

# THE FINANCIAL EXPRESS

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## Banks ask Oriental to pay Rs 400 cr on Paramount default

Sitanshu Swain

Mumbai, Oct 7: The state-owned Oriental Insurance has been saddled with claims of Rs 400 crore from five banks, namely, State Bank of India, Bank of India, Indian Bank, Andhra Bank and IDBI Bank. The banks are looking to recover the money paid to the oil companies on behalf of Paramount Airways. Confirming the development, a senior executive at Oriental Insurance said: "We have received the claim on account of Paramount Airways and our surveyor is conducting the due diligence. We are also examining legal remedies for the issue." The defunct Chennai-based airline had defaulted on bank guarantees issued by these five banks.

Disturbed by the development, Insurance Regulatory & Development Authority (Irda) has banned the sale of credit insurance by general insurance companies, except state-owned Export Credit Guarantee Corporation (ECGC). Without mentioning the Paramount case,

### AIR COVER

- Paramount Air's bank loans to pay fuel bills were covered by Oriental
- Carrier defaulted, forcing five banks to seek claims from Oriental Insurance
- Oriental had taken no reinsurance for the huge exposure to Paramount
- Irda has clamped down on credit insurance, sought details from insurers

an Irda order last week said it believed that insurers were underwriting risks which were not governed by a proper regulatory framework or sanction. "Hence, in exercise of powers under Section 14(1) and 14(2)(i) of the Irda Act, 1999, the authority orders all general insurers stop sale of these policies till such time the authority formulates detailed guidelines in this regard," Irda observed.

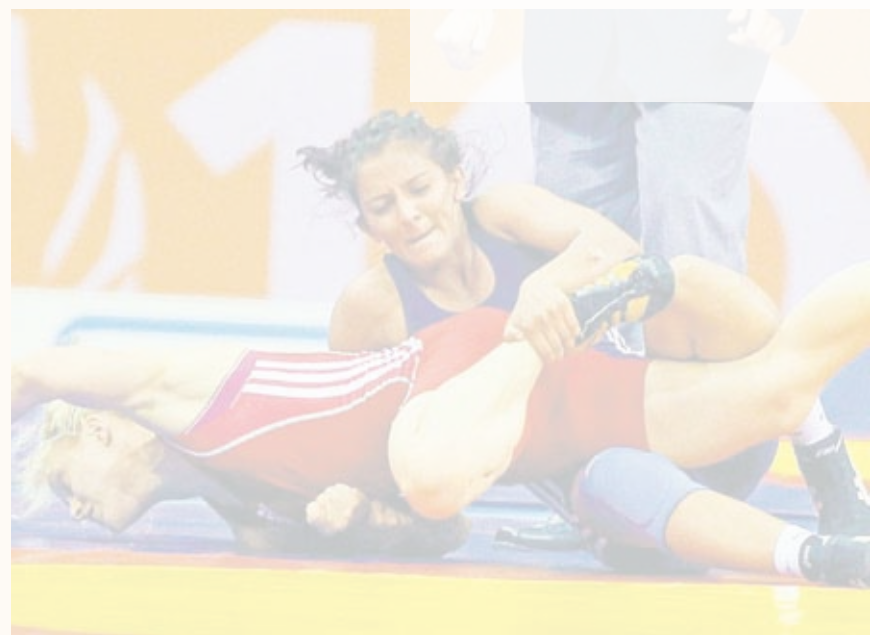
At over Rs 200 crore, Bank of India has the largest exposure to Paramount's bank guarantee, while SBI has guaranteed around Rs 80 crore and the others Rs 20 crore each. Promoted by entrepreneur M Thiagarajan,

the airline had taken credit insurance cover from Oriental in 2008-09 for its multiple bank guarantees to cover its transactions with state-owned oil companies.

A credit insurance is typically taken by a company to cover its sellers' dues and in case the buyer fails to pay up, banks which have issued guarantees can lodge a claim with the insurance company to recover the amount. Although Oriental has provided similar cover to other airlines including Jet Airways, this is the first time that such a large claim, linked to a non-export transaction, has been filed.

Experts say the manner Oriental underwrote the credit insurance policy in favour of Paramount may not have been entirely proper and the deal has been referred to the vigilance officer at Oriental Insurance. Sources say Oriental had not taken any reinsurance cover for this policy. Irda has also sought details from general insurers on their total exposure under credit insurance policies issued to banks in 10 days.

Continued on Page 2



India's Geeta, who clinched the gold, grapples with Australia's Bensted Emily in the 55-kg freestyle event at the New Delhi Commonwealth Games on Thursday.

## Source code rule won't work: Nokia Siemens

Anandita Singh Mankotia

New Delhi, Oct 7: India's security rules mandating telecom equipment providers to submit source codes of their software and hardware are neither feasible nor fool-proof, says Nokia Siemens Network (NSN), the second-largest global provider of such equipment. The NSN observation also raises doubts on the reliability of source codes which Chinese vendors Huawei and ZTE have agreed to submit.



Barry French, global marketing head, NSN

In an exclusive interview with FE, Barry French, head of marketing and corporate affairs at NSN, who is currently on a visit to India, said: "The software and hardware code is a complex matrix and gets continuously updated with upgradation in technology from time to time. Even if we submit the source code today, it would automatically become invalid over a period of time as the equipment would be upgraded."

Continued on Page 2

## GoM to decide mode of auction for FM-III

Ashish Sinha

New Delhi, Oct 7: A group of ministers (GoM) headed by finance minister Pranab Mukherjee will decide whether a clock auction model should be adopted for the third phase of FM radio rollout in India. So far, FM stations have been awarded through conventional sealed tender auctions. The unexpectedly huge revenues raised from 3G-BWA clock auctions have led to demands from the cabinet secretariat and the department of revenue that the same model be followed for FM radio as well,



### WAVE MODEL

- Pranab Mukherjee to head six-member GoM
- Cabinet secy, revenue dept push for e-auctions
- Industry, I&B fear it will make sector unviable

cludes ministers of telecom, information and broadcasting (I&B), home, defence and law. The first meeting of the GoM is expected later this month.

The government plans to auction 806 FM stations across 283 towns and feels that clock auctions will help it generate more revenue than conventional auctions. However, the I&B ministry feels the process could make the FM radio sector financially unviable due to increased licence fees, a view supported by some FM radio companies.

Continued on Page 2

### In the news

Re / ¥ / € / £ / \$ futures @

**MCX'SX**  
India's New Stock Exchange

| INDICES       | Closing   | Up/down |
|---------------|-----------|---------|
| BSE Sensex    | 20,315.32 | ▼227.76 |
| S&P CNX Nifty | 6,120.30  | ▼ 66.15 |

### Re hits 25-mth high on large inflows

The rupee on Thursday hit a 25-month high on robust foreign capital inflows. It closed at 44.1950/2050 per dollar after hitting 44.1250, its highest since September 8, 2008. Page 13

### No reason for RBI to weaken currency, Page 2

### Sesa Goa open offer likely to be delayed

Sesa Goa's proposed open offer to non-promoter shareholders in Cairn India may not open on October 11 as planned earlier, since necessary the approvals are still awaited. Page 4

■ Vedanta could cut investment by \$2 bn

■ Cairn Energy gets shareholder nod, Page 4

### Food inflation eases to 16.24%

The food price index in the year ended September 25 rose 16.24%, compared with 16.44% in the previous week, as prices of wheat, pulses and cereals fell and receding floods improved supplies. Page 2



### EDIT P8

### Mutual mistake

CB Bhave got it wrong on mutual funds but did a great job overall

**Shobhana Subramanian**

### The Economist

### Exclusive! Bubble car

Cheap, small & simple—an idea from the 1950s bubbles up again ■ P18

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## Unsold homes pile up as prices put off buyers

Vishakha Talreja & Rajat Guha

New Delhi, Oct 7: The festive season is around the corner, but it could spell bleak times for India's realty sector, as unsold inventory piles up. With the prices of residential units exorbitantly high especially in Delhi and Mumbai and a deluge of residential project launches quarter after quarter, it's a clear demand-supply mismatch.

The lean July-September quarter has been marked by oversupply. According to Jones Lang LaSalle India, around 60,000 residential projects were launched in the top seven metros during this period. However, the absorption rate has been a dismal 15%, much lower than the 20% of the last two quarters. The top seven markets include Delhi NCR, Mumbai, Chennai, Bangalore, Hyderabad, Pune and Kolkata. The oversupply is mainly in Delhi and Mumbai where prices have gone up 40-50% as compared to last year, making many projects unaffordable for average buyers.

According to the Royal Institution of Chartered Surveyors (RICS), around 250 million sq ft of residential inventory remains unsold across major markets in the country. Most of the upcoming projects are lo-

cated in Navi Mumbai and Thane near Mumbai, or in Noida and Gurgaon near Delhi, where unsold home inventory levels are at all-time highs. As reported by *The Indian Express*, Kharghar in Navi Mumbai itself has 131 new residential projects, followed by 66 projects in Kamothe, 41 in New Panvel, 31 in Nerul and 21 in Kalamboli.



### DAMPENERS

- Large number of project launches
- Price appreciation of 40-50% in metros
- Steady increase in home loan interest rates

"On one hand, prices of residential units have gone up and on the other, interest rates have moved up too. Though there were end-users last year, this time the property market is unaffordable and most sales are investor-driven," says Abhishek Kiran Gupta, head-research, Jones Lang LaSalle India.

Continued on Page 2

**IGNOU Announces Academic Counsellor's Training-Online (ACT-Online)**  
(A Professional Development Programme of 3 Credits)

**INDIRA GANDHI NATIONAL OPEN UNIVERSITY**  
Maidan Garhi, New Delhi - 110 068 www.ignou.ac.in

**Programme Highlights**

- The 3 credits online Professional development programme involves study of online content, doing activities and interaction in the Discussion Forums. The following areas are covered:
- ODL concept, models and latest developments
- Organisation of student support services
- Organisation of tutoring and academic counselling (face-to-face)
- Development of study skills in distance learners
- Support to the educationally disadvantaged students
- Use of new technologies for student support
- Assessment and evaluation in distance education including tutor comments and grading

**Unique Features**

- Prepare the Academic Counsellors to organize their counselling sessions effectively for distance learners
- Engage in in-built activities to develop skills for tutoring and academic counselling

**Target Group**

- Academic Counsellors of IGNOU
- Faculty/interested members from other institutions (DDEs/DTIs/SOUs)

**Programme Duration**

45-90 days (Min-Max).

**Fee**

- No Fee for Academic Counsellors of IGNOU
- Rs. 1000/- (Rs. One thousand only) for any other faculty/interested members from other institutions (DDEs/DTIs/SOUs)

**Registration Process**

For registration, please visit to ACT-Online Programme website at <http://www.ignouonline.ac.in/actonline>. Read the details about the programme and registration procedure and apply online through the link provided there-in. After filling the online form, please take a printout of the same and get the attestation and verification by respective Regional Director/Coordinator of your Study Centre.

**IMPORTANT DATES**

Registration starts on: 01.10.2010 onwards  
Programme Commencement on: 15.10.2010

Contact : Programme Coordinator,  
ACT-Online, Block-14, Room-1, STRIDE, IGNOU, Maidan Garhi  
New Delhi 110068 Phone : 011 29572601 e-mail: gmythili@ignou.ac.in

The ACT-Online programme is offered through STRIDE and technical support through e-GyanKosh IGNOU





AMIT MEHRA

# THE MIND READER

Rajendra Pawar, founder & chairman of the NIIT Group, defines the 21<sup>st</sup> century as the 'century of the mind'. And, therefore, traditional societies like Indian and Chinese, which have spent considerable 'civilisational' energy and time understanding 'matters of the mind', hold an edge now, he tells Shailesh Dobhal

“LOOK for patterns in life,” says the 59-year-old founder and chief of the Rs 2,113-crore NIIT Group, which encompasses the around three-decade-old IT training and software services business, and lately, even a not-for-profit university. A techie by education, no wonder Pawar connects all that his company has achieved, and continues to strive for, by a common thread, a pattern if you will.

“The 21<sup>st</sup> century is the century of the mind, and, therefore, India's century. And, I see lot of our actions fitting into that fundamental reality,” says Pawar, lovingly ‘Raji’ to company insiders. So whether it's IT education, consulting, and now higher education, Pawar says all involve people and building their potential. A childhood spend in an army environment and some inspired schooling at The Scindia School, Gwalior, made him a body disciplinarian, but he worships at the altar of the mind. “The body has to have the strength, because it is the carrier after all, but basically value gets created through the mind—tapping, nurturing, leveraging, harnessing it—call it what you will, but it all starts with a way to build capacity to reflect and think.”

To Pawar, old civilisations like the Indian and the Chinese have tremendous understanding of the mind, and that more than anything else—big markets and/or favourable demographics—is their claim for dominating this 'century of the mind'—the knowledge era so to say. “The IT industry is only the first expression of that (move where we) start respecting our traditional knowledge more and more and, therefore, tap into what we (already) know about the human mind and how it works,” he says.

Hundreds of global businesses setting up their research and development centres in India and the fact that India will be the next big creator of intellectual property in the decades to come is the second and third expression, respectively, of this continuum, according to Pawar. “And all this basically means that we (as a country) have to focus on enabling young people and grown ups alike to do the best they can with the mind they have. The most structured way obviously is education and skill building, and these two areas have been areas of deep engagement, for me personally and the organisation too.”

It is this quest that has redefined NIIT's core from mere 'IT training for a developing country' to a more open and holistic 'global talent development'. The difference is not merely in semantics, emphasises Pawar: “Whether it's higher education that needs to create new knowledge, or massive skilling for jobs at the bottom (of the income pyramid), both need a sustainable model.”

Take the 100-acre, year-old NIIT University, located at Neemrana, Rajasthan, for instance. Pawar hopes to run it as non-profit initiative, even if the laws of the land were to change to permit money making in higher education. “The intent is to make it a place for



Pawar with NIIT CEO Vijay K Thadani (centre) and COO Rajendran

serious research and industry-linked with incubators inside the campus. And frankly, with this objective, for-profit does not look like a possibility, as there will always be a conflict then on how much (money) to draw (out) and how much to put back.” Pawar insists that you can do a large training operation, a la IT training and NIIT, for profit, but if the objective is to create new knowledge, the pursuit is endless, and

profit (motive) shouldn't be allowed to interfere with it. Pawar's eyes lit up as he speaks of what he hopes NIIT University becomes. “Ultimately, the university has to create intellectual property, as that is part of its financial/sustainability model.” As member of the Prime Minister's National Council on Skill Development (NCS), Pawar also grapples with the demographic dividend dilemma



In an NIIT classroom

of a young, poorly-skilled population that can turn into India's biggest boon or bane, depending on how the challenge is met.

“Skill building needs innovation to find a funding model, and that will come once we recognise some basic, as we call it at the NCS, ‘principles’—that skills should be certifiable, bankable, fungible and artificial barriers between education and skills be broken.” And it

is best if free markets be allowed to operate in skill building, with the government as a facilitator in promulgating those ‘principles’.

“The model that we build in NIIT can lend itself to even carpentry,” says Pawar. Perhaps a partnership model that NIIT has built with ICICI Bank (financial services training) and Genpact (business-process-outsourcing training) could be a model here.

## PROFILE

### Rajendra S Pawar

**BIRTHDAY**  
March 19, 1951

**FAMILY**  
Married, with three children

**EDUCATION**  
The Scindia School, Gwalior; B.Tech in electrical engineering from IIT Delhi. Received the Distinguished Alumnus Award of IIT in 1995. Also awarded an honorary doctoral degree by the Rajiv Gandhi Technical University in 2005

**ON BOARDS OF**  
IIT Delhi; Indian School of Business, Hyderabad; IIM Bangalore, and The Scindia School, Gwalior. Also member of the Prime Minister's National Council on Skill Development

Pawar looks deeper within NIIT to find answers to the acute skills problem facing the nation. “We, perhaps, run the biggest public-private partnership, in terms of touching people, with our school-learning solutions programme.” The programme, over a decade old and an Rs 250-crore business vertical actually, has touched over 10 million schoolchildren, largely in government-run schools, where ‘the child (or the parents) does not pay a penny’.

The state governments—and NIIT works with over a dozen here—is the client on such build-operate-transfer PPP projects for enhancing schoolchildren's IT skills. It sounds such an obvious and easy model to emulate, provided one can “innovate in business model and technology, so that you can build a self-sustaining character”. Apparently, the National Skills Development Corporation, itself a PPP, is busying itself with providing the first tranche of risk-capital to around half-a-dozen entrepreneurial ventures for skill development in areas ranging from construction to auto repairs.

“Back in school in the 1960s, there was this practice of *astachal*, essentially to watch the setting sun in silence. We lived the sunset, year after year, watching it in silence, and at that time you had no option but to reflect.” This habit of watching the sunset has stayed with Pawar, something he says steered him to a life-long personal engagement with ‘matters of the mind’. So much so that during the company offsites, Pawar makes it a point to drag his senior people to watch the sunrise at least one day, as ‘you can't do sunset if you're working’. In fact, Pawar had taken this ‘personal best practice’ event to the NIIT University, as it helps ‘still the mind’, and a peaceful mind is likely to generate more creative thoughts. For Pawar, all patterns or value creation in business start with those ‘products of the mind’—thoughts and ideas.

## INTERVIEW: RAJENDRA SINGH PAWAR

FOUNDER & CHAIRMAN, NIIT GROUP AND FOUNDER, NIIT UNIVERSITY

# ‘Innovation is the key to skill development’

**What are the challenges you face in your core business area, IT education?**

One is going beyond it—IT as a means rather than an end. That transition has already started in our case when we moved to global talent development—it's global, in 40 countries, and it's talent rather than just IT. We are now building a range of offerings that go beyond IT. The biggest growth engine in our business is the financial services training (the joint-venture with ICICI), and business process outsourcing services training (JV with Genpact). As more sectors are opening out, we'll have more such partnerships. The other direction is that we have to go much deeper into India; this (issue of) inclusive growth on a self-sustaining basis is very important.

**Why then did you sell the sales vertical—NIS?**

It was much ahead of its time. Had we had it today, we wouldn't have given it. But that's life.

**How is work progressing on the National Skills Mission?**

In the first few meetings we have

build some specific principles. Among them was the fact that skills should be bankable, fungible, and also that between skills and education there are artificial divides that need to be broken. So that if after Class X or XII, if I feel excited about working, and I don't want to go through this ‘boring education’ because that's my view at that time, and I work for a few years and I want to go back and lift my base of knowledge, what I learnt in my work should find recognition. You may ascribe whatever value you want to when you go for diploma to degree, but you can't make it zero. Now we're actually working on the qualification framework and to permit this mobility.

And if we say they're bankable, what it means is that if I have learnt something, it has to have economic value, and it should be certifiable, bankable, fungible and all of those things.

We (have also) made a very important suggestion that if the government wants to play a role in the formation of skills in a country, the money should not be paid to an insti-

tution, but the individual, as he/she can make a choice of what offering they want to take and let the delivery mechanisms compete with each other.

**Is it time to do what you did with IT education to skill building?**

Very much. For instance, at the NIIT University, part of the principle is creating innovation in education technology. The idea is to make it a solid source of tech for the country to solve not just skill problem, but even education problem in village schools, where we don't have teachers.

**Some details on NIIT's end-to-end project in Bhutan.**

It's a big, Rs 200-crore, five-year

**IF THE GOVERNMENT WANTS TO PLAY A ROLE IN THE FORMATION OF SKILLS IN A COUNTRY, THE MONEY SHOULD NOT BE PAID TO AN INSTITUTION, BUT THE INDIVIDUAL**