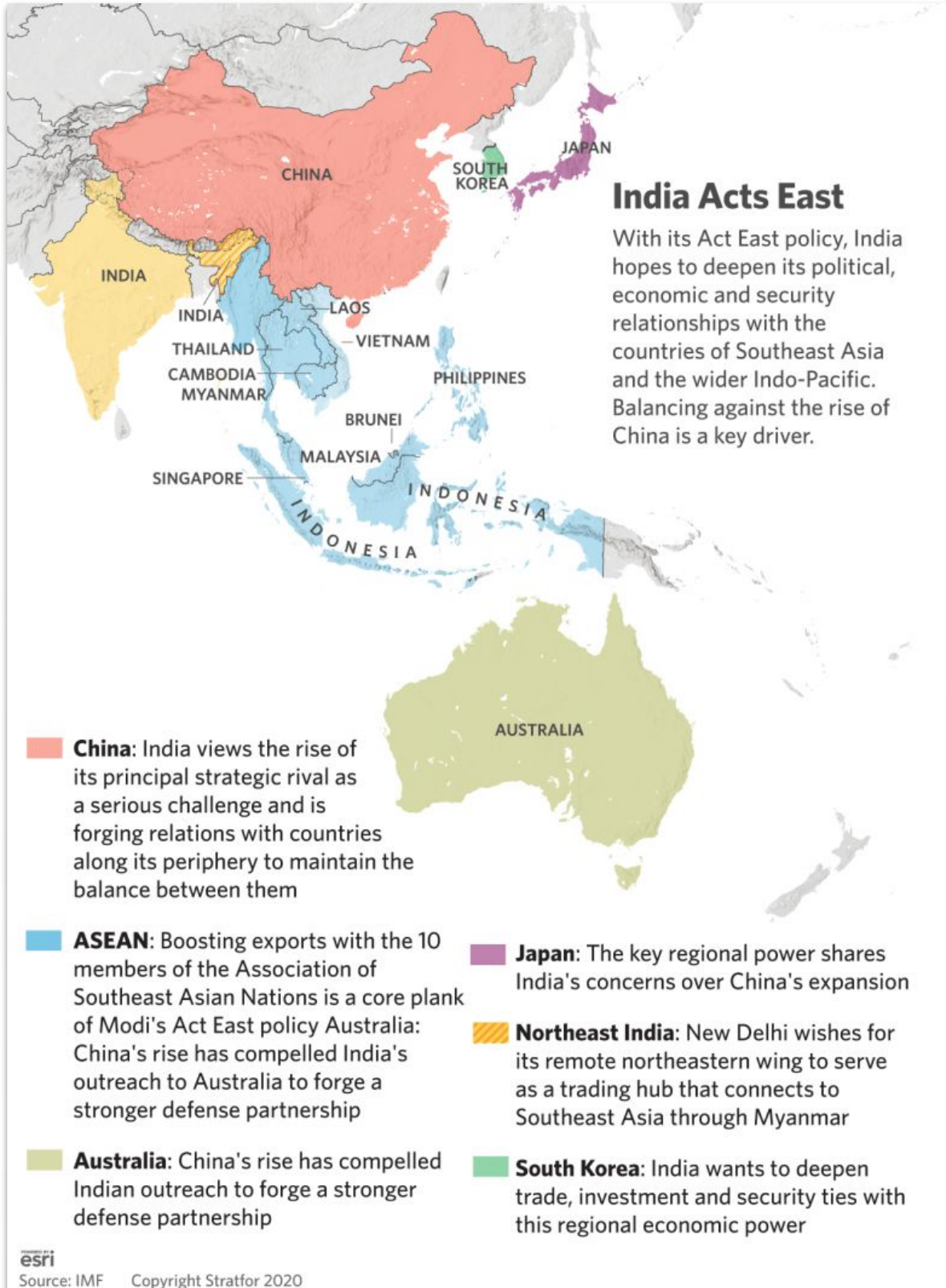


Why South Korea Matters to India



CONTEXT: 🇮🇳🇰🇷 India-South Korea Strategic Partnership: From Chips to Ships

🌐 India-South Korea Relations: Building from Basics



Why South Korea Matters to India



CONTEXT: 🇮🇳🇰🇷 India-South Korea Strategic Partnership: From Chips to Ships

1962: Consular relations established

1973: Diplomatic relations upgraded to full embassy level

2010: CEPA signed - India's 1st FTA with a developed economy
2015: "Special Strategic Partnership"

Primary Objective

New Southern Policy
 South Korea

Reduce heavy economic reliance on China and US

Core Philosophy

"3P": People, Prosperity, and Peace.

Act East Policy
 India

Strategic partnerships, economic integration, and defense cooperation.

Parameter	India	Republic of Korea (South Korea)
Independence / Liberation	15 August 1947	15 August 1945
Population (2026 est.)	~1.48 Billion	~51.6 Million
Total Area	~3,287,263 sq km (33 times larger)	~100,210 sq km
GDP (Nominal, 2026 est.)	~\$4.15 Trillion	~\$1.88 Trillion (2024 data)
Median age	29.5 years	46.1 years
Total Exports (Global)	~\$450 Billion (Merchandise)	~\$632 Billion
Bilateral Trade	India importing \$1.74 billion	South Korea exporting \$498 million

Why South Korea Matters to India



CONTEXT: 🇮🇳🇰🇷 India-South Korea Strategic Partnership: From Chips to Ships

Current state of Relations

India-Korea: The \$50B Economic Vision

1. The Trade Trajectory



Current Trade (2024-25):
~\$27 Billion (Grown 90% 2010).

Target: Reach \$50 Billion by 2030.



2. The Trade Imbalance & CEPA

Imports from Korea
~\$21 Billion.



Exports to Korea
~\$5.8 Billion.

The Fix

Resuming talks to upgrade CEPA (Comprehensive Economic Partnership Agreement) within the next year to create favorable trade conditions.

3. Structural Support

- ✓ 1. Korean Industrial Township: To facilitate entry of Korean SMEs into India.
- ✓ 2. India-Korea Financial Forum: To boost financial flows.
- ✓ 3. Industrial Cooperation Committee: To strengthen business ties.



Scaling up bilateral trade by 2030.

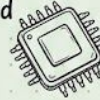
Chips to Ships: The Strategic Shift

Pillar 1

India-Korea Digital Bridge

Technology

Deepening partnerships in AI, Semiconductors, and Information Technology. Initiating an Economic Security Dialogue to secure critical technologies and supply chains.



Pillar 2

Shipbuilding Framework

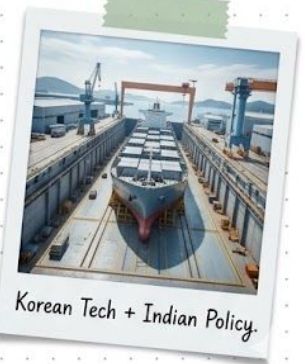
Maritime Logistics

A strategic synergy! Combining Korea's outstanding technology with India's central/local policy support and incentives.



The Goal: Constructing world-class shipbuilding facilities in India and securing global orders together.

Expanding cooperation in sustainability, steel, and ports.



Korean Tech + Indian Policy.



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Current state of Relations

The Good

- **2026 "Chips to Ships" Strategy**
- **Aggressive Economic Targets**
 - **\$50 Billion by 2030**
 - **"Plug-and-play Korean Industrial Townships."**
- **Defense & Security (closer to "Quad")**

TOI The Times of India

South Korea working with India to secure Hormuz, security of key maritime...



The Good

- **"India-Korea Financial Forum"**
 - **Indian infrastructure**
- **FDI: US\$7.27 billion between 1980 and December 2021**
 - **600+ firms; investing over \$5 billion**
 - **Key Sectors: metallurgy, automobiles, and electronics**



India-South Korea Trade Basket

India's Exports

- Mineral fuels/Oil
- Cereals
- Iron & steel

Korea's Exports

- Automobile parts
- Telecom equipment
- Machinery & electrical parts

digitimes

Korean giants step up investments in India as it emerges as both key manufacturing hub and growing consumer market

According to , Samsung announced it will expand its India Innovation Campus (SIC) program from four states to ten this year, aiming to train...

15 Sept 2025

The New Indian Express

Samsung bets on India for deeper manufacturing push, eyes local display production under PLI

Samsung's fresh move marks one of its most important investments in the country's electronics value chain to date.

24 Dec 2025



Why South Korea Matters to India



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Current state of Relations

The Bad

- **Business trust and culture**
- **Lopsided Trade Deficit**
- **Nature of Goods**
 - **"Neo-colonial" trade: high-value tech vs raw materials**
 - **Non-Tariff Barriers**
 - **Delhi demand: open its market to high-value Indian exports; slow CEPA negotiations**
- **The "China Factor" + Indo-Pacific security**



Why Upgrade CEPA Now?

<p>Reduce trade deficit: \$15.2 billion deficit unsustainable; need better market access</p>	<p>Investment facilitation: Easier visa norms for Indian businesspersons; simpler regulatory processes</p>	<p>E-commerce/digital trade: 2010 CEPA predates digital economy boom; need provisions for data flows, digital services</p>	<p>TI Telegraph India India, South Korea plan economic pact upgrade amid trade deficit concerns India's exports to Korea dipped 9.3 per cent to USD 5.81 billion in 2024-25 from USD 6.41 billion in 2023-24 and imports dipped marginally...</p>
<p>Services push: for professionals and companies</p>	<p>Rules of origin: Current rules complex; some Indian exporters can't prove origin, lose tariff benefits</p>		<p>TI The Times of India South Korea proposes rule to disclose EV battery maker, origin South Korea proposes rule to disclose EV battery maker, origin ... South Korea will require disclosure of key battery details for electric... 1 month ago</p>



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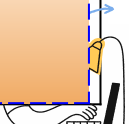
The "India-Korea Digital Bridge"

Not a physical infrastructure but a **framework for deep technology cooperation** across three priority sectors identified by both governments.

Pillar	What Korea Brings	What India Brings	Collaboration Areas
Artificial Intelligence	<ul style="list-style-type: none"> - Samsung AI research - Robotics expertise - AI chip design (SK Hynix) - 6G with AI integration 	<ul style="list-style-type: none"> - Large datasets - IT talent pool - Cost-effective AI solutions - Startups in AI/ML 	<ul style="list-style-type: none"> - Joint AI research labs - AI in manufacturing, healthcare - Ethical AI frameworks - Talent exchange programs
Semi-conductors	<ul style="list-style-type: none"> - World's largest memory chip makers (Samsung, SK Hynix) - Advanced fabrication tech (3nm, 5nm) - Chip design expertise 	<ul style="list-style-type: none"> - India Semiconductor Mission (₹76,000 crore outlay) - Large consumer market - Growing fab ecosystem (Micron, Tata-PSMC deals) - Design talent (30% global chip designers Indian) 	<ul style="list-style-type: none"> - Fab technology transfer - Joint R&D in chip design - Supply chain integration - Training programs for semiconductor engineers
IT Services	<ul style="list-style-type: none"> - Corporate digital transformation needs - 5G/6G infrastructure deployment - Smart city technologies 	<ul style="list-style-type: none"> - World's largest IT services industry (TCS, Infosys, Wipro) - Software development prowess - Cost advantage - English-speaking workforce 	<ul style="list-style-type: none"> - IT services contracts for Korean firms - Joint ventures in software products - Cybersecurity cooperation - Cloud services

New Institutional Mechanisms Established

Mechanism	Purpose	Composition
India-Korea Financial Forum	Facilitate financial flows ; banking cooperation; fintech collaboration	Finance ministry officials, RBI , Korean Financial Services Commission, banks
Industrial Cooperation Committee	Strengthen business ties ; resolve industry-specific issues; identify collaboration opportunities	DPIIT (India), Korean Ministry of Trade, Industry chambers (CII, FICCI , Korea Enterprises Federation)
Economic Security Dialogue	Cooperation in critical technologies ; supply chain resilience; semiconductor security; rare earth minerals	NSA -level or Commerce Secretary-level dialogue on strategic economic issues
Korean Industrial Township	Dedicated zone for Korean SMEs in India ; plug-and-play infrastructure; simplified regulatory processes	To be established (location TBD - likely Gujarat or Tamil Nadu based on Korean investment patterns)



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Shipbuilding Partnership

Why Shipbuilding Matters?

Ships = naval power, trade security, maritime

Shipbuilding market ~\$200 billion; Ind <2%; SK: 35%, Ch: 40%

India imports ~90% of commercial ships

The Cooperation Framework

"Korean companies bring *technology*"

"Indian governments provide *land, tax breaks, order guarantees, subsidies*"

- **Model: Joint venture shipyards**



What South Korea Brings

- **World's shipbuilding leader**
- **Technology**, (LNG carriers, container ships, oil tankers)
- **Brands:** Hyundai Heavy Industries, Samsung Heavy Industries, Daewoo Shipbuilding

What India Offers

- **Sagarmala project**
- **Land and labor**
- **Captive market**
- **Geostrategic location**



Indo-Pacific Context: Strategic Convergence

South Korea Joins Key Indian Initiatives

- **International Solar Alliance**
- **Indo-Pacific Oceans Initiative**

"Shared Concerns"

- **West Asia Stability**
- **PM Modi:** "Reform of global institutions essential to address global challenges"

The Indo-Pacific Oceans Initiative (IPOI) is an India-led, voluntary, non-treaty-based framework launched in 2019 to promote a free, open, and secure maritime domain, spanning from Africa to the Americas. It promotes cooperation among regional partners through seven key pillars focused on security, ecology, resources, and disaster management to create a stable, rule-based Indo-Pacific. Ministry of External Affairs +4



Why South Korea Matters to India



CONTEXT: 🇮🇳🇰🇷 India-South Korea Strategic Partnership: From Chips to Ships

Way Forward



Expedite CEPA upgrade

Defense cooperation

People-to-people

India's Indo-Pacific strategy

R&D push

F. Firstpost

PM Modi speaks about K-pop, K-dramas: How India is hooked to all things Korean

India is in love with everything Korean. Prime Minister Narendra Modi mentioned the rise in the popularity of Korean content in India during...



Mains Practise Question

India's trade deficit with South Korea has persisted despite CEPA. Critically examine.

(15 Marks, 250 words)



ANCIENT FOOTPRINTS OF INDIA-SOUTH KOREA RELATIONS!

• Princess Suriratna, also known as Heo Hwang-ok, went to Korea in 48 AD, some 2000 years ago from Ayodhya (India), and started the Karak dynasty by marrying a local king.



• Today there are more than 60 lakh people in South Korea who claim their ancestry to the princess of Ayodhya

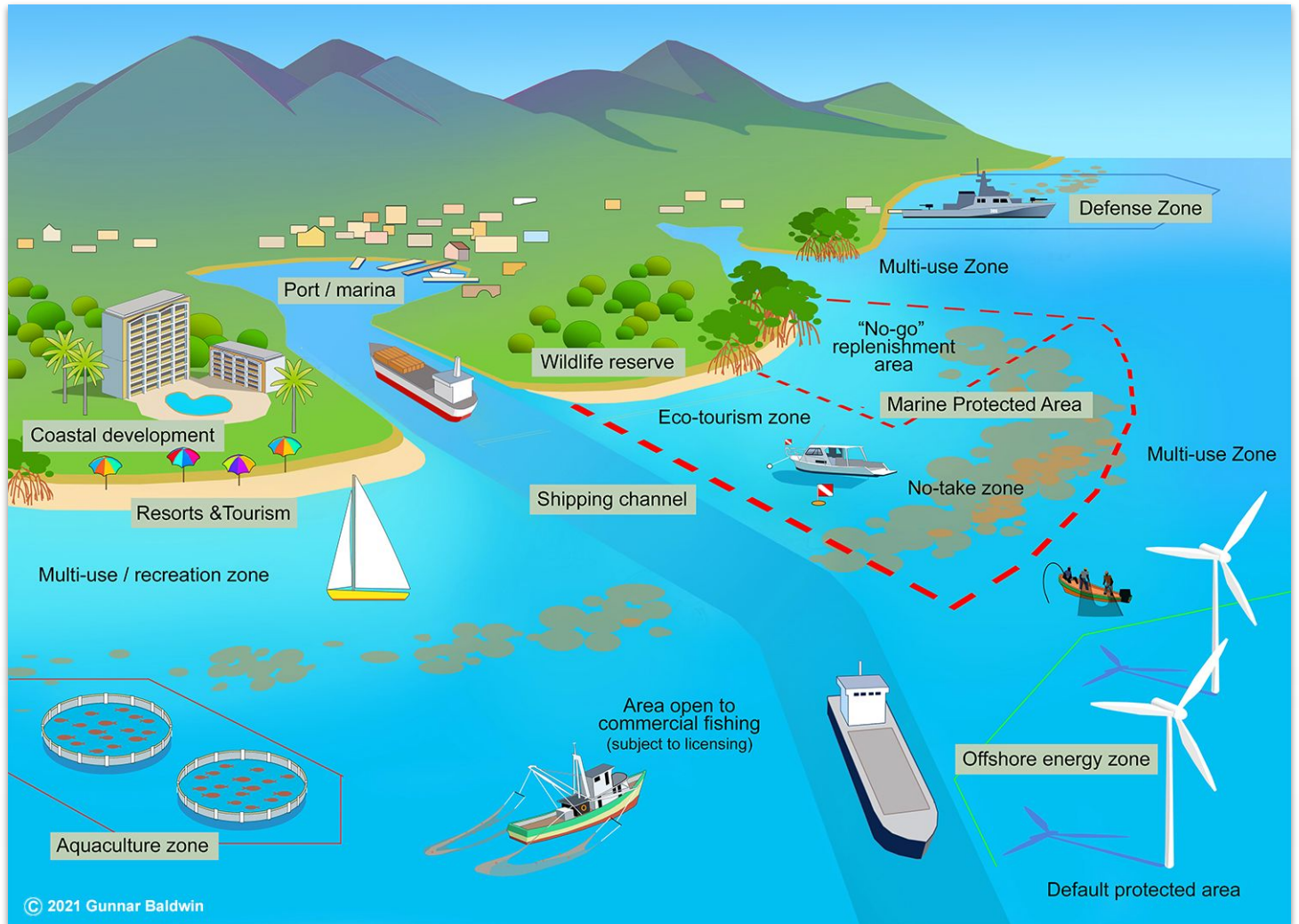
• Indian and Korean Govts are working closely to build memorial in Ayodhya.

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CONTEXT: Odisha became first Indian state to launch Marine Spatial Plan.

Understanding Marine Spatial Planning



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MSP is a set of **zoning regulations for the ocean** that **divides ocean areas for different activities**.

MSP solutions

- Scientific map
- Best suited zones
- Avoid conflicts
- Sustainability

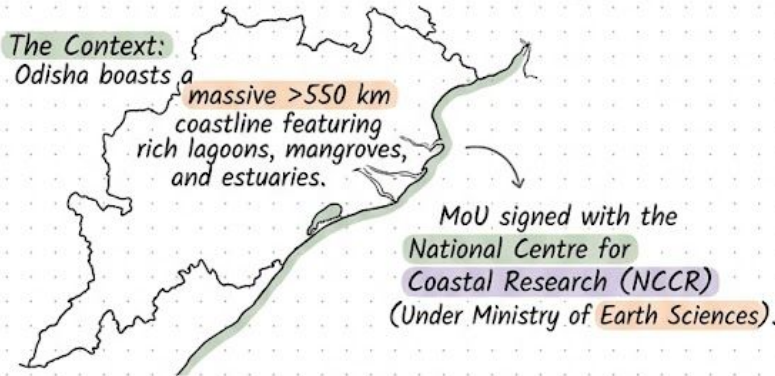


Odisha's Marine Spatial Plan



CONTEXT: Odisha became first Indian state to launch Marine Spatial Plan.

What Happened and Why It Matters



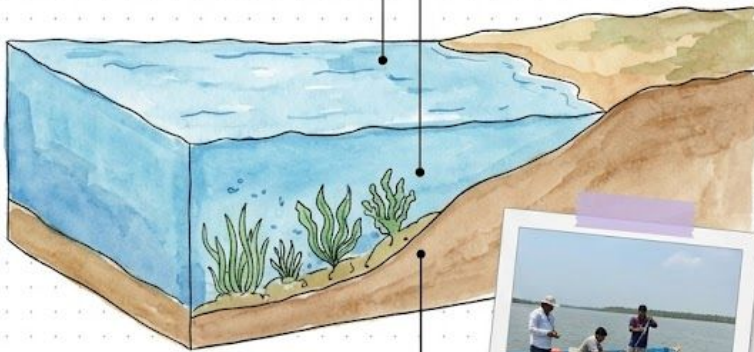
1. Water Analysis

NCCR will study salinity, temperature, and water components.



2. Benthic Mapping

Mapping the vegetation below the water (e.g., seagrass and seaweeds).



Scientific management of the marine ecosystem.

3. Activity Zoning

Using data to prepare parameters and suitable areas for:

- Tourism
- Fisheries
- Aquaculture
- Ports
- Ports, and Industry.

Phase 1 (2019-onwards): piloted in 2 UTs - Puducherry and Lakshadweep

Phase 2 (2026): Odisha = 1st state

Future: all coastal states + UTs

Why Odisha Chosen for Ph 2

- **550+ km** coastline (4th)
- **Lagoons, mangroves, estuaries, deltas**
- Major **ports + fish + tourism**
- Rich marine **flora/fauna**
- **Development pressures**



Odisha's Marine Spatial Plan



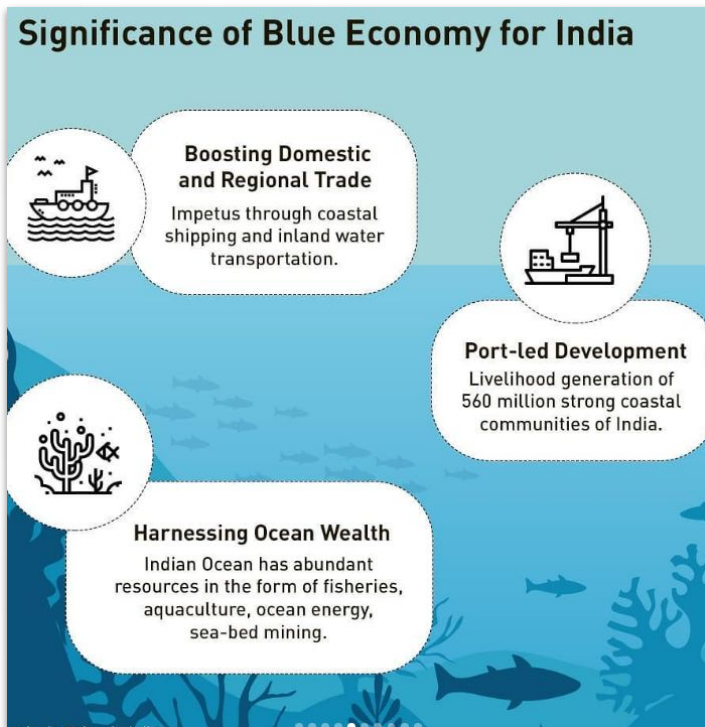
CONTEXT: Odisha became first Indian state to launch Marine Spatial Plan.

MSP Components and What They Mean

MSP Component	What It Involves	Example in Odisha Context
Benthic Mapping	Studying vegetation/life forms on ocean floor	Seagrass beds near Chilika Lake ; coral habitats; oyster beds
Water Quality Parameters	Salinity, temperature, oxygen levels, nutrients	Mapping where freshwater (rivers) meets seawater (estuaries); identifying pollution hotspots
Economic Zoning	Identifying areas suitable for ports, industries, aquaculture, renewable energy	Paradip port expansion areas ; potential offshore wind zones
Fisheries Management	Mapping fish spawning grounds, migration routes; sustainable catch zones	Hilsa fish breeding areas in Mahanadi delta; marine fish nurseries
Tourism Potential	Beach tourism, water sports, eco-tourism areas	Puri-Konark coastline tourism zones; Chilika Lake eco-tourism
Conservation Zones	Marine protected areas, turtle nesting sites, mangrove reserves	Gahirmatha Marine Sanctuary (Olive Ridley turtles); Bhitarkanika mangroves
Disaster Vulnerability	Cyclone-prone areas, tsunami risk zones, erosion hotspots	Odisha coast highly cyclone-prone (Fani 2019, Amphan 2020)

Blue Economy Context: Why MSP Fits Vision

Significance of Blue Economy for India



7,517 km coastline

2 million sq km EEZ

1,382 islands

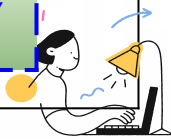
~4% to India's GDP

~\$120-150 billion annually

Potential: could grow to \$400-500 billion by 2030-35 with planning

Employment: supports 4 mn+ fishermen/fisher-folk; tourism, shipping, ports

Untapped potential; Climate change; Geopolitics; SDG alignment

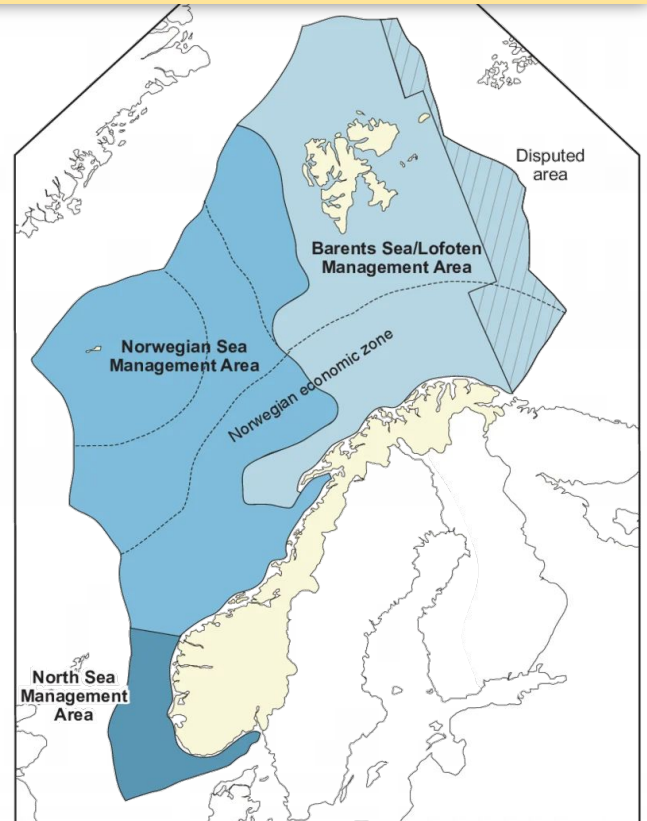


CONTEXT: Odisha became first Indian state to launch Marine Spatial Plan.

Role of Cooperation - Indo-Norway Partnership

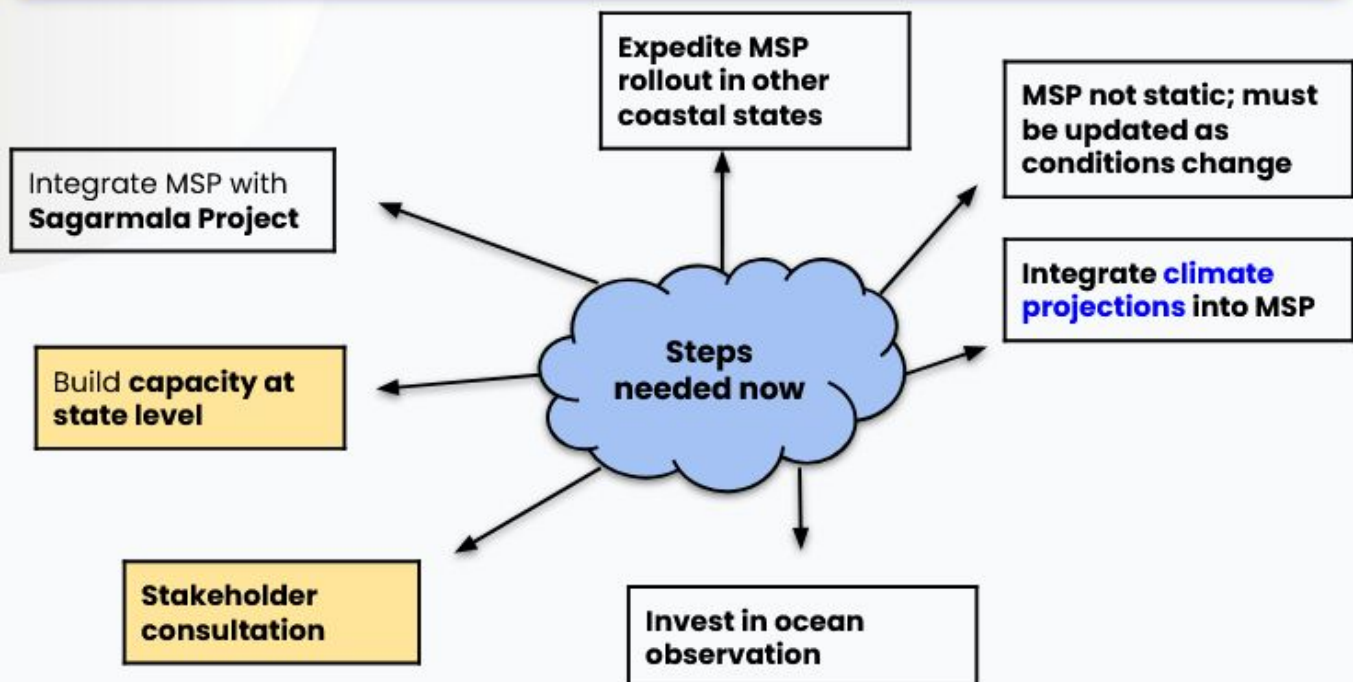
Norway's leadership

- **Managing North Sea for 20+ years**
 - Ocean survey equipment
 - Software for spatial analysis
 - Training Indian scientists
- **Financial support:** grant/loan for Phase 1 + Phase 2
- **Joint research publications;** capacity building
- Positions India as responsible ocean steward (**soft power**)



Redrawn from Royal Norwegian Ministry of the Environment

Way Forward



CONTEXT: Odisha became first Indian state to launch Marine Spatial Plan.

Mains Practise Question

Discuss the significance of Marine Spatial Planning in the context of India's blue economy goals. Examine the role of international cooperation in this regard.

(15 Marks, 250 words)

MSP: The Blue Economy Blueprint

What is MSP?

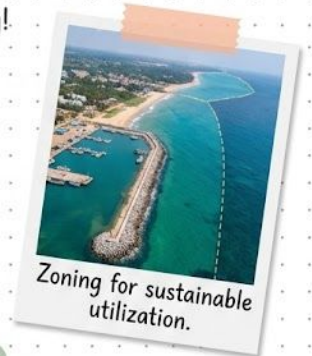
A tool for sustainable and integrated ocean management. Experts analyze coasts to specify zones for human activities, balancing ecological, economic, and social objectives.



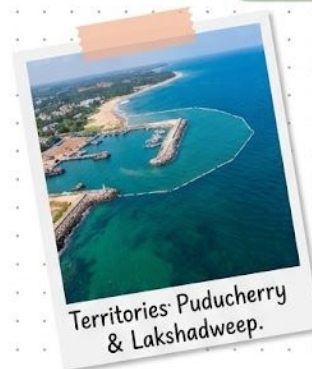
→ Aligns with the Centre's emphasis on the Blue Economy!

2019

Indo-Norway Integrated Ocean Initiative signed.



Phase 1



Phase 2

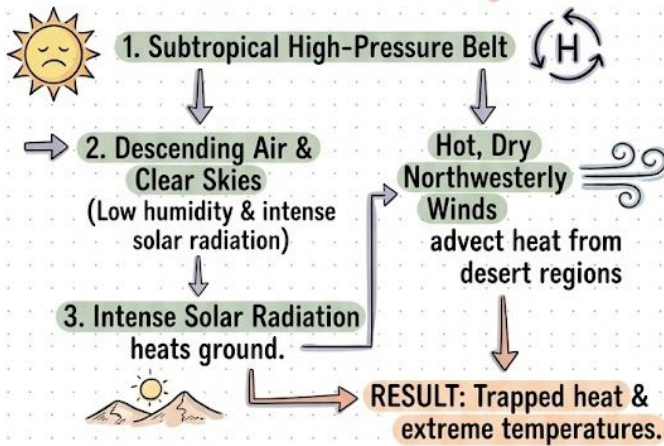
Odisha becomes the **FIRST STATE** in India to implement the MSP!



SYLLABUS: Prelims: Heatwaves
Newspaper : The Hindu, **Page No :** 7

What is a Heatwave and the "Heat Dome"

Heatwaves in India: Mechanism & Classification

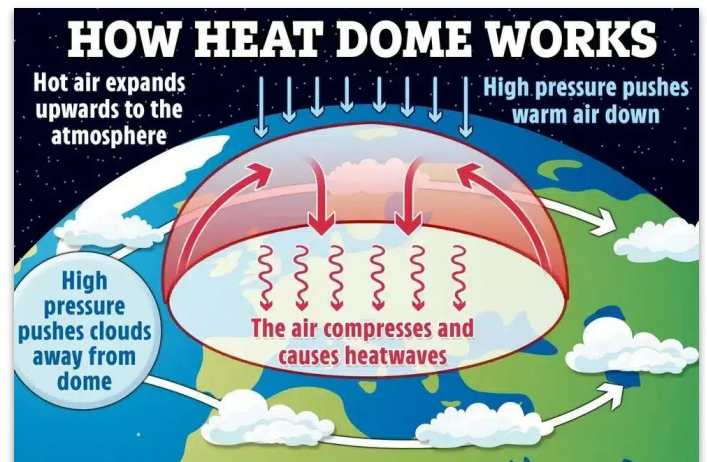


Mechanism:
 Anticyclones & Heat Domes

WMO: 5/more consecutive days where the daily max temp exceeds the avg max by 5 deg.

	Region	Heatwave Criteria	Severe Heatwave Criteria
1	Plains (Normal > 40°C)	Departure 4.5°C to 6.4°C	Departure > 6.4°C
2	Hills (Normal > 30°C)	Departure 4.5°C to 6.4°C	Departure > 6.4°C

Actual Temp Criteria:
 Regardless of departure, declared when actual temp reaches $\geq 45^\circ\text{C}$ (Plains) or $\geq 37^\circ\text{C}$ (Hills).



SYLLABUS: Prelims: Heatwaves
Newspaper : The Hindu, Page No : 7

Two Faces of Extreme Heat: Dry vs. Moist

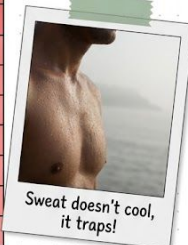
Moist Heatwave: The Humidity Trap

Dry Air - Green vs. Moist Air - Orange



Air Temp (°C)	Humidity (%)	Heat Index (Perceived Temp)
35°C	70%	50°C
30°C	70%	50°C
35°C	20%	+60°C
30°C	30%	+70°C
35°C	40%	+80°C
35°C	50%	+90°C
35°C	60%	+80°C
35°C	70%	+110°C
40°C	70%	+110°C
35°C	80%	+110°C
35°C	90%	-170°C

Standard illustrative regions affected: Indo-Gangetic Plain, coastal areas (e.g., Mumbai, Chennai, Kolkata - sketched map icons).



MOIST HEATWAVE IS THE INVISIBLE KILLER; HUMIDITY AMPLIFIES DANGER.

Feature	Moist Heatwave	Dry Heatwave
Humidity Level	Relative humidity 50% +	Insufficient moisture; humidity drops below 50%.
Trigger	After pre-monsoon shower	Absence of moisture and low-level clouds.
Why?	High humidity forms nighttime low-level clouds . These clouds act like a blanket, blocking infrared radiation trying to escape into space	With zero clouds , more solar radiation directly hits the Earth's surface during the day, drastically spiking afternoon temperatures.
Danger	The land cannot cool down at night . The trapped heat builds up over 4-5 days	"Open oven" effect

Indian government's multi-tiered strategy

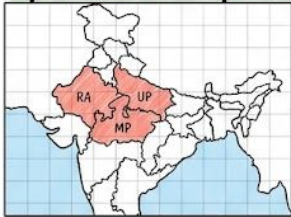
Heat Action Plans	Hospital Readiness: (2024) special heatwave units, ice packs ORS, daily data	Jal Shakti Abhiyan
Early Warning & Monitoring	Nagar Van Yojana	Smart Cities Mission



SYLLABUS: Prelims: Heatwaves
Newspaper : The Hindu, **Page No :** 7

Heatwaves: Impacts & Critical Facts

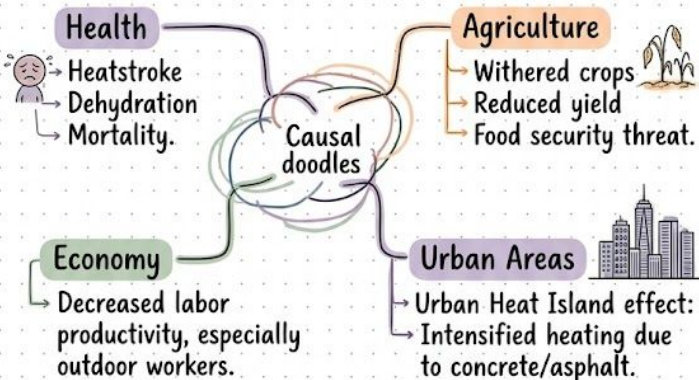
Spatial & Temporal Context



Period: Primarily March to June (peak May).

Regions affected: Northwest and Central India (shaded red area over Rajasthan, MP, UP doodles).

The Multi-Sectoral Impact



Climate Change Context

Fact: Frequency, duration, and intensity are increasing due to rising global temperatures.



ADAPTATION AND CLIMATE RESILIENCE ARE CRITICAL FOR LONG-TERM PLANNING.



SYLLABUS: Prelims: Applications and effects
Newspaper: The Indian Express, Page No : 16

Military Satellite Projects: High Ground in Warfare

Military Satellites: The Working Mechanism

The Objective: Military satellites operate as the backbone of C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance, & Reconnaissance).



Step 1: Space Segment (Orbit)

Satellites in LEO (spy), MEO (GPS), or GEO (comms) use advanced payloads (optical sensors, synthetic aperture radar) to scan or relay.



Step 2: The Link Segment

Data is converted into heavily encrypted radio frequency (RF) or laser optical signals to prevent jamming/hacking.



Step 3: Ground Segment

Tactical ground stations receive, decrypt, and analyze data in real-time for battlefield deployment.

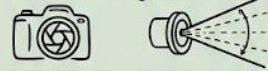


The secure space-to-ground link.

Types of Military Satellites

1 Reconnaissance & Surveillance (Spy)

Captures high-res imagery. Uses Optical (cameras) for clear days, and SAR (Synthetic Aperture Radar) to 'see' through clouds, smoke, and nighttime.



2 Military Communications

Provides secure, anti-jamming communication links for troops, ships, and UAVs across the globe.

Example: India's GSAT-7 (Rukmini) for the Navy.



3 Navigation & Targeting

Provides pinpoint positioning (GNSS). Critical for guiding smart bombs, cruise missiles, and troop movements. Example: GPS (Military code) or India's NavIC.



4 Early Warning Systems

Equipped with hyper-sensitive infrared (IR) sensors designed to detect the intense heat signatures of ICBM missile launches seconds after liftoff.



Mains Fact:

Modern warfare relies entirely on space dominance. Blinding a nation's satellites paralyzes its military!



The ultimate high ground.



SYLLABUS: Prelims: Applications and effects
Newspaper : The Indian Express, **Page No : 16**

Command & Control / Communications

Intelligence, Surveillance, & Reconnaissance

Electronic Intelligence

Positioning & Navigation

India's "Fourth Frontier"

1. Dedicated Military Satellites

Key Function

GSAT	Name	Service	Key Function
GSAT -7	Rukmini	Indian Navy	First dedicated military satellite (2013); IOR
GSAT -7A	Angry Bird	Indian Air Force	Boosts connectivity for drones, AWACS, and fighter jets.
GSAT -7B	(Upcoming)	Indian Army	Will be the first dedicated satellite for the Army.

2. Surveillance & Intelligence

- **EMISAT (Kautilya)**
 - Sun-Synchronous Polar Orbit
- **RISAT + Cartosat-3 (RISAT-2BRI)**
- **Project 52 Satellites**
- **NavIC (IRNSS)**
- **Mission Shakti**
 - Low Earth Orbit
 - PDV Mk-II
 - Kessler Syndrome

Institutional Framework

- Defence Space Agency
- IndSpaceEx



Military Satellite Projects

SYLLABUS: Prelims: Applications and effects
Newspaper: The Indian Express, **Page No : 16**

Global landscape of military space projects in 2026

Space Race 2026: US vs. China

The Shift: The nation impostates howoover now the dogination and shortby roating finclatrchs in China.

The 'Proliferated' Strategy

Project PWSA: A 'mesh network' in LEO. If one satellite is destroyed, the network heals itself!



2026 Focus: Dynamic Space Operations—satellites that actively maneuver to avoid attacks.

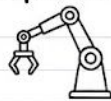


Guowang & Retrograde Surprise

Project Guowang: A massive 13,000-sat megaconstellation rivaling Starlink.

2026 Tech Edges:

1. Launched Yaogan-50 into a highly unusual Retrograde Orbit (flying against against Earth's rotation).
2. Tiangong space station operates a robotic arm capable of 'grappling' satellites!

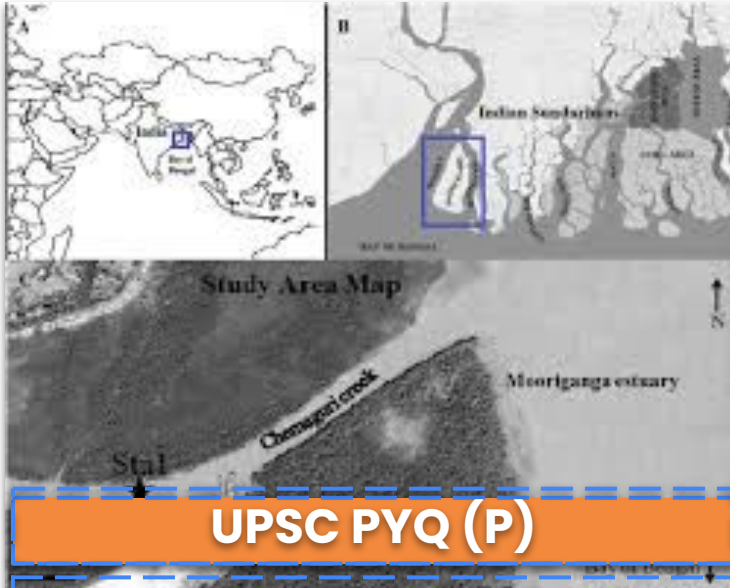


Nation	Key Project	Primary Objective
<u>USA</u>	PWSA	Resilience / Mesh Networking
<u>China</u>	Guowang / Yaogan	Dominance / Intelligence
<u>India</u>	Project 52	Surveillance / Border Security
<u>Japan</u>	QZSS	Regional GPS/Precision
<u>EU</u>	IRIS	Sovereign Communications
<u>Russia</u>	Rassvet	Arctic/Battlefield Comms



SYLLABUS: Prelims: Pollution, Marine Ecosystems
Newspaper : The Hindu, **Page No :** Science

How Microplastics are Rewiring the Bay of Bengal



Microplastics & Nanoplastics

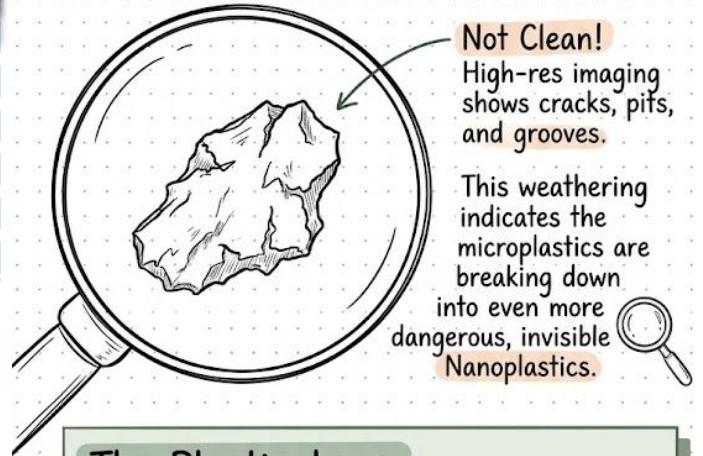
The "Plastisphere"

UPSC PYQ (P)

What is blue carbon?

- (a) Carbon captured by oceans and coastal ecosystems
- (b) Carbon sequestered in forest biomass and agricultural soils
- (c) Carbon contained in petroleum and natural gas
- (d) Carbon present in atmosphere

Plastispheres: Life on Plastic



The Plastisphere

Microplastics don't just sit there—they become habitats! Complex communities of bacteria and microbes colonize the surface of the plastic, forming what researchers call a 'Plastisphere'.

These microbes interact with the environment in novel, unprecedented ways.



Sundarbans: less blue than it seems



SYLLABUS: Prelims: Pollution, Marine Ecosystems
Newspaper : The Hindu, **Page No :** Science

IISER Data: What is in the Water?

Observation	The Data & Findings
Concentration	Ranged from a high 5 to over 58 particles per liter of water.
Seasonal Spike	Plastic levels were 40% higher during Monsoon . Heavy rains violently washed older, weathered plastic ("colourless fragments") from inland urban drains into estuary.
Types of Plastic	~50% were Fibres (shed from synthetic clothing/textiles). The rest were fragments.
Chemical Composition	Mostly Polypropylene (used in packaging) and PET / Polyethylene terephthalate (used in plastic water bottles).
Physical State	High-resolution imaging showed the plastics had cracks, pits, and grooves —proving they were actively weathering into even deadlier nanoplastics.

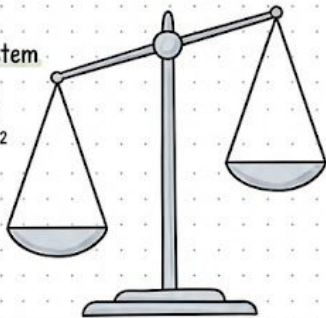
Ultimate Threat: Choking the "Blue Carbon" Sink

Threat to Blue Carbon

The Ideal

Blue Carbon Ecosystem

Mangroves naturally capture and store CO₂ efficiently from the atmosphere.



The Threat

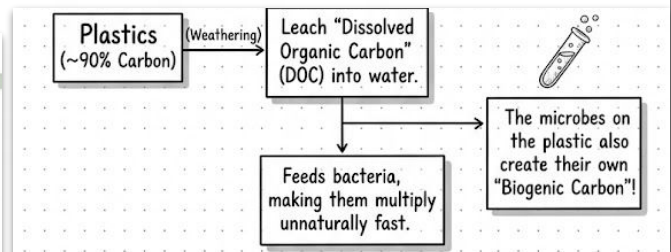
Efficiency Loss

The introduction of artificial carbon via plastics interferes with the natural food web. It alters the Bay of Bengal's carbon budget, rendering the mangroves less efficient at storing atmospheric CO₂.



Mains Fact:

Microplastics are no longer just physical pollutants; they are actively altering global biogeochemical cycles.



Altering Carbon Budget

Microplastics floating in the ocean is now acting as a **"Novel Carbon Reservoir."**

- Leaching **Dissolved Organic Carbon**
- Unnatural **Microbial Explosions**
- **Biogenic Carbon Creation**
- **Choking** the "Blue Carbon" Sink



SYLLABUS: Prelims: Capital Markets
Newspaper : The Hindu, **Page No : 17**

What are Alternative Investment Funds?

WHAT ARE ALTERNATIVE INVESTMENT FUNDS (AIFs)?

- 1** Privately pooled investment funds formed as trusts or companies
- 2** Offer alternative ways of investing in non-traditional instruments
- 3** High risk, high potential opportunities

TYPES OF AIFs

1. Category I

Infrastructure funds, Venture capital funds (VCF), Angel funds, Social venture funds

2. Category II

Private equity funds, Real estate funds and non-category I and III funds

3. Category III

Hedge funds, Private Investment in Public Equity funds (PIPE)

JOURNEY OF AIFs IN INDIA

SEBI introduces AIF regulations, classifies AIFs into 3 categories

Finance Act, 2014 clarifies taxation norms for AIFs

AIFs total capital commitments cross INR 1 lakh crores

SEBI sets the framework for AIFs to issue units in IFSC*

SEBI proposes amendments for better transparency in AIF operations



RBI permits banks to invest in Category II AIFs

SEBI allows AIFs to invest in overseas startups

SEBI includes angel funds under Category I AIFs

The AIF industry grows to INR 2 lakh crores

Predictions estimate AIF industry to grow to INR 3.39 lakh crores by 2025

AIFs vs. OTHER MANAGED FUNDS

Parameter	Mutual funds	PMS	AIFs
Minimum investment	INR 500- INR 5000	INR 50 lakh	INR 1 crore (INR 25 lakhs for Cat I Angel funds)
Investment universe	Listed securities	Listed/unlisted securities	Listed/ Unlisted securities, real estate etc.
Transparency	High	Moderate	Low to moderate
Liquidity	High	Moderate	Low
Risk	Low to High (Depends on the scheme)	Moderate to high	High
Investor type	Retail to HNIs*	Retail to HNIs	HNIs, Corporate



SYLLABUS: Prelims: Capital Markets
Newspaper : The Hindu, **Page No : 17**

What are Alternative Investment Funds?

Privately pooled investment vehicles

High Net-Worth Individuals

Category I AIF

- **Long-term** hold
- Leverage/**Borrowing:**
Strictly Prohibited

Sub-Categories

- Venture Capital Funds
- Angel Funds
- Infrastructure Funds
- Social Venture Funds
- SME Funds

Category II AIF

- **Investment Strategy:**
growth capital, pre-IPO
stakes, and private credit
- Leverage/**Borrowing:**
Strictly Prohibited

Sub-Categories

- Private Equity (PE) Funds
- Debt Funds / Private Credit
- Real Estate Funds
- Distressed Asset Funds
- Fund of Funds

Category I AIF

- **Investment Strategy:**
Aggressive. They use
**futures, options, margin
trading, and arbitrage.**
- Leverage/**Borrowing:** up to
2x of their fund size

Sub-Categories

- Hedge Funds
- Private Investment in Public
Equity



SYLLABUS: Prelims: Capital Markets
Newspaper : The Hindu, **Page No : 17**

SEBI's Massive Push for the Social Stock Exchange

Ecosystem of Impact Investing



- **Social Stock Exchange**
 - Not-for-Profit Organizations
 - Social enterprises
- **Social Impact Funds (Category-I AIF)**
- **Zero Coupon, Zero Principal Instruments**

Participants of The Social Stock Exchange

- Individuals
- Bank/NBFCs (as lending partners)
- Philanthropic Foundations
- Social Venture Fund (a category I AIF)
- Corporates (as CSR Spenders)
- Risk Investors
- Government Organizations
- Mutual Funds

SEBI's Massive Push: What Changed?

Parameter	Old Rule	New Rule (April 2026)
Minimum Entry for Individuals	₹2 Lakh	₹1,000
NPO Registration Validity	2 Years	3 Years
Minimum Subscription for ZCZP	75%	50%

The Positives:

- Retail Crowdfunding
- Accountability
- Fundraising Flexibility

The Challenges:

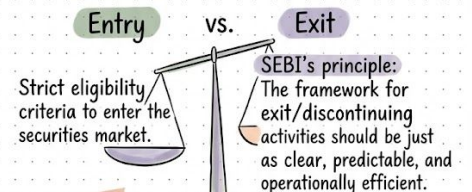
- Financial Literacy
- Compliance Burden

AIFs: The 'Inoperative' Exit Status

The Update:
 Alternative Investment Funds (AIFs) that do not retain ANY funds after the expiry of their fund life can now seek an 'Inoperative' status.



Condition Callout:
 Must strictly comply with SEBI's prescribed norms to get this tag.



A predictable operational exit.

SYLLABUS: Prelims: Capital Markets
Newspaper : The Hindu, **Page No : 17**

UPSC PYQ (P) 2025

With reference to investments, consider the following:

- I. **Bonds**
- II. Hedge Funds
- III. **Stocks**
- IV. Venture Capital

How many of the above are treated as Alternative Investment Funds?

- [A] Only one
- [B] Only two
- [C] Only three
- [D] All the four

ALTERNATIVE INVESTMENT FUND

CATEGORY 1

Investment in Startups, SMEs and projects which are socially and economically viable



- ▶ Venture Capital Fund
- ▶ Infrastructure Fund
- ▶ Angel Fund
- ▶ Social Venture Fund

CATEGORY 2

Investment in Equity and Debt Securities



- ▶ Private Equity (PE) Fund
- ▶ Debt Fund
- ▶ Fund of Funds

CATEGORY 3

Investment aimed at short-term returns achieved by employing complex trading strategies



- ▶ Hedge Fund
- ▶ Private Investment in Public Equity Fund (PIPE)



SYLLABUS: Prelims: Core Sectors
Newspaper : The Hindu, Page No : 17

What are the "Eight Core Sectors"?

- **Index of Eight Core Industries** (OEA, DPIIT, MoC&I)
 - Petroleum Refinery Products (28.04%) > Electricity (19.85%) > Steel (17.92%) > Coal (10.33%) > Crude Oil (8.98%) > Natural Gas (6.88%) > Cement (5.37%) > Fertiliser (2.63%).
- **Index of Industrial Production**
 - **Released monthly** by the NSO
 - **Base year** for IIP: 2022-23 (May 2026)
 - **Components of IIP**
 - **Mining** (weightage of 10.93%)
 - **Manufacturing** (weightage of 77.45%)
 - **Electricity** (weightage of 11.62%)
- **IoECI** = 40.27% of IIP

Y-o-Y is calculated over the corresponding financial year of previous year

Annex II

Performance of Eight Core Industries

Monthly Index & Growth Rate

Base Year: 2011-12=100

Index

Sector	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity	Overall Index
Weight	10.33	8.98	6.88	28.04	2.63	17.92	5.37	19.85	100.00
Mar-25	260.2	77.4	69.2	147.3	126.9	238.9	246.2	219.5	182.9
Apr-25	179.3	74.2	74.1	131.7	112.9	219.2	204.5	215.7	163.3
May-25	189.8	76.5	75.9	143.3	127.9	225.3	209.0	218.5	170.2
Jun-25	173.7	73.5	73.7	138.6	132.4	223.8	214.7	220.1	167.3
Jul-25	143.0	75.6	75.5	141.7	141.6	239.1	194.8	228.4	168.9
Aug-25	153.9	77.5	75.7	138.0	143.8	234.6	186.9	221.1	166.5
Sep-25	150.0	71.1	72.9	129.2	137.0	231.0	187.7	213.3	160.5
Oct-25	170.1	73.7	75.3	141.7	147.0	225.5	196.9	193.4	162.3
Nov-25	203.8	71.5	73.8	137.1	143.8	227.2	202.8	181.3	162.4
Dec-25	222.8	73.5	74.7	147.6	145.5	244.1	240.8	204.9	177.3
Jan-26	236.9	73.4	74.2	147.2	144.2	254.3	244.6	212.1	182.0
Feb-26	220.5	66.1	66.5	132.2	129.2	233.2	234.3	198.4	167.5
Mar-26*	249.7	73.0	73.6	147.4	95.7	244.1	256.0	218.5	182.1

*Provisional

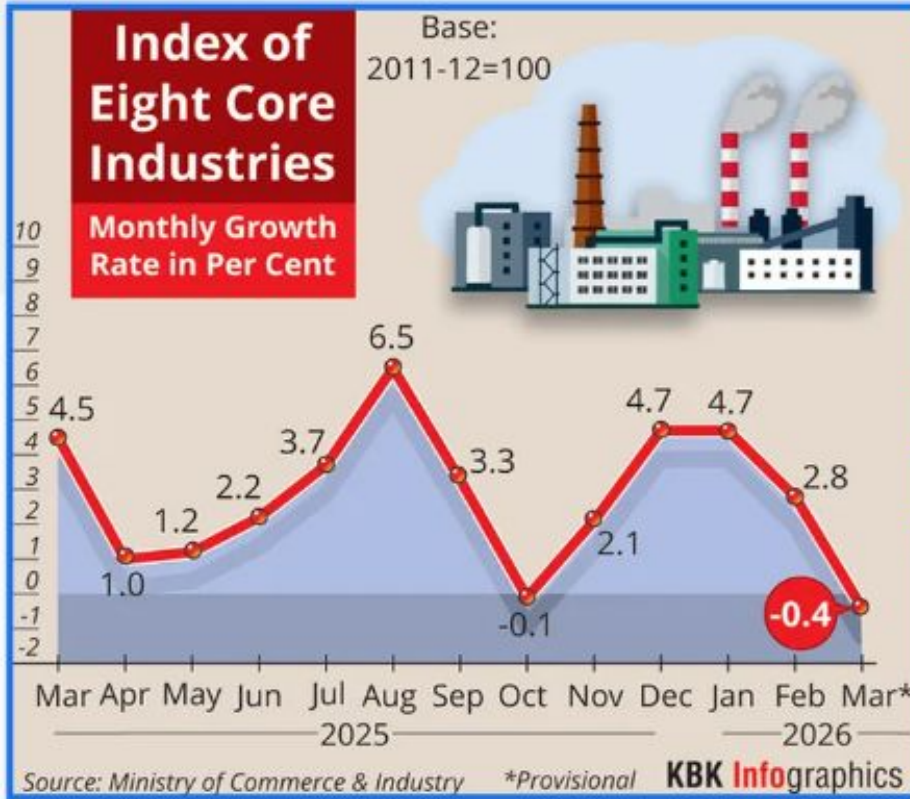


Core sector contracts after 19 months



SYLLABUS: Prelims: Core Sectors
Newspaper : The Hindu, **Page No : 17**

March 2026 Data: A Breakdown



Geopolitical Supply Choke

Direct victim: **Fertiliser**

Construction Slowdown

Base Effect

UPSC PYQ (P) 2015

In the 'Index of Eight Core Industries', which one of the following is given the highest weight?

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production





Q1. With reference to heatwave criteria in India, consider the following statements:

1. In plains, a heatwave is declared when the departure from normal temperature is between 4.5°C and 6.4°C.
2. In plains, a severe heatwave is declared when the departure exceeds 6.4°C.
3. In hilly regions, a heatwave is declared only when the normal temperature exceeds 40° C.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: b

Q2. With reference to India's dedicated military satellites, consider the following statements:

1. Rukmini is India's first dedicated military satellite for the Navy and focuses on the Indian Ocean Region.
2. Angry Bird is associated with the Indian Air Force and enhances connectivity for drones, AWACS, and fighter jets.

Which of the statements given above is/are not correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Answer: d

Q3. Match the following nations with their respective projects:

Nation	News
A. USA	1. IRIS
B. India	2. Project 52
C. Japan	3. QZSS
D. EU	4. PWSA

Select the correct answer using the codes given below.

- a) A-4, B-3, C-2, D-1
- b) A-1, B-2, C-3, D-4
- c) A-4, B-2, C-3, D-1
- d) A-2, B-4, C-3, D-1

Answer: c

Q4. With reference to Category I and Category II Alternative Investment Funds (AIFs), consider the following statements:

1. Category I AIFs are meant for long-term investments and include Venture Capital Funds and Infrastructure Funds.
2. Category I AIFs are permitted to use leverage and borrow extensively, while Category II AIFs are not permitted to use leverage or borrow.
3. Private Equity Funds and Debt Funds fall under Category II AIFs.

Which of the statements given above are correct?

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

Answer: c

Q5. Arrange the following industries in descending order of their weights in the Index of Eight Core Industries:

1. Fertiliser
2. Steel
3. Electricity
4. Coal
5. Natural Gas

Select the correct answer using the codes given below.

- a) 3 > 2 > 4 > 5 > 1
- b) 2 > 3 > 4 > 5 > 1
- c) 3 > 4 > 2 > 5 > 1
- d) 3 > 2 > 5 > 4 > 1

Answer: a





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