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SPIDER-MAN WILL KEEP SWINGING IN MARVEL FLICKS

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FIVE-JUDGE BENCH CONSTITUTED TO HEAR PLEAS ON ARTICLE 370

PHOTO: PTI

The Supreme Court on Saturday set up a five-judge Constitution Bench headed by Justice N V Ramana which will commence hearing from October 1 on pleas challenging the Centre's decision to abrogate provisions of Article 370 that gave special status to Jammu and Kashmir. The Bench also comprises Justices S K Kaul, R Subhash Reddy, B R Gavai and Suryakant. The Bench will examine the constitutional validity of the scrapping of the Article's provisions and the subsequent presidential orders on it. A Bench headed by Chief Justice Ranjan Gogoi on August 28 had referred the matter to a five-judge Constitution Bench. 12

COMPANIES P3

DHFL proposes to convert 2.3% of debt into equity

Dewan Housing Finance (DHFL) has sought approval for conversion of 2.3 per cent exposure of various categories of lenders into equity at the price of ₹54 per share, following which the creditors will own 51 per cent stake in the firm.

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PAN-Aadhaar linking date extended to Dec 31

The deadline to link permanent account number (PAN) with Aadhaar has been extended till December 31, a Central Board of Direct Taxes order said on Saturday. Earlier, the deadline was September 30. This is the seventh time that the government has extended the deadline.

BS SPECIAL ON SUNDAY

IN DEPTH

The voices of reason on climate

As countries reiterate old promises to control climate change, the young are showing the way. DISHA SHETTY writes 7

HEALTH P6

Govt rules out U-turn on e-cigarette ban

The government has no plan to roll back a ban on electronic cigarettes, an official told *Reuters* on Saturday, as protests against the move by vapers in six cities drew scant support. India banned the sale and import of e-cigarettes this month.

Majority see 25-bp rate cut in monetary policy

Inflation to stay within 4% target, say economists

ANUP ROY
Mumbai, 28 September

A rate cut is almost certain in the October 4 monetary policy review to lift economic growth, expect economists and market participants at large, but the quantum varies from 15 basis points (bps) to 40 bps. One of the 15 participants polled even predicts a pause. Economists, however, differ on whether there will be room for further cuts, especially after the recent tax breaks given to the corporate sector, which is expected to create demand and boost growth.

Besides, there is a nagging discomfort that the banking system has not really passed on the 110-bp rate cut since February to the customers, except perhaps for retail customers.

Economists also say the present repo rate of 5.40 per cent should be adjusted back to the traditional system of multiples of 25 bps, after the unconventional cut of 35 bps in the August policy. So, at least in one leg, either in the October policy or thereafter, the central bank needs to cut the repo rate by 15 bps or 40 bps to make the cut at 50 bps or 75 bps.

"The cumulative space for rate cuts is 40 bps. Therefore, depending on the size of cut in October, there is some more space, though limited," said Gaurav Kapur, chief economist at IndusInd Bank. He expects a rate cut of 15-25 bps.

"There is a demonstrated sense of urgency on the part of policymakers to boost growth. Also, inflationary pressures remain limited. Thus, we continue to see a scope for further monetary easing in the coming months, including 35-40 bp repo rate cut in October," said Siddhartha Sanyal, chief economist and head of research, Bandhan Bank.

Inflation, on the other hand, is likely to remain below the target of 4 per cent, say economists, in part due to subdued core inflation, and despite likely food price pressures due to erratic monsoon-induced supply disruptions.

"We expect a 25-bp reduction in the repo rate in the October policy meet. Given the weak demand level in economic activity, we expect the MPC (Monetary Policy Committee) to maintain its accommodative stance and expect the repo rate at 4.75 per cent by FY21," said Anubhuti Sahay, chief economist at Standard Chartered Bank. Kaushik Das, chief economist at Deutsche Bank, also holds a similar view. State Bank of India's group chief economic advisor, Soumya Kanti Ghosh, on the other hand, expects a 40-bp cut on October 4 itself. "Beyond a rate cut, we now firmly believe that a counter-cyclical policy response such as tax cuts by the government is a much better option than aggressive rate cuts against a jump in household leverage in recent years," Ghosh said.

He advised that rates should be good enough for the interest of the depositors, particularly senior citizens who have no formal social security support. Turn to Page 4

WHAT EXPERTS PREDICT

40 bps: **Upasna Bhardwaj** Kotak Mahindra Bank

35-40 bps: **Soumya Kanti Ghosh** State Bank of India; **Siddhartha Sanyal** Bandhan Bank

25 bps: **Sameer Narang** Bank of Baroda; **Samiran Chakraborty** Citibank; **Saugata Bhattacharya** Axis Bank; **Harihar Krishnamurthy** FirstRand Bank; **Kaushik Das** Deutsche Bank; **Madan Sabnavis** CARE; **Aditi Nayar** ICRA; **Ananth Narayan** SPJIMR; **Anubhuti Sahay** Standard Chartered Bank

15-25 bps: **Gaurav Kapur** IndusInd Bank

15 bps: **Rupa Rege Nitsure** L&T Finance

PAUSE: **Soumyajit Niyogi** India Ratings

RBI puts Lakshmi Vilas Bank under PCA framework

T E NARASIMHAN
Chennai, 28 September

The Reserve Bank of India (RBI) has initiated Prompt Corrective Action (PCA) against Lakshmi Vilas Bank (LVB) on account of a high level of bad loans, the lack of sufficient capital to manage risks, a negative return on assets for two consecutive years, and high leverage, the Chennai-based lender said on Saturday.

The action came after an on-site inspection, under the risk-based supervision, was carried out for the year ended March 31, 2019. The regulator has advised the bank on restrictions put in place and corrective steps it needs to take. "The bank has taken note of (them) for necessary compliance, with progress to be reported on a monthly basis to the RBI," it said.

The bank said PCA would not have any adverse impact on its day-today operations, including the acceptance and repayment of deposits. "There are no restrictions on operations by depositors. The bank can also extend loans to all segments, except corporates and stressed and high-risk sectors," said a source in the bank.

The PCA plan covers various suggestions or measures to recover non-performing assets (NPAs), reduce costs, boost capital, downsize risk-weighted assets, and improve profitability, among others. The LVB management is in the process of implementing all of these, said sources.

The RBI move came days after the Delhi Police's Economic Offences Wing registered a complaint against the board of LVB, alleging cheating and misappropriation of funds. Saturdays development could be a major set back for the proposed merger of Indiabulls Housing Finance with LVB, which is awaiting the RBI's nod. Turn to Page 4

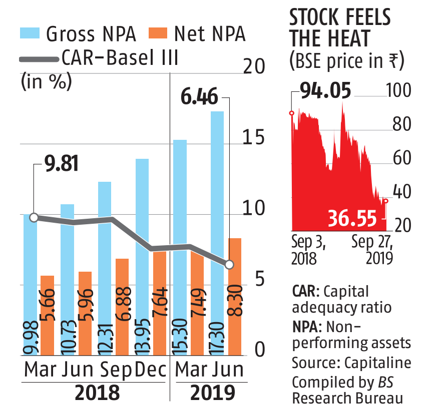
PHOTO: KAMLESH D PEDNEKAR

The bank said PCA would not have any adverse impact on its daily operations

FINANCIALS UNDER STRESS

Standalone data in ₹ crore

	NII	Other income	Net loss
Mar '18	120.5	38.3	-622.2
Jun '18	130.2	60.5	-123.9
Sep '18	151.0	71.2	-132.3
Dec '18	138.8	61.1	-373.5
Mar '19	140.2	57.5	-264.4
Jun '19	123.6	53.2	-237.2



CAR: Capital adequacy ratio
NPA: Non-performing assets
Source: Capitaline
Compiled by *BS* Research Bureau

PM'S HOMECOMING

BJP supporters accord a grand welcome to Prime Minister Narendra Modi on his arrival after a week-long visit to the US, at Palam Airport in New Delhi on Saturday. The PM said the respect and enthusiasm for India had increased significantly on the world stage in the past five years PHOTO: PTI

STATES' FARMER SCHEMES MAKING DEEPER INROADS THAN PM-KISAN

PM-KISAN has been able to reach 77 per cent of the intended beneficiaries in Punjab, and only 57 per cent nationwide, for the April-July tranche. In comparison, about 80 per cent of farmer/labourer beneficiaries under Odisha's Kalia scheme, and Telangana's Rythu Bandhu, have got their legitimate cash instalments by now.

While PM-KISAN promises ₹6,000 per year in three instalments to each "farmer family", Rythu Bandhu promises ₹5,000 per acre per season to each "farm land holder".

ABHISHEK WAGHMARE & SANJEEB MUKHERJEE report 6

Explain ₹60K-cr buy outside GeM, FM tells PSUs

Top PSUs told to frontload capex to lift economic growth

ARUP ROYCHOUDHURY
New Delhi, 28 September

The top 32 state-owned enterprises have committed to spend nearly ₹1.53 trillion in capital expenditure for fiscal year 2019-20, Finance Minister Nirmala Sitharaman said on Saturday, after meeting heads of 'maharatna' and 'navratna' PSUs.

Sitharaman also said the ministry was looking into ₹91,000 crore worth of purchases done by the government and PSUs outside the government e-marketplace (GeM) for goods and services. Of this, ₹60,000 crore of purchases have been carried out by PSUs.

"It came as a shock," the minister said, pointing out that ₹60,000 crore worth of purchases by PSUs were made outside the GeM even when those goods and services were available on the government's e-marketplace platform.

"There should be some reason. I have asked them to tell me why they found it fit to purchase these outside the GeM," Sitharaman added. Expenditure Secretary Girish Murmu, who was also at the media briefing after the meeting with PSUs, clarified that around ₹31,000 crore of similar purchases came from the government department.

At the meeting, Sitharaman asked the PSUs to frontload their capital expenditure and clear their outstanding dues by October 15. The idea is to give a boost to the economy through the frontloading of expenditure. The PSUs have also been directed to set up portals by October 15 to enable monitoring of the status of payments. The PSUs were told to come up with their capex requirements for the next four quarters, similar to what central government departments were told on Friday.

While briefing the media, Finance Secretary Rajiv Kumar said the 32 major PSUs had spent ₹48,077 crore in capex from April to August. Turn to Page 4

White House may block Chinese firms from markets

China hawks within the US administration have discussed tighter restrictions on listed Chinese companies for months

ALAN RAPPEPORT & ANA SWANSON
Washington, 28 September

The Trump administration is discussing whether to block Chinese companies from listing shares on American stock exchanges, the latest push to try to sever economic ties between the United States and China, according to people familiar with the deliberations.

The internal discussions are in their early stages and no decision is imminent, these people cautioned.

The talks come as senior officials from both countries are scheduled to resume trade negotiations in Washington early next month.

President Trump, who has continued to give mixed signals about the prospect of a trade deal with China, said earlier this week that an agreement could come "sooner than you think." His decision to delay an increase in tariffs until mid-October and China's recent purchases of American agricultural products has fuelled optimism that the talks could produce an agreement.

But the prospect of further limiting American investment in China underscores the challenge that the two sides will continue to face even as they try to de-escalate a trade war that has shaken the global economy. The administration has already increased scrutiny of foreign investment with a particular eye toward China, including expanding the types of investments that can be subject to a national security review.

Last week, the Treasury Department unveiled new regulations detailing how a 2018 law, the Foreign Investment Risk Review Modernization Act, will work to prevent foreign firms from using investments like minority stakes to capture sensitive American information. And the United States has already blacklisted some Chinese companies, including Huawei, effectively barring them from doing business with American companies.

Stocks dropped on Friday after a report on the deliberations was published by Bloomberg News. The market continued to slide through most of the day. At close, the S&P 500 was down 0.5 percent and the Nasdaq composite index was down 1.1 percent.

Losses were particularly steep in the technology sector, and among semiconductor stocks, two parts of the market that have been sensitive to the latest updates on the economic tensions between China and the United States.

Details of how the United States would restrict Chinese companies from American stock markets were still being worked out and the idea remained in its early stages, the people familiar with the deliberations said.

China hawks within the administration have discussed the possibility of tighter restrictions on listed Chinese companies for many months. Supporters say the efforts would close longstanding loopholes that have allowed Chinese companies with links to its government to take advantage of America's financial rules and solicit funds from American investors without proper disclosure.

Skeptics caution that the move could be deeply disruptive to markets and the economy and risk turning American investors and pension funds into another casualty of the trade war. Turn to Page 4

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The effect of limiting Chinese firms from raising capital inside the US could be significant, as 156 Chinese companies were listed on American exchanges with a total market cap of $1.2 trillion at the start of the year PHOTO: REUTERS

IN BRIEF

Tesla labour practices, Musk tweet broke the law: Judge

Tesla committed a series of violations of the National Labor Relations Act in 2017 and last year, a judge ruled on Friday. The car maker illegally threatened and retaliated against employees, according to Amita Baman Tracy, an administrative law judge in California. A tweet that Elon Musk sent in May 2018, which suggested employees who chose to join a union would give up company-paid stock options, was among the incidents the judge ruled were in violation of the law. The judge's order calls for Tesla to offer reinstatement and back-pay to a fired, pro-union employee, and to revoke a warning issued to another union supporter. The ruling also calls for the firm to hold a meeting at its assembly plant in Fremont that Musk must attend. **BLOOMBERG**

GSK, AstraZeneca trial results may widen drug use

GlaxoSmithKline and AstraZeneca both reported trial results that will likely make their competing drugs available to a wider group of ovarian cancer patients, possibly helping GSK catch its rival in a highly contested drug class. The firms said separately on Saturday their respective drug candidates — in a class known as PARP inhibitors — staved off the return of metastasized ovarian cancer in women who had responded to initial standard treatment, reducing the risk of a relapse. AstraZeneca and its US development partner Merck & Co said their Lynparza drug cut the risk of the cancer progressing again by 41%. It was 38% for GSK's drug. **REUTERS**

Hindustan Shipyard posts profit for 4th straight year

Hindustan Shipyard has achieved an operating profit of ₹68.08 crore and profit after tax of ₹36.23 crore during FY19, said Sarat Babu, chairman and managing director, on Saturday. This is the fourth consecutive year it is achieving profit, he told the media. During FY19, all three business segments — shipbuilding, ship repair and submarine refit — had contributed towards achieving production value of ₹595 crore. The shipyard has also taken steps for the wage revision for officers and workmen with effect from 2018 and the proposals had already been sent to the defence ministry and it is expected to get approval in due course, he said. **PTI**

CIAL to give out 27% dividend to shareholders

The Cochin International Airport (CIAL) on Saturday endorsed the proposal of its board of directors to give out a dividend of 27 per cent to shareholders of the company. A decision to this effect was taken at the 25th annual general meeting (AGM) held here. Addressing the shareholders as the chairman of the company, Chief Minister Pinarayi Vijayan said CIAL is one of the best institutions in the state and though there was a lot to mention about its achievements during the previous fiscal year, the observance of model code of conduct prompted him to refrain from it. CIAL has registered a net profit of ₹166.92 crore out of a turnover of ₹650.34 crore during the FY19. **PTI**

Glenmark Pharma to raise up to $200 million

Glenmark Pharmaceuticals said its shareholders have approved a proposal to raise up to $200 million (₹1,413 cr) through issuance of debt securities, on Saturday. The proposal was approved at the company's annual general meeting held on September 27. "All the Resolutions were declared passed with the requisite majority," the company said in a BSE filing. The firm plans to raise up to $200 million in Indian and/or international market through bonds, debentures or other debt securities in one or more tranches. **PTI**

RCap closes 21.54% stake sale in RNam for ₹3,030 crore

Reliance Capital (RCap) has announced the completion of 21.54 per cent stake sale in its MF arm RNam to joint venture partner Nippon Life Insurance for ₹3,030 crore. It will further monetise its balance 4.28 per cent stake in Reliance Nippon Life Asset Management (RNam) worth ₹700 crore, RCap said in a statement. RCap had earlier sold 17.06 per cent stake in RNam in three successive offers for sale in the past, aggregating over ₹2,480 crore. **PTI**

Vishwaraj Sugar IPO to open on September 30

Vishwaraj Sugar Industries (VSIL), a Karnataka-based sugar company, is entering the capital markets with an initial public offering for 10 million equity shares of ₹10 face value through a book building process in a price band of ₹55–60 per share aggregating ₹55–60 crore. The offer will open on September 30 and close on October 4. VSIL has licensed sugarcane crushing capacity of 11,000 tonnes crushed per day and also makes rectified spirit, extra neutral alcohol, India-made liquor, vinegar, compost, carbon dioxide besides power from a co-generation plant. The shares of the company are proposed to be listed on the BSE and NSE. **BS REPORTER**

Data access curbs put fintech firms in a spot

Business of credit information bureaus seen coming under threat

DEBASIS MOHAPATRA
Bengaluru, 28 September

With the Reserve Bank of India (RBI) restricting fintech firms' access to consumer credit information, the business model of start-ups working on lending and consumer insights is being questioned.

Industry experts say this step could negatively affect the business of credit information bureaus that have seen rising demand from fintechs in recent years. The RBI last week asked banks and non-banking financial companies (NBFCs) to stop providing unregulated entities access to consumer information held by credit bureaus.

Currently, the Credit Information Companies (Regulation) Act, 2005, (CICRA) defines rules relating to use and access to consumer data from credit bureaus such as TransUnion CIBIL, Equifax, Experian, and CRIF High Mark.

Banks partner fintech marketplaces and institutional agents and provide them authorisation to access credit bureaus' data. Sources said some fintech firms were planning ask the RBI to withdraw the order.

"While the RBI should have strict vigilance over the use of customer data procured from credit information companies (CICs), disallowing the fintech firms to access this data is not healthy for this growing segment," said Dipti Lavya Swain, privacy and credit information law expert and partner at HSA Advocates.

With access to customer information, fintech firms create insights with the help of AI and data analytics, and offer them as a service to banks

With access to customer information, many fintech firms create consumer insights with the help of artificial intelligence and data analytics and offer them as a service to banks. Such insights help banks in their lending decisions.

"With many banks not so heavily invested in new-age digital technologies, or at least yet, they usually seek partnerships with fintech firms for their technology and know-how and get insights into consumer borrowing and spending patterns. Such partnerships help banks to detect frauds by doing risk-based profiling of customers," Swain added.

Companies such as Karza Technologies, Onfido, Spocto, and TransUnion are into the data analytics business and work with banks and non-bank lenders.

Apart from fintech firms providing technologies to providers of financial services, even those fintechs that are into lending as an intermediary are likely to be affected.

"Online lenders that are working as market places for lenders and borrowers are likely to be adversely affected," said the founder of a Bengaluru-based digital lender. However, digital lenders with an NBFC licence will not be affected by this move because they can access such data.

Express industry targets 8% growth

ADITI DIVEKAR
Mumbai, 28 September

At a time of economic slowdown, when most industries do not expect strong growth — especially during the festive season — the express industry (a term for those offering integrated shipment delivery services) has a slightly different story to tell.

Demand is not as high as last year, but those in the sector expect reasonable growth. "While we remain cautious and are assessing the impact of slowdown, it will not be a downturn but lower growth than last year," said Abhishek Chakraborty, executive director at DTDC. "If average demand growth rate was 40-45 per cent last year, it will be 15-20 per cent this year. I will be surprised if it goes beyond 20 per cent."

Chakraborty said the mood among middle- and lower-income groups was pensive, since job security in several sectors was low. "But, it does not take away the fact that people will spend during this season, as it is also more to do about the culture and religious aspect."

Sector entities believe attractive deals will boost consumption in the season. "The slowdown is affecting consumer behaviour and, consequently, spending. However, businesses hope the festival season will bring a turnaround as customers start looking out for deals," said Ketan Kulkarni, chief marketing officer and head of business development at Blue Dart Express.

"This year, the slowdown did affect consumer sentiment but e-commerce has been less affected, as consumers constantly look for variety and deals. Further, new shoppers get added to the online consumer segment as internet access gets affordable," said K Satyanarayana, co-founder and director at Ecom Express. "We work pro-actively on value-selling propositions, a mix of price and packaging, primarily driven to address the needs of festive season shipping," said Sandeep Juneja, vice-president (sales & marketing), DHL Express.

According to an *Indian Express Industry — 2018* report by Deloitte, the sector is expected grow at a CAGR of 17 per cent and reach a size of ₹48,000 crore in the next five years.

This will be driven primarily by e-commerce, significant demand from the small and medium business-to-business segment, and growth of the country's cross-border trade, said the report. Firms also said consumers in both business-to-business and business-to-consumer entities, will prefer express service to plain transportation for the several differentiated services the former offers.

"The consumer is no longer happy with simple transportation of goods, and in fact looks for end-to-end solutions that would include speed, execution capability, and technology," said Chakraborty. With GDP growth slowing to 5 per cent, the sector is expected to see 8-8.5 per cent growth, a two percentage point decline over last year, said players. Being labour-intensive, the sector creates employment for a large number of people, directly and indirectly.

"Being an asset-light company, Mahindra Logistics uses its network of business partners for transportation and delivery," said Pirojshaw Sarkari, CEO of Mahindra Logistics.

Ecom Express expects 2-3 times surge in festive sales via online shopping, and hence expects 20-30 per cent jump in demand for last-mile delivery customers.

EXPRESSION OF INTEREST

- Sector entities believe attractive deals will boost consumption in the season
- Players were also of the view that a consumer would prefer express service to plain transportation for the several differentiated services the former offers
- Primarily driven by e-commerce, significant demand from the small and medium business-to-business segment and growth of the country's cross-border trade
- The sector creates employment for a large number of people, directly and indirectly

Indiabulls to sell London property for £200 mn

PRESS TRUST OF INDIA
New Delhi, 28 September

Indiabulls Real Estate on Saturday said the firm's shareholders have approved a proposal to sell its London property to promoters for £200 million, in an annual general meeting held on September 28.

Earlier, the firm had disclosed its plans to focus on its India business and cut down on debt. The resolution to sell the property was approved by the requisite majority of shareholders, stated a BSE filing by the company.

In the notice for AGM, the company had said: "In light of continuing Brexit related issues and uncertainty around it, the London property market remains sluggish. The Pound has also had a sustained depreciation from around the time of Brexit referendum result."

The continued uncertainty regarding Brexit continues to provide headwinds for both the London property market and the pound, it said.

According to an assessment with lenders, a further loan of approximately £133 million will be availed to complete the ongoing construction on 22 Hanover Square property (London property), and the firm would not like to incur this further additional debt on its own balance sheet the statement said.

Explaining further, it had said, "To reduce debt and to have its more focus on the Mumbai and NCR markets, the board of the company, had on an earlier date, authorised and approved divestment of company's direct or indirect stake in the London property."

It also said the promoter has come forward to acquire the property for £200 million — significantly above the cost of its acquisition, ie £161.5 million and CBRE, UK's recent valuation of £189 million.

Insurance brokers losing the race to technology

SUBHOMOY BHATTACHARJEE
New Delhi, 28 September

Ride-hailing competitors Uber and Ola rolled out competing rider insurance products earlier this week, through tie-ups with insurance companies.

At the same time, insurance broker Marsh has demonstrated another example of using blockchain to make it easy for clients, carriers, and brokers to share real-time information and feedback on how to book/hold the best insurance covers.

Changes in technology and marketing are cutting the ground from the feet of India's more than 400 insurance brokers. Therefore, it is difficult for them to celebrate the liberalisation of rules to allow 100 per cent foreign direct investment (FDI) in their sector (insurance intermediaries).

The field is, in any case, skewed with only the top six, including Marsh, Willis Towers Watson, and Aon, which have joint ventures with a concomitant foreign investment stake of up to 49 per cent.

The challenge for everyone is how to fend off competition from insurance companies and the sweep of technology, making their business models irrelevant. The challenge will mount as giants such as Amazon and Google begin to compete with the very same intermediaries.

"Consumer-friendly tech giants have set their sights on health care. They don't yet command the landscape, but their disruptive power could bring dramatic changes," notes Boston Consulting Group lead author Sanjay Saxena in a report released in August.

While no proposals to raise FDI above 49 per cent have come in so far after the Department of Financial Services issued the notification on August 27, all the leading brokerages said — in a response to emails from *Business Standard* — that they were studying the alternatives.

The Ola Money and Uber tie-ups demonstrate how insurance firms are forging partnerships to offer their products

The Ola Money and Uber tie-ups demonstrate how insurance firms — including even government-run ones — are forging partnerships with every possible entity to offer products.

These go beyond tie-ups with banks to reach clients to offer insurance products, or establish a big presence in car dealerships to offer motor insurance. Those are now passé.

New marketing plans are making insurance intermediaries irrelevant. This is why just after the Budget announcement in July, the Insurance Brokers Association of India sent a list of grievances to Union Finance Minister Nirmala Sitharaman.

Significantly they did not list the raising of the FDI cap among those. This is possibly because foreign joint ventures are also members of the association.

Insurance intermediaries like brokers critically provide trust for consumers, and blockchain removes the need for cultivating that trust.

"New insurance processes and business models built on blockchain will call into question current orthodoxies and challenge multiple pain points that are prevalent across the value chain," notes lead author James Colaco in a Deloitte report *Blockchain in Insurance*.

A Gartner research estimates that even by conservative estimates the large-scale deployment of blockchain in the sector is not more than three years away.

The advantage of ubiquitous presence intermediaries provide is also being under-cut by general insurance companies, here and abroad.

Brokers are supposed to operate on behalf of customers against insurers while agents represent the companies.

Both are under threat. Tie-ups with ride-hailing companies by insurance companies make these intermediaries irrelevant.

Among India's 421 intermediaries on the list of the Insurance Regulatory and Development Authority of India, consolidation is therefore likely to precede higher FDI. "Based on trends in technology and changing business models, consolidation among the intermediaries is quite possible," said S Mohan, principal officer and director, Paavana Insurance Brokers.

Wall Street pokes at start-up bubble as IPO dreams fizzle out

MATT PHILLIPS, STEPHEN GROCER & ERIN GRIFFITH
28 September

This was supposed to be the year when the US' biggest start-ups would finally make their triumphant debut on the stock market. Billionaire Silicon Valley investors, sneaker-clad founders and button-down bankers all expected enormous stock sales to turn companies like Uber, Lyft and WeWork into a new generation of corporate giants.

It hasn't quite turned out that way. Last week, WeWork postponed its planned initial public offering. Uber and Lyft sold shares earlier this year only to see their prices collapse. On Thursday, Peloton joined the list as its shares slumped in their first day of trading. Investors took a look and backed away, seeing overpriced companies with no prospect of making money any time soon, in some cases led by untested executives.

The rejection threatens Silicon Valley's favoured approach to building firms. The formula relies on gobs of money from venture capitalists to paper over losses with the expectation that Wall Street investors will eventually buy shares and make everybody rich. If mutual funds and pension funds are no longer willing to buy once the firms go public, fledgling entities are unlikely to find funding in the first place. "When the IPO market is hurting, it has a domino effect on valuations and venture capital deals," said Steven Kaplan, professor (finance & entrepreneurship), University of Chicago. If it persists, that could make it harder for start-ups to raise money, he said.

Much of the recent concern has been directed at WeWork, a shared office space company based in New York. As it began to approach stock market investors, the company revealed losses of $1.37 billion in H1 2019. Investors also questioned financial dealings of WeWork's chief executive, Adam Neumann, and the company's accounting.

On Tuesday, Neumann stepped down under pressure from directors and investors. It is now uncertain when the company will return to the market.

Shares of rival Lyft have fallen 40 per cent since the company's debut in March.

The fitness start-up Peloton has also reported deep losses on its business of selling high-end exercise bikes and live-streaming classes into users' homes. On the stock's first day of trading Thursday, it ended 11 per cent lower than its IPO price.

"It's becoming a tough time to go public, there's no question," said John Foley, chief executive of Peloton. "I'm happy we got out, but I think it's going to get pretty tight." Other firms have delayed their plans.

Airbnb said last week that it did not plan to go public until 2020, later than expected. Palantir Technologies, the data mining firm the billionaire investor Peter Thiel helped found, now does not expect to go public for years as it can continue to raise money from private investors, two people familiar with its plans said.

Not every prominent offering has floundered. Many smaller listings have soared. Among the larger ones is the online pinboard company Pinterest. Its shares are up 44 per cent since it went public in April. But Pinterest priced its IPO conservatively, told investors that it was close to profitability, and narrowed its losses in the months since it became publicly traded. And the company is increasing revenue — which comes from advertising — fast.

"Investors are buying the future, so help them pencil out the future," said Rett Wallace, whose firm, Triton Research, analyzes tech companies that are going public. "You can do that with Pinterest. You can't do that with WeWork. You can't do that with Uber or Lyft either."

Charles Kantor, senior portfolio manager at Neuberger Berman responsible for managing more than $5 billion, said he asks a few simple questions when considering an IPO investments, including: can a company's profit margins hold up, what kind of competition does it face, and can executives be counted on?

"The ones that we pass on, we don't feel comfortable with the answers that we get," said Mr. Kantor. He did not invest in Uber or Lyft, or Pinterest, for that matter. But he did buy shares of the online pet store Chewy, which went public in June. He said its profit margins, a large potential market, and solid executive team were all reasons he was persuaded to buy.

In many ways, the current standoff between Wall Street and these giant start-ups comes down to a simple issue: price.

Because of expectations set by VCs, given the risks they face, the companies simply asked for too much.

Uber, which private investors valued at roughly $72 billion before its IPO, is now worth $54 billion in the public market. Lyft, once said to be worth more than $15 billion as a private company, now has a market cap of roughly $12 billion.

WeWork was last valued at $47 billion in the "late stage" market of mature private firms. In the run-up to its failed attempt to list shares, executives and bankers had discussed slashing the valuation to $15 billion — but were still unable to gin up enough interest.

The tepid response to these entities stands in stark contrast to the dot-com bubble of 20 years ago, when shares of start-ups with little revenue or prospects for profit — like Webvan and Theglobe.com — were greedily bid up in their market debuts.

"Everyone feared this would be another bubble like in 1999 and 2000," said Kathleen Smith, principal at Renaissance Capital, which provides research on IPOs and manages ETFs that track their performance. Now, the verdict from the stock market is that it's the private investment binge that has gone too far. With a flood of cash, private investors backing the hottest start-ups have inflated their valuations to a point that public investors cannot tolerate.

"Things have gone a bit nutty," said Fred Wilson, a partner at Union Square Ventures, a New York based tech investor. This moment could be a turning point in what public market investors will accept from highly valued, money-losing start-ups, he said.

"I think that's very important for private markets," Mr. Wilson said.

The recent troubles may stem from the long incubation period the largest start-ups have had. Flush with funding from VCs and other private investors, the firms have not been forced to go to the public markets to secure financing like they might have in the past.

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DHFL gets new CEO on board

SUBRATA PANDA
Mumbai, 28 September

Dewan Housing Finance Corporation (DHFL) has appointed Vajinath M Gavarshetty as the new CEO on the recommendations of the core committee of lenders as well as the firm's internal committee. Gavarshetty is the former chief general manager of State Bank of India.

"This will help the lenders monitor the working of the company," said a public sector bank executive.

The housing financier also held its annual general meeting on Saturday, in which it put forth various proposals before its shareholders. The firm has sought approval for conversion of debt into equity, or new debt instruments, as part of the resolution plan.

According to the draft resolution plan (RP), 2.3 per cent exposure to various categories of lenders — including debt from banks, bond holders, external commercial borrowings (ECB), borrowings from National Housing Bank (NHB), perpetual debt, commercial paper borrowings, and subordinate debt — will be converted into equity at the price of ₹54, following which the creditors will own 51 per cent stake.

"...part of the resolution process that is currently underway, no principal haircuts will affect our creditors. Part of the debt will be converted into equity and will be offered to all permissible classes of creditors", said Kapil Wadhawan, Chairman and Managing Director of DHFL, in his AGM speech.

The remaining loans will be converted into new loans with 9-, 10- and 21-year tenures.

In an exchange filing, the firm said it had presented a draft resolution plan to institutional creditors, including banks, financial institutions, mutual funds, insurance firms, and other institutional bond holders.

The draft RP segregates the company's debt, based on loan assets, into three categories — retail assets, developer loans, and slum rehabilitation. It has broken down every category to be converted into multiple parts, each of which will have a different tenure/interest.

It had outstanding debt to of ₹83,873 crore as of July 6 and loan assets to the tune of ₹89,476 crore — including retail book of ₹35,233 crore and wholesale book of ₹47,610 crore.

Cash flows from existing retail assets are proposed to be used for restructuring liabilities of public depositors, to the tune of ₹6,188 crore. However, no interest will be given to the public depositors.

Under the draft RP, ₹24,619 crore of the overall ₹83,873 crore will be converted into a debt paper of 21 years, with an interest rate of 0.0001 per cent. Another ₹10,707 crore will have a tenure of nine years, without any interest.

Of the remainder, loans amounting to ₹40,594 crore are expected to have a tenure of 10 years, of which ₹24,872 crore will have a coupon rate of 8.5 per cent.

Another ₹13,364 crore will have a coupon of 10 per cent, while ₹2,358 crore will bear no interest. In the AGM, the housing financier also sought shareholders' approval to either sell, lease, or dispose of assets to reduce the financial burden.

Other proposals put forth were to increase the authorised share capital of the company from ₹828 crore to ₹1,090 crore.

"At present, the company has an overdue liability of around ₹8,000 crore, which the company will repay once the debt resolution process completes," Wadhawan added.

"Through the toughest phase that our company has been witnessing, it is noteworthy that we have repaid almost 40 per cent of our balance sheet without any fresh borrowings. This has been possible only through asset monetisation initiatives," he said. Moreover, the board also sought shareholders' nod to provide enabling rights to lenders for appointment of a nominee director on the board.

The voting on all resolutions discussed in the AGM will be done and the results declared in the next couple of days.

BALANCING THE BOOKS: RESTRUCTURING PLAN

OUTSTANDING DEBT	₹83,873 cr
Converted to equity	1,764
Repaid in full	6,188
Debt, 10 yrs, 10%	13,364
Debt, 10 yrs, 8.5%	24,872
Debt, 21 yrs, 0.0001%	24,619
Debt, 9 yrs, no interest	10,707
Debt, 10 yrs, no interest	2,358

Pepperfry targets two more funding rounds before IPO

YUVRAJ MALIK
Bengaluru, 28 September

Ahead of its proposed initial public offering (IPO) in FY21, Pepperfry, India's largest online furniture brand, may look at two more rounds of funding.

This includes $20-30 million in equity financing in the next six months, said cofounder and CEO Ambreesh Murty *(pictured)*.

The Mumbai-headquartered firm, which reported FY18 sales of ₹308 crore, is working towards profitability and hopes to achieve the milestone sometime in the next financial year.

"We have established a fairly clear leadership for ourselves in the segment and now is the time for us to start bringing in margin structures more in line with a business that is turning profitable," Murty told *Business Standard*.

Started in 2011, Pepperfry competes with Urban Ladder, horizontal players like Flipkart and Amazon, and furniture rental firms such as Furlenco and RentoMojo.

"Over the next six months, we would look to raise primary capital in the company of about $20-30 million, effectively for growth and expanding our logistics footprint and experience studios," said Murty.

"And then, pre-IPO, we may have a secondary round to provide exits to some of our existing investors," he said.

Usually, just before the IPO, companies get a new set of investors in a largely secondary share-sale to provide exits to some of the earliest investors. This round typically happens around six months prior to the IPO. Pepperfry is planning a public float in the next 14-18 months.

The furniture company has so far raised around $200 million in equity funding from players such as Norwest Venture Partners, Bertelsmann India Investments, Zodius Capital and Goldman Sachs. In its more recent round in March last year, it had raised ₹250 crore from US-based investor State Street Global Advisors.

Urban Ladder, its main rival, is backed by Kalaari Capital, SAIF Partners, Sequoia and Steadview Capital.

In terms of sales, Pepperfry is the largest player in the online furniture segment.

However, in the last two years, Amazon and Flipkart have heavily increased focus on the furniture category, while global major Ikea has also selectively started online commerce.

Add this, the rise of rental players, including Furlenco and RentoMojo, is also nudging furniture buyers towards renting.

"We see all these developments as good for the category. It helps grow the category and gives customers more choices. All these names you mentioned are an indication that the furniture market is large enough and required a certain degree of organisation. As a marketplace, we don't think of them (other players) as competition but as potential merchants who will sell on Pepperfry at some point," said Murty.

MONEY MATTERS

- Funding includes $20–30 million in equity financing over the next six months
- Firm seeks funding for growth and expansion of its logistics footprint and experience studios
- Before IPO, firm may have a secondary round to provide exits to some of its existing investors
- Furniture company has raised close to $200 million in equity funding so far

SoftBank bets on former Sprint boss to fix WeWork

GILES TURNER, SARAH MCBRIDE & LIANA BAKER
New York/London/San Francisco, 28 September

SoftBank Group is tapping Marcelo Claure *(pictured)* to help turn around WeWork, after ousting co-founder and Chief Executive Officer (CEO) Adam Neumann from the corner office earlier this week.

Masayoshi Son, the head of SoftBank, WeWork's largest investor, has asked the former CEO of Sprint to take a more hands-on role helping oversee a clean-up of the office-rental company from his position at SoftBank, said people familiar with the matter, who asked to not be identified because the matter isn't public.

No decision has been made on his exact role, the people said.

Claure will help WeWork's new leadership identify revenue and cost-saving opportunities, one of the people said.

Representatives for WeWork, SoftBank and Claure declined to comment. In Claure, Son would be tapping an executive with a track record of fixing companies and overseeing his firm's investments.

The 48-year-old joined SoftBank in 2013, when the Japanese firm bought Brightstar, a phone distribution company Claure ran.

Son tapped him in 2014 to run Sprint, which he helped turn around prior to the company's pending sale to rival T-Mobile US Inc.

He remains executive chairman of Sprint.

Claure is currently chief operating officer of SoftBank Group, CEO of its international operations and a member of its board. He also oversees the firm's $5-billion technology fund focused on Latin America, which it launched this year.

After clashing with Rajeev Misra, head of the Vision Fund, the firm's $100 billion investment vehicle, Claure changed his role at SoftBank, *Bloomberg* reported in February.

Claure, already chief operating officer of SoftBank Group, was tasked with leading a new Latin America investment fund and helping Vision Fund companies expand into that region.

He retained his duties overseeing SoftBank Group assets such as asset manager Fortress Investment Group, Sprint Corp, ARM Holdings Plc and WeWork.

IN CLAURE, SON WOULD BE TAPPING AN EXECUTIVE WITH A TRACK RECORD OF FIXING COMPANIES AND OVERSEEING HIS FIRM'S INVESTMENTS

Neumann stepped down as CEO officer of WeWork this week under pressure from SoftBank and other backers.

Neumann was named non-executive chairman while senior WeWork executives Sebastian Gunningham and Artie Minson were appointed co-CEOs.

The management shake-up came after WeWork's plan to raise $3 billion in an initial public offering this month disintegrated over corporate governance concerns and boardroom drama.

The We Company, WeWork's parent company, has likely delayed its IPO until 2020, people familiar with the matter said this week. BLOOMBERG

Apollo Hospitals Group signs MoU with Wellysis

Apollo Hospitals Group has signed a Memorandum of Understanding (MoU) with Wellysis, a spinoff company of Samsung SDS South Korea, to develop, manufacture and commercialise cardiac wellness, diagnostic, monitoring and therapeutic devices. The joint venture will be set up in Chitoor, Andhra Pradesh.

The MoU was exchanged by Rick Hongryul Kim, CTO/CMO and co–founder, Wellysis and Hari Prasad, group president, Apollo Hospitals Group.

The Group has set up over 40 Cardiac Command Centres across its hospitals and any doctor across the country can register to gain access to the knowledge and experience of over 300 cardiologists across Apollo Hospitals' ecosystem. The centre has modern connected technologies enabling Tele ECH Monitoring, CICU monitoring, Tele ECHO Monitoring , Remote Cathlab and ER Response Module. It will also have facilities for training and development, and a management dashboard for tracking and control.

BS REPORTER

'Vedanta has limited exposure to the automotive sector'

As aluminium producers are disquieted by headwinds like soft LME prices and soaring imports, Vedanta is focusing on reducing costs and ramping up portfolio of value–added products. **AJAY KAPUR**, CEO (aluminium & power), Vedanta, talks to **Jayajit Dash** about Vedanta's plans. Edited excerpts:

Vedanta has set a target to contain aluminium production cost at $1,500 per tonne. By when and how will you achieve it?

While a cost of production of $1,500 per tonne is our midterm vision, we have given a guidance of $1,725 to $1,775 per tonne for FY20, and are on course to achieving it. Costs in the aluminium industry are primarily driven by the cost of its raw materials — alumina, bauxite and coal. We are focused on unlocking operational efficiencies and controlling cost drivers to ensure lower production cost.

Accordingly, we have secured robust long-term contracts for bauxite with global suppliers along with the domestic ones.

LME aluminium prices are hovering around $1,700. What does this mean for the domestic aluminium producers? Do you think global aluminium prices will strengthen in the near term?

The global economy has been volatile over the past quarters owing to several uncertainties and escalating trade wars.

LME prices reflect these global trends too. Like every commodity, we expect LME prices to rebound. It is important to remember that aluminium is the second-most important metal in the world and finds critical applications in key sectors. From that standpoint, the demand for aluminium will only surge.

How has the slump in the automotive sector and subdued economic growth affected your sales performance? Will it have any bearing on your gross revenues and profitability?

The automotive sector in India has been facing a slowdown over the past few months, but it usually operates via long-term contracts through ancillary units. Vedanta has limited exposure to the automotive sector and the slowdown has no decipherable impact on Vedanta's sales and performance.

Flat-rolled products in aluminium are gaining traction with a consensual forecast that it will be in the growth territory through 2025. Does Vedanta intend to branch out into this segment?

The use of aluminium flat rolled products defines the degree of sophistication of an economy.

Flat rolled products cater to a niche market in India as of now, but that is also evolving slowly.

As our economy matures, the consumption of flat rolled products will increase over the years. Vedanta already maintains a presence in the rolled products segment through its 70 kg tonne facility at its Balco smelter in Chhattisgarh.

More on business-standard.com

Eywa bats on front-end presence in the US & EU

GIREESH BABU
Chennai, 28 September

Eight Roads Ventures-backed Eywa Pharma, founded by two former Mylan employees, is looking at expanding to the US and European Union (EU) markets with a portfolio of limited competition products. It plans to have a front-end marketing presence in the US.

Targeting 16 products in the US market by the end of this year, Eywa Pharma wants to have its own label in the world's largest single-country pharma market, unlike most of its Indian peers who dabble in the generic space.

The company has a total of 36 products filed for approval between the US and Europe. It has an approval for almost 20 so far. It launched its first product in the US in September 2018, and within a year it has launched 12 products. The company is looking at launching four more products in the US and three products in the UK market before the end of this year.

"At this stage, we want to build a good presence in the US and Europe. In the second phase, a year or two from now, we will look at expanding into other markets with our existing portfolio. Young companies are better positioned to address the market because we are nimble footed and fast to respond," said S Srinivasan, co-founder, Eywa Pharma.

Srinivasan, former CEO of pharma major Mylan in India and former managing director of Shriram Venture (the holding entity of the various industrial businesses of the Chennai-based Shriram Group), and R Jayakumar, former head of global business development and head of regional technical operations for EMEA with Mylan, founded Eywa in 2015.

Eywa Pharma wants to have its own label in the world's largest single–country pharma market

It is estimated that there are around 800 products with value less than $200 million that have limited competition in the US market.

Eywa picked a portfolio based on limited competition, with low- to mid-volume space where the overall median competition is around three to four companies. It also wanted to be a front-end generic pharma company, which sells products with its own label, while most Indian companies looked at back-end with R&D and manufacturing, and then went into front-end of marketing or continued to remain a back-end player.

The company manufactures most of its products in the US, while some are manufactured in India and exported to the US. Most of its products fall under three segments — pain management, cardiovascular and central nervous system (CNS) products.

Most large Indian pharmaceutical companies have historically been strong in developing and manufacturing high-quality, low-cost generic products, and have relied on their cost competitiveness to win market share in the US. This strategy helped companies in the first two decades of the Indian pharma industry, and up to 2015. Now, with heightened price pressure and competition, the game needs change, said Prem Pavoor, partner, Eight Roads Ventures.

"Srinivasan and Jayakumar were amongst the first few people to recognise that and, as a new entrant, believed they required a US sales and marketing team first. By establishing a front-end in the market first, it would help Eywa understand what the opportunities and gaps were, and based on those, they could organise the rest of the supply chain. This is a company that has established a front-end-first structure, as opposed to what pharmaceutical companies have historically done — start with back-end manufacturing, and then move to set up a front end," he said. "We were primarily attracted to the investment by the world-class team, which has been able to penetrate the US market, and the consolidated distribution structure there, a very rare feat for a start-up," he added.

In 2016, the company had raised $30 million from Eight Roads Ventures India (the proprietary investment arm of Fidelity International), US-based F-Prime Capital Partners and Envestor Ventures together with its affiliates (part of the Shriram Group). Srinivasan said the company may not be raising funds in the near future.

Want to sell Air India as a successful concern: Hardeep Puri

INDIRA KANNAN
Toronto, 28 September

Heralded by dhol beats and an energetic troupe of bhangra dancers, India's Minister for Civil Aviation, Hardeep Singh Puri, flagged off Air India's non-stop flight from Toronto to Delhi at the Pearson International Airport on Friday. The airline was resuming its service on this busy sector after a gap of seven years. Speaking to *Business Standard*, Puri said the Indian government was committed to completing the carrier's privatisation "within a defined period of time", and the resumption of the Toronto-Delhi flight was another step in that direction. "We want to sell Air India as a successful, expanding concern," he said.

In an interview, Air India's Chairman and Managing Director Ashwani Lohani, who flew into Toronto from Delhi on the first flight of the new service, added: "We're trying to flog our planes so that we fly more. The single most important parameter for any airline is how many hours do you keep the planes in the sky? We're trying to increase those hours and that adds value to the airline." Lohani said the airline was adding a number of new flights by "bringing a couple of grounded planes back to life".

Last year, the government failed to attract any bidders for its offer of a 76 per cent stake in the airline.

This time, according to Puri: "100 per cent is the current thinking everywhere, as last time we went in wanting to retain 24 per cent and clearly that was not conducive to the process". He declined to give details of the discussions among the Group of Ministers or GoM that met earlier this month to discuss the sale, but declared, "I'm absolutely sure that we will complete the privatisation sooner rather than later." Lohani said the Expression of Interest was expected to be finalised in October.

Asked if he was concerned about the reported opposition of employee unions to privatisation, Puri replied, "No, I'm not, because whenever you undertake a process of this kind you will obviously ensure those... there are issues relating to assets of the company, manpower, medical cover, so we will look after all that. If you're determined to go through with privatisation, then you will not allow yourself to be derailed by concern X or Y."

At Pearson on Friday, bonhomie prevailed as the flight and cabin crew greeted the minister and posed for photographs with him.

The non-stop flight from Delhi to Toronto was heralded by bhangra dance and dhol beats

Puri said he was "appalled" that Air India's popular daily service on this busy sector had been withdrawn seven years ago, and added that he had made it a priority as soon as he got the civil aviation portfolio, to resume the flight.

Indian officials noted that there are around 1.6 million people of Indian origin, as well as over 170,000 Indian students, in Canada.

Air India is starting off with three flights a week on this route for now and hopes to bump it up to six flights a week by the end of the year, and then to daily service, depending on the traffic.

The demand was evident from the fact that the flights are fully booked for the next couple of months leading up to the peak holiday season.

The airline's Deputy General Manager (Commercial) and Toronto co-ordinator, Sandeep Roy Choudhury, said their service was competitively priced against competitors such as Air Canada, and UAE-based rivals Emirates and Etihad.

"We are offering two pieces of baggage, another USP for us, and that's all the way to various destinations in India, and particularly on long-haul flights, giving two pieces of baggage is a very big attraction for the passengers," he said.

The carrier is using the Boeing 777-300 long-range aircraft for the roughly 14-and-a-half-hour flight. Puri left Toronto for Delhi on the inaugural flight.

INVESTMENT

Opt for well-diversified debt funds

While portfolio concentration can boost the returns of equity funds, it offers no benefit in case of bond funds

RAJ MEHTA

Debt mutual funds have come under the scanner over the past one year — a rather disappointing one due to defaults by the Infrastructure Leasing and Financial Services (IL&FS) and others companies. Corporates have defaulted on their obligations towards mutual funds even in the past. Some of the names that come to mind are those of Ballarpur Industries, Amtek Auto, and Jindal Steel & Power. But the recent spate of defaults, including names like IL&FS, Zee Entertainment Enterprises, Dewan Housing Finance Corporation, Reliance-ADAG group companies and Altico capital, coming one after the other in quick succession, has awakened investors to the risks in debt-fund investing.

Paying the price for asset-liability mismatch: Multiple factors have led to the slew of corporates defaults witnessed over the past year or so. IL&FS, an infrastructure giant, was a complex web of more than 300 companies. Its default last year had a domino effect on many companies. Though most of the others that have defaulted since then have no monetary relationship with IL&FS, the latter's default led to a liquidity squeeze in the system and affected lending by non-banking financial companies (NBFCs) especially. As Warren Buffett has said: "Only when the tide goes out do you realise who has been swimming naked." Something similar happened with some corporates and NBFCs. So long as the times were good, everybody danced to the music. But as soon as there was a liquidity squeeze in the aftermath of the events of September 2018, several companies and NBFCs were not able to roll over their short-term papers. Asset-liability mismatch in NBFCs was a key factor responsible for defaults by some of them.

A collective failure: The next question that arises is: Who is to blame for these defaults? Are fund managers to blame for holding poor-quality debt papers? Are credit rating agencies responsible for being lax and not changing the ratings of these companies quickly enough as their finances deteriorated? Are credit rating agencies not regulated tightly enough? All the parties mentioned above must share the blame to some extent, since it is the collective responsibility of all stakeholders to protect investors' wealth.

Regulations tightened: Besides depending on credit rating agencies, fund houses need to build strong internal credit research capabilities to be able to spot trouble when it is at a nascent stage. Now the regulations have also been tightened, and this will certainly help the industry deal with similar problems in a better manner in the future. The regulator, the Securities and Exchange Board of India (Sebi), has stipulated that at least 20 per cent of the corpus of liquid funds must be invested in liquid assets. This will allow these funds to deal with the redemption pressures that arise in the wake of a default.

Regulations now also allow side pocketing in debt schemes in case of a default. What this effectively does is separate the papers of companies that have defaulted from the good ones. Redemption is restricted in the pocket that holds these papers. This has the potential to stem the tide of redemption that funds, which have suffered a default, often face.

Some categories of debt mutual funds will always take credit risk in pursuit of higher returns. A few of the corporates that funds have invested in will default even in the future. There is nothing wrong with funds taking risks so long as these risks are clearly defined and communicated to the investors in those categories. Just as banks have non-performing assets (NPAs), mutual funds will also have some investments in corporates that default or defer repayment.

Do the due diligence: Investors need to examine closely the portfolios of funds they plan to invest in. Large exposure to a particular corporate group can be risky. Look for funds that are well diversified and have exposure to a large number of corporates. Portfolio concentration has the potential to offer benefits in the case of equity schemes, but none at all in debt funds. The less concentrated a portfolio, the more your risks are diversified. Furthermore, the returns are not compromised because the deviation in returns of AAA-rated companies is usually not much (IL&FS was an exception that offered much higher yield compared to other AAA-rated companies).

If the investor's primary goal is to preserve capital and earn a reasonable rate of return on it, then he should stick only to overnight and liquid fund categories. On the other hand, if he wants to earn an alpha of 100-150 basis points (bps) compared to bank fixed deposits or liquid funds, and is willing to take credit risk, then he may look at credit risk funds and other such categories.

A final word on what debt mutual funds are up against in India. Here, they have to compete against instruments offered by the government and the Reserve Bank of India (RBI). Some of the schemes that the government offers, like Employees Provident Fund (EPF), Public Provident Fund (PPF), National Savings Certificate (NSC), and others, or RBI Savings (Taxable) Bonds give returns in the range of 7.75-8.60 per cent.

Of course, an investor needs to consult a financial advisor to optimise his portfolio in the matter of his liquidity and taxation needs (which debt funds can fulfil). Nonetheless, why would an investor take market, interest-rate, and credit risk when he has so many risk-free options that offer higher yields? Only last week, the Labour Ministry notified that the interest rate on EPF would be 8.65 per cent for 2018-19, compared to 8.55 per cent a year ago. If in a declining interest-rate scenario, the government is willing to increase the rate of return on EPF, then it becomes very difficult for several debt fund categories to compete against these instruments.

The writer is a fund manager with PPFAS Mutual Fund. Views are personal

TIPS FOR CHOOSING THE RIGHT FUNDS

- Your investment horizon must at least be equal to or higher than the average duration of the fund category you invest in
- Except in case of credit risk funds and corporate bond funds, the regulator does not define how much credit risk other categories of debt funds can take
- Hence, take a close look at the quality of papers in your portfolio, or get an advisor to do so
- The bulk of your debt fund investments should be in funds that take neither credit nor duration risk
- Stick to funds that do not invest more than 3 per cent of portfolio in a single company or group

BS TUTORIAL

Jayant Pai

Financial literacy

1. Which was the highest grossing Indian movie last year?
A. Sanju
B. 2.0
C. Raazi
D. Sarkar

2. Modified duration of a bond depicts the extent of change in bond price due to a change in _________.
A. Inflation
B. Maturity date
C. Call and put options
D. Interest rates

3. ___________ depicts and studies the concept of taxable income elasticity.
A. Engel curve
B. Beveridge curve
C. Laffer curve
D. Hubbert curve

4. The oldest bank in the world is located in _________.
A. Italy
B. Sweden
C. Netherlands
D. Greece

5. Abhinav Kumar, who gained fame for his role in the Trivago ads, recently joined __________.
A. Google
B. PhonePe
C. Instagram
D. PayTM

Solutions

1. B. According to IMDB, it grossed over ₹700 crore. Sanju was next, with around half that figure.

2. D. It expresses the measurable change in the value of a bond in response to a change in interest rates.

3 C. It is a theoretical representation of the relationship between government revenue raised by taxation and all possible tax rates. One potential result of the Laffer curve is that increasing tax rates beyond a certain point will become counterproductive for raising further tax revenue because of diminishing returns.

4. A. The Banca Monte dei Paschi di Siena was established in 1472. It is located in Italy.

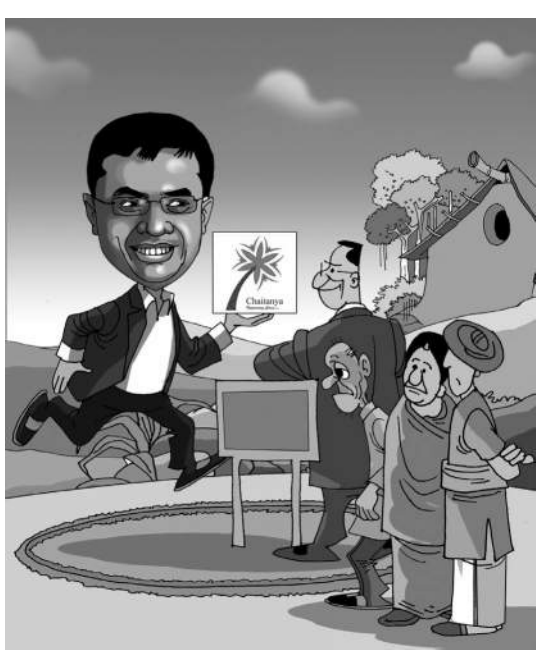
5. B. He joined them as vice president- product marketing. Besides being the face of Trivago, in India he was also employed with the portal while advertising for it.

The quiz master is head - marketing, PPFAS Mutual Fund
Send your queries and feedback at yourmoney@bsmail.in

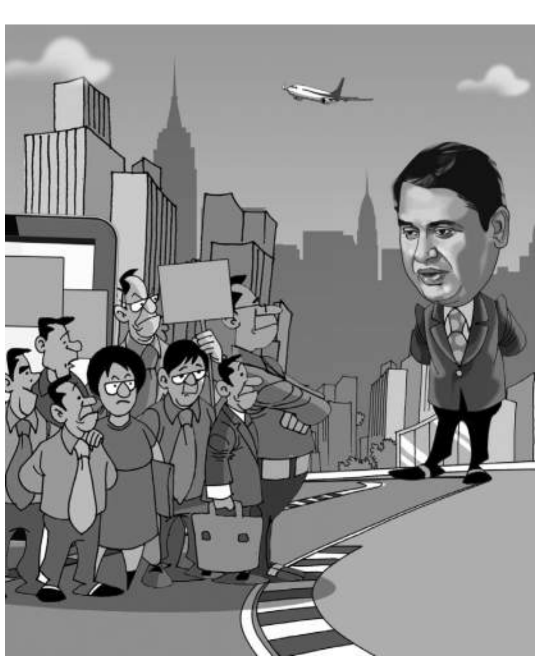
ECONOMY

PEOPLE IN THE NEWS

BINAY SINHA



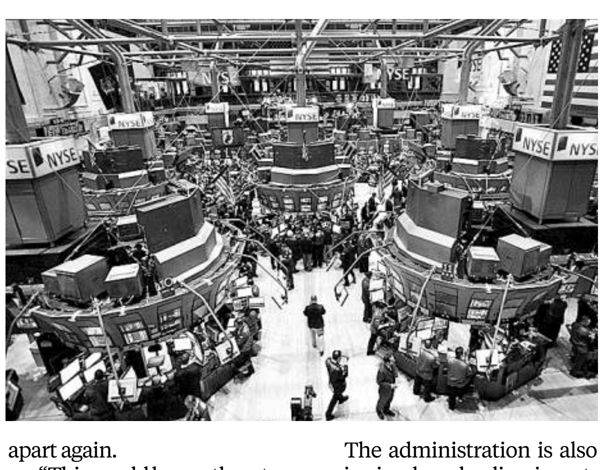
Making an entry into financial services, Flipkart co-founder and internet billionaire Sachin Bansal has taken a majority stake in Bengaluru-based microfinance company Chaitanya Rural Intermediation Development Services



Nearly 80 employees of C Vijayakumar-led IT services company HCL Technologies at Google's Pittsburgh office have voted to unionise, citing lower pay and benefits

▶ FROM PAGE 1

White House may block Chinese firms from markets



The effect of limiting Chinese firms from raising capital inside the United States could be significant. As of the beginning of this year, 156 Chinese companies were listed on American exchanges and had a total market capitalisation of $1.2 trillion, according to the US-China Economic and Security Review Commission.

"The underlying concerns have merit, but how to deal with them without creating a lot of collateral damage is tricky," Patrick Chovanec, managing director at Silvercrest Asset Management, wrote in a post on Twitter. "Abruptly delisting Chinese firms en masse would clearly send shock waves through markets."

The idea gained traction on Capitol Hill this summer when Republicans and Democrats in the Senate and the House introduced legislation that would delist firms that were out of compliance with American regulators for three years. The lawmakers argued that Chinese companies have been benefiting from American capital markets while playing by a different set of rules. American complaints centre on a lack of transparency into the ownership and finances of Chinese firms. The business community has long criticised China for classifying some auditor reports on company finances as state secrets and outlawing cross-border transfers of auditors' documentation.

In 2015, the Chinese affiliates of the Big Four accounting firms — Deloitte Touch Tohmatsu, KPMG, PricewaterhouseCoopers and Ernst & Young — paid $500,000 each to settle a dispute about their refusal to provide documentation on Chinese firms to the Securities and Exchange Commission, which an American judge had ruled was a violation of United States law. The White House has grown more interested in blocking Chinese firms in recent weeks, with some in the administration describing it as a top priority. Officials say the topic is not yet an issue in bilateral negotiations with the Chinese and inserting it into the talks could lead negotiations to fall apart again.

"This would be another step in ratcheting up the pressure," said Michael Pillsbury, a China scholar at the Hudson Institute who said he raised the concept of investment restrictions with the White House after negotiations with China broke down in the spring.

The White House declined to comment.

The concept has divided Trump's advisers along their usual fault lines, with Peter Navarro, Trump's trade adviser, advocating action and Treasury Secretary Steven Mnuchin urging caution.

Discussions about new restrictions comes as the Trump administration has been pushing President Xi Jinping to open Chinese markets to American businesses and investors and as China has begun to relax some of its regulations that limit foreign investment.

The logistics of enacting such a proposal remain somewhat murky, particularly with legislative action in Congress largely stalled amid political gridlock. The SEC, which oversees publicly traded companies and the stock exchanges, is an independent agency with three Republican commissioners and two Democrats and is not required to honour edicts from the White House.

The Trump administration could unilaterally impose restrictions on national security grounds, as it has with tariffs, on the basis that American money is flowing to Chinese companies that pose a threat to the United States.

The administration is also reviewing how leading investment funds, including pension plans for public sector employees, funnel money to Chinese firms and could try to place limits on those vehicles.

For example, the Thrift Savings Plan, the retirement plan for government employees, is expected to change its composition next year to include more exposure to emerging markets, including China.

That trend has been a natural consequence of China's economic growth. In 2019, China accounted for 129 of Fortune Magazine's list of the 500 biggest global companies by revenue, while the United States produced 121. Chinese companies, including many state-owned enterprises, have become more important components of major stock indexes in recent years.

But China skeptics in Congress, the administration and elsewhere fear that the arrangement is still funneling American taxpayer money into firms that support the Made in China 2025 plan to dominate global industries, or a troubling surveillance state in Xinjiang.

"We have unlimited financing for the Chinese Communist Party, and their front organizations," Stephen K Bannon, the president's former chief strategist, said at a September 12 event hosted by the Committee on the Present Danger: China, an organization that warns of an existential threat from China.

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RBI puts Lakshmi Vilas Bank under PCA framework

The bank has got shareholders' approval to raise up to ₹1,000 crore by issuance of securities

The bank reported a loss of ₹894 crore in 2018-19, significantly higher than the ₹585-crore loss it posted the year ago.

The bank's capital adequacy ratio (CAR), in line with Basel III guidelines, was 6.46 per cent as of June 30, 2019, as against 7.72 per cent as of March 31, 2019, and 9.45 per cent at the end of the June quarter last year.

The bank has raised capital amounting to ₹188.16 crore by way of a preferential issue on private placement basis, under the non-promoter category, to India Bulls Housing.

The bank's gross non-performing assets (NPAs) stood at 17.30 per cent as of June 30, as against 15.30 per cent as of March 31, 2019, sequentially. Net NPAs stood at 8.30 per cent, as against 5.96 per cent as of June 30, 2018, and 7.49 per cent as of March 31, 2019, sequentially. The provision coverage ratio improved to 63.08 per cent (55.80 per cent as of June 30, 2018, and 62.08 per cent as of March 31, 2019).

The bank has got shareholders' approval to raise up to ₹1,000 crore by issuance of securities. The resolution to raise funds by issuance of securities, including American Depository Receipt and Global Depository Receipt, was approved by shareholders in its annual general meeting.

The shareholders also approved raising authorised share capital from ₹500 crore, divided into 500 million equity shares of ₹10 each, to ₹650 crore, divided into 650 million equity shares.

Explain ₹60K-cr buy outside GeM, FM tells PSUs

For the October-December quarter, they have pegged their capex pipeline at around ₹50,159 crore, and for January-March the commitment is around ₹54,700 crore, taking the total close to ₹1.53 trillion. Besides Kumar and Murmu, Economic Affairs Secretary Atanu Chakraborty was also present.

When asked if this commitment was an increase compared to what PSUs were planning beginning of the fiscal year, Murmu said it was exactly the same. The capex commitment may increase as some of the PSUs have plans to raise more from the market and others have indicated they may need more gross budgetary support. Chakraborty said that the PSUs' capex plan will not affect their ability to pay dividend to shareholders or buy back shares.

To deliberate on whether bank guarantee is turning into a hurdle, a meeting is being planned between the RBI, the finance secretary and select PSUs. "We will see why bank guarantee is becoming a big hitch or hurdle in the government paying up the 75 per cent post arbitration awards. If that is the case, I want RBI help also. The finance secretary will sit with RBI and sort this out," the minister said. Sitharaman added that PSUs would review post-arbitration claims without compromising the companies' interests. Murmu said the 32 PSUs had ₹49,000 crore worth of arbitration and ₹43,000 crore of counter-claims pending.

Majority see 25-bp rate cut in monetary policy

Soumyajit Niyogi, associate director of India Ratings and Research expects a pause. "Amid the weakening of growth environment, interest rate elasticity falls more. Let's allow the fiscal policy arrest such propositions at first, before the next cut happens. Room will be available at least 40 bps, but more important is ensuring sustainability of the overall rate regime at such level," Niyogi said.

Even as there is room for a further 35-40 bps cut in the fiscal year, Rupa Rege Nitsure, chief economist at the L&T Finance group, wondered "if this will have any material impact on reversing the slowdown."

"The magnitude of financial and real sector disruption is large and current economic issues cannot be resolved completely by cyclical stimulus measures," Nitsure said.

The bond market, though, will be keenly watching the fiscal equations. Yields are already up, fearing extra borrowings. And that should also weigh on the minds of the MPC.

"The RBI and the MPC will still be willing to cut rates even beyond October -- however, much will depend on how data evolves. We could see a spike in inflation from November onwards, and the questions about the quality and extent of the fiscal balance will also persist," said Ananth Narayan, associate professor at SP Jain Institute of Management.

Harihar Krishnamurthy, head of treasury at First Rand Bank, said there could be a 25-bp cut in October, and a further 15 bps at some point if the inflation and borrowing calendar remains within limit.

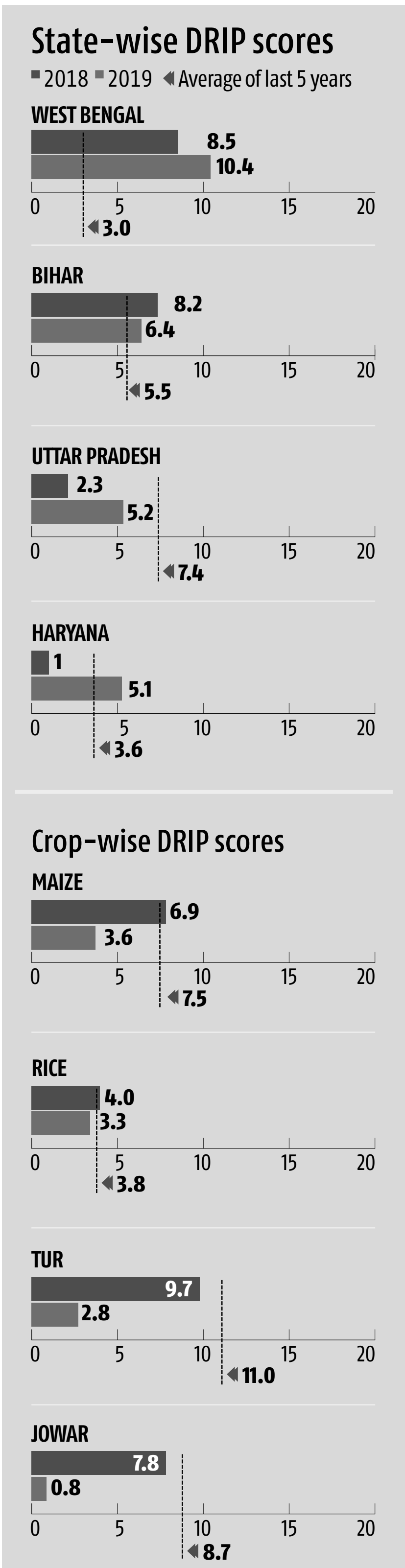
"As of now, we expect the fiscal deficit at 3.5 per cent of GDP. Hence, a 25-bp cut in October will be followed by another 15-bp cut in the repo rate in December," said Sameer Narang, chief economist at Bank of Baroda.

There is, though, a real possibility that the RBI may want to frontload its rate cuts in October and pause after that.

"Given the continued sluggishness in growth, benign inflation, and global conditions, we still see room for further accommodation. We expect 40 bps of rate cut in October, with probability of further rate cuts getting minimised post the corporate tax cuts," said Upasna Bhardwaj, chief economist of Kotak Mahindra Bank.

CRISIL DRIP

SOUTH-WEST MONSOON WINDS UP IN SURPLUS



Source: Indian Meteorological Department, Ministry of Agriculture, CRISIL

THE 2019 SOUTH-WEST MONSOON season has ended with rainfall at 6 per cent surplus over the long period average (LPA) at the all-India level. A 'normal' season would mean rainfall at ±4 per cent of LPA.

However, uneven distribution of rains - both spatial and temporal — meant that sowing was initially slow but gained pace later. Excess rains in many places have also damaged crops, in addition to life and property. As of September 25, central India got a thorough drenching, with rainfall 25 per cent above normal. Relatively close was the southern peninsula, where cumulative rainfall was 16 per cent above normal. Deficiency, at 16 per cent below normal, was the highest in east and north-east, whereas the northwest was 8 per cent short.

Half of the country* received 'normal' rains this season. Compared with the past few years, fewer places saw normal rains, while close to a third saw 'excess' and the rest saw deficiency. The good part is most regions that received deficient rains enjoy good irrigation cover and therefore the impact on crop production would be somewhat cushioned.

Among major kharif growers, Karnataka, Gujarat, Maharashtra, Rajasthan, and Madhya Pradesh have received excess rains at 23-37 per cent above normal. By contrast, Haryana, West Bengal and Uttar Pradesh have seen rainfall deficiency of 20-43 per cent. And Bihar, which was deficient till the past week, has seen some catch-up.

Given the wild swings this year, deficiency in many others, rapid catch-up in a few areas and delay in others, some damage to crops and sowing is a given. The extent of this remains a monitorable. To be sure, some re-sowing or delayed sowing has also taken place, which would mitigate some of the damage. That said, rainfall volume data alone does not tell the whole story. We need to also consider vulnerabilities that arise from inadequate irrigation for a comprehensive perspective on states and crops.

CRISIL's Deficient Rainfall Impact Parameter (DRIP) does just that. The higher the CRISIL DRIP score, the more adverse the impact of deficient rains. We compare scores not just with the previous year, but also with the last five years' average, to get a more holistic picture.

The latest DRIP scores show some stress in 4 states. The scores are the highest and also higher than trend in two of these - West Bengal and Bihar whereas the relatively better irrigated states of Haryana and Uttar Pradesh have scores that are higher on-year but lower than trend.

**This refers to the 36 sub-divisions in the country where rainfall is tracked by IMD*

Rains spark tomato price rise

Rates double in one month on reduced supply; processors stay away from fresh purchase

DILIP KUMAR JHA
Mumbai, 28 September

Tomato prices have doubled in the last one month after supply reduced from Maharashtra, owing to incessant rains across major growing regions.

Maharashtra is one of the largest growers of tomato.

Data compiled by Nashik-based National Horticultural Research & Development Foundation (NHRDF) showed almost 100 per cent increase in tomato model prices in September to ₹24 a kg from ₹14.50 a kg in the beginning of the month. Meanwhile, stockists ramped up supply to take advantage of the price rise. Thus, total tomato arrivals jumped to 519 tonnes towards the end of September from 368 tonnes in the beginning of the month.

Similarly, the price of tomato in Mumbai jumped to ₹25 a kg on Thursday from ₹16.50 a kg early September. In Mumbai, the Agriculture Produce Market Committee (APMC) said onion arrivals declined to 378 tonnes on Thursday as compared to 417 tonnes in the beginning of September.

RATE CHART

	Model Price in ₹/Qtl Aug 31, 2019	Sep 27, 2019	% chg
Mumbai	1,000	2,200	120.00
Abohar	1,500	2,868	91.20
Ahmedabad	1,500	2,850	90.00
Delhi	1,387	2,398	72.89
Amritsar	1,400	2,400	71.43
Kolhapur	1,150	1,500	30.43

Compiled by *BS* Research Bureau
Source: NHRDF

Trade sources believe that tomato supply from Maharashtra has slumped due to incessant rain in the state towards the fag end of the monsoon season.

Farmers in Maharashtra feed tomato during the September-October period to the entire country with their early kharif variety crop. It is followed by the seasonal kharif crop from Andhra Pradesh, Karnataka, Madhya Pradesh and Gujarat.

"Tomato arrivals have declined sharply from Maharashtra which led to a sharp surge in prices in the wholesale mandis. Farmers have reduced supply due to water logging in the fields. Rain in the last few weeks paralysed harvesting and thus, transportation of tomato," said Shyam Lal, Deputy Secretary, Azadpur APMC. Tomato sowing was delayed this year due to a three-week delay in the onset of the monsoon.

The vegetable's planting was disrupted due to lack of soil moisture. Following that, the uneven distribution of the monsoon hampered sowing with drought in the initial phase in some major growing regions of the state.

Again, tomato farming was affected by two rounds of floods across the state.

"There was a huge crop loss across Maharashtra. Delay in sowing resulted in the proportionate delay in harvesting. While farmers are preparing to harvest the pre-matured crop, continuous rain across the state has eroded prospects to cash in on the higher tomato prices," said Shivaji Pandurang Chubhale, chairman, Nashik APMC.

Interestingly, quality of the current harvested crop is also poor with high moisture content, thereby reducing the shelf life amid fears of spoilage.

Meanwhile, tomato processors, including chips and ketchup makers, have deferred their fresh purchases at this price. These large corporates normally purchase good quality tomato for future use. "There is no order from large buyers at this price. They fill their cold storage during peak arrivals when prices fall sharply," said a large tomato supplier in Vashi, near Mumbai.

Central Bank set to raise ₹2K cr via tier-II bonds

ABHIJIT LELE
Mumbai, 28 September

Public sector lender Central Bank of India plans to raise ₹2,000 crore capital through tier-II bonds to meet the regulatory norms for capital adequacy.

ICRA assigned 'A+' rating to the proposed bond offering.

These rated instruments (tier-II bonds under Basel III) is a hybrid subordinated instrument with equity-like loss-absorption features.

They are expected to absorb losses once the "point of non-viability" (PONV) trigger is invoked.

Central Bank will be one of the two public sector banks that will continue to work as an independent bank to strengthen national presence.

The other bank is Mumbai-based Bank of India. Central Bank is at present under the Reserve Bank of India's prompt corrective action (PCA) regime on account of high incidence of bad loan and low capital base.

Under the PCA, the bank faces restrictions on extending big-ticket loans and incurring expenses.

The assigned rating factors in the sizeable capital infusion by the Centre in Central Bank. The Centre infused equity capital of ₹6,588 crore in FY19. It proposes to infuse ₹3,300 crore in FY20.

Moreover, the ratings are supported by the majority sovereign ownership of the Central Bank, where the Centre holds 91.20 per cent stake as on June 30.

States' farmer schemes making deeper inroads than PM-KISAN

ABHISHEK WAGHMARE & SANJEEB MUKHERJEE
New Delhi, 28 September

Just around 20% of 8.60 crore beneficiaries registered so far under PM-KISAN have received their third instalment and the cut-off date is November-end

Manjeet Singh (name changed), a farmer from Punjab's Tarn Taran, was clueless why he was not able to avail the third instalment of money under the nationwide cash transfer scheme, the Pradhan Mantri Krishi Sammaan Yojana (PM-KISAN). His instalment was rejected due to, of all things, his mother tongue. His Aadhaar authentication failed as records in the bank concerned were in English, but Aadhaar details were in Gurmukhi. Aadhaar seeding—linking it with the bank and the scheme—is a mandatory requirement under PM-KISAN for getting the third installment of ₹2,000.

But, Manjeet isn't alone. Latest data shows that by September 20, around 36.1 million transactions for the third instalment got rejected due to difficulties in authentication. The third instalment pertains to August - November 2019.

"In some places, we received complaints that the beneficiary name is spelt differently on the Aadhaar and in the bank account. This is hindering the seeding process, and cash is not getting transferred," said a senior official.

So far (till September 28), only 24 per cent of the 73 million registered beneficiaries have received their third instalment, the scheme website shows. Officials contend that the universe has expanded to 86 million now. However, officials are hopeful that the bottlenecks will be cleared by November. A web option for corrections and faster seeding has been introduced to smoothen the process.

But difficulty in Aadhaar seeding is but one of the several reasons for the slow progress of cash transfers under PM-KISAN. Even for the second instalment (April-July), where Aadhaar seeding was not mandatory, only 57 per cent beneficiaries have received cash.

In comparison, about 80 per cent of farmer/labourer beneficiaries under Odisha's Kalia scheme, and Telangana's Rythu Bandhu, have got their legitimate cash instalments by now, their official data show.

While PM-KISAN promises ₹6,000 per year in three instalments to each "farmer family", Rythu Bandhu promises ₹5,000 per acre per season to each "farm land holder". Odisha, under Kalia, promises ₹12,500 per year in a single tranche to every "small and marginal farmer" in the state.

But why exactly is the central scheme lagging behind similar programmes offered by states? While all of them fall under the category of cash transfer, the ways in which they are implemented vary, and that makes all the difference.

States use data more effectively

Odisha (Kalia) uses the decadal population Census of 2011, and applies some approximations to arrive at the beneficiary universe.

"The state agriculture department further uses existing data from the paddy procurement database, subsidy repository and food security lists to reconfirm the beneficiaries," Saurab Garg, principal secretary for agriculture in Odisha, told Business Standard.

In addition, the state department visited all panchayats (villages) and verified data of all farmers and landless labourers in Odisha.

"We carried out this exercise between January and March, and scrutinised data in the block-level and district-level committees. We received 12 million applications of which 6.4 million have been finalised as beneficiaries, and 5.1 million have received money to date," said Garg.

This system helped Odisha remove most of the irregularities in data, he said.

Telangana did it differently. It took two years to modernise its land records, invested more public funds in the process. The 2014-born state generated first-hand data on all landholders in the state, envisioning a state-wide farmer scheme back then. Today, more than 92 per cent of farmers already have digitised Aadhaar-seeded pattadar passbooks (land records).

The state department made sure that all entries and relevant agricultural and revenue data for all land holders get filled.

With a good degree of land dispute resolutions, the accuracy of data has increased from 75 per cent in the summer of 2018, to more than 90 per cent now, said Vakati Karuna, director of land administration in Telangana.

"We have all land records online, and put transparently on our website. Land parcels where some information is missing are clearly visible on the portal, and helps us fill that gap faster," she said.

The Centre, on the other hand, used the data from agriculture census, which is carried out every five years.

The biggest discrepancy in the agri-census is that it is developed from a survey of a sample. Secondly, it captures those cultivators too, who do not have land records, who are share-croppers with or without contract and those just tilling the land.

Though the agriculture census gives the clearest idea of the number of cultivators in the country, experts feel it is not the perfect kind of data to assess beneficiaries at the unit level, due to a dearth of records.

Fund flow crashes despite fall in rejection rate

PM-KISAN was riddled with the problem of high rejection rates in the first instalment pertaining to the December 2018-March 2019 period.

Application of the eligible beneficiary needs to go through certain steps such as validation, making corrections and authentication in the public funds management system (PFMS), which is the payment gateway for all central funds.

But former agriculture secretary Siraj Hussain told *Business Standard* that the rejection rate has drastically dropped in the current financial year.

"The rejection rate was 75 per cent lower in the second instalment than in the first. Despite this, the cash flow to beneficiaries is lower in the second than the first," said Hussain.

Maharashtra and Uttar Pradesh led the rate of rejections at the PFMS level at the time of the first instalment, but were able to significantly reduce it at the time of the second.

"You are the beneficiary" vs "Please apply"

The Centre and states differ in the manner in which they communicate with prospective beneficiaries.

States have aggressively made efforts to market their scheme, reach farmers' doorsteps and get them enrolled in the respective scheme.If any discrepancy arose, the state department ensured that it was solved, so that no eligible farmers was left out.

The central scheme PM-KISAN, on the other hand, requires the beneficiary to get his bank account and identification details seeded to the scheme.

"Many persons who are counted as farmers in the agriculture census may not want to register themselves as farmers under a certain scheme since they fear losing out on other benefits," said a government official on condition of anonymity.

"Unnecessary paperwork drove some farmers away while absentee landlords would anyway not turn up," he said.

Better the lead time, faster the implementation

Finally, both the states, Telangana and Odisha, spent considerable time in finalising land records, linking bank accounts and Aadhaar.

"The lead time of two years gave us the necessary window to do all the groundwork, which has been the key reason for faster implementation," said Telangana's Karuna.

About 92 per cent of Telangana's land parcels are fully "accounted for" (attached to a land owner) at the moment, and the state expects to reach the 95-97 per cent level soon. The remaining, Telangana officials could be disputed or benami properties.

The Centre, on the other hand, announced the scheme in the interim Budget in February 2019, without much concrete information on the number of beneficiaries it intends to cater to.

(Some names have been changed to conceal identity)

Allahabad Bank: The sheen that faded away

NAMRATA ACHARYA
Kolkata, 28 September

Allahabad Bank was nationalised in 1969

In Satyajit Ray's detective fiction Joi Baba Felunath, a hotel manager makes the protagonist, Feluda, familiar with the crème de la crème of Kashi.

Among the important people of the town, the first reference is to an agent of Allahabad Bank, employees were known as agents then, followed by prominent academics and businesspersons. That's the kind of prestige the mid-sized public sector establishment commanded till about a few decades ago.

With Allahabad Bank set to be amalgamated with Indian Bank, the legacy of the oldest existing joint stock bank in India is set to fade. It also marks the end of a bank in which two states with contrasting identities — Uttar Pradesh and West Bengal — took equal pride.

Today there are more protest marches against the amalgamation in Allahabad, where the bank was born, than in Kolkata, where its headquarters is located. Although in both the cities the angst of losing a historical identity runs deep, Allahabad saw its genesis. While in West Bengal, there are close to 600 branches of the bank, in UP the count is about 1,000.

Set up in 1865, Allahabad Bank was mostly nurtured by the Scots, known for their prudent banking. It was set up at a time when the Presidency Banks ruled the roost, and private-sector banks were short-lived. While a number of foreign banks had established set-ups in India in the mid-19th century, booming trade in Allahabad, well connected with the railways, necessitated a local bank.

The bank commenced operations on the first floor of a building in the busy Chowk area in Allahabad. In the initial years, it cautiously stayed away from profitable businesses like export finance and foreign exchange. In the first eight months, the net profit of the bank was ₹2,300, a book on the history of Allahabad Bank, released on its 150th anniversary, revealed.

After independence, Allahabad Bank was treated as a foreign enterprise, but its profits rose from ₹16 lakh in 1955 to ₹17 lakh in 1960.

In 1969 Allahabad Bank was nationalised, with the argument being that as Allahabad Bank had both its head office and registered office in Kolkata, for all practical purposes it was an Indian bank. Thereafter, about £1.3 million was paid in annual instalments to Standard Chartered Bank.

By the late 1980s, most public-sector banks were saddled with high non-performing assets (NPAs) due to poor operating efficiency and imprudent lending. Allahabad Bank was no exception. By 1994-95, the gross NPA to credit stood at 26.9 per cent. The bank did an initial public offering in 2002, with its issue subscribed 3.68 times.

By late 2017, gross NPAs were 15 per cent and by January last year Allahabad Bank was under the RBI's Prompt Corrective Action (PCA), which put curbs on lending. In 2018-19, the bank's net loss expanded to ₹8,457.38 crore and its gross NPA ratio stood at 17.55 per cent.

The bank owns prestigious properties in Parliament Street in New Delhi, Peddar Road in Mumbai, and India Exchange Place in Kolkata, apart from heritage properties in places like Allahabad, Nainital, Meerut, Jhansi, and Kanpur. In a few months, as the buildings will get a new signage, it will also mark the end of an era in Indian banking.

HEALTH

FIT & PROPER

Your weekly health guide

Blood pressure and its link to menopause

NARESH TREHAN
Chairman & Managing Director, Medanta, The Medicity
Gurugram, Haryana

Menopause is the biological process of the end of the menstrual cycle of a woman. It occurs due to a natural decline in reproductive hormones when a woman reaches her 40s or 50s. Menopause leads to hormonal and biological changes in the body including weight gain and hot flashes. Alongside these, it also raises the risk of heart conditions such as atrial fibrillation (abnormal heart rhythm) and high blood pressure.

Menopause, a heart disease risk

- The level of estrogen, the hormone which plays a crucial role in overall health, declines following menopause. Low estrogen levels impact the flow of blood and the heart needs to pump harder to ensure proper blood circulation, leading to increased blood pressure. This in turn strains the heart
- Increasing age and declining metabolism mostly leads to women becoming less active. This coupled with weight gain contributes to high blood pressure leading to heart diseases
- Apart from this, menopausal women are sensitive to salt and excessive sodium in the body can lead to water retention, thereby creating pressure on the blood vessels

Warning signs of high blood pressure in menopausal women

Following symptoms should not be ignored in menopausal women as they may be an indication of high blood pressure:

- Palpitations in the heart
- Family history of heart disease
- Shortness of breath
- Heaviness in the chest
- Headache
- Lightheadedness or dizziness
- Diabetic or high cholesterol levels
- Obstructive sleep apnea (sleep disorder in which breathing repeatedly stops and starts)

Preventive measures

- Monitor weight fluctuations and blood pressure
- Consume healthy and balanced diet rich in fruits, vegetables and whole grains
- Increase consumption of dairy products such as milk, yogurt and cheese to ensure adequate intake of calcium, phosphorus, potassium, magnesium and vitamins D and K
- Reduce intake of processed food and salt
- Get 150 minutes of exercise in a week
- Do not smoke, and avoid alcohol and caffeine
- Keep stress in check

While it is necessary to maintain a healthy lifestyle to keep blood pressure levels in control, one should undergo regular health check-ups for prevention. Women with high blood pressure should create a personalised plan with their doctor to include diet, exercise and other lifestyle changes to keep blood pressure and heart disease in check.

Shift work tied to poor mental health, suggests new study

LISA RAPAPORT
28 September

People who work night shifts or varied schedules that disrupt their sleep may be more likely to develop depression than individuals with 9-to-5 jobs, a research review suggests.

Researchers examined data from seven previously published studies of work schedules and mental health involving a total of 28,438 participants. Overall, shift workers were 28 per cent more likely to experience mental health problems than people with consistent weekday work schedules.

"We know that shift-work alters the circadian rhythm, that is our normal sleep-wake cycle which matches day-night cycle," said Luciana Torquati, lead author of the study and a researcher at the University of Exeter in the UK.

"This disruption can make people moody and irritable, and lead to social isolation as shift-workers time-off matches family and friend's work and life commitments," Torquati said by email.

In particular, the study found, shift workers were 33 per cent more likely to have depression than people who didn't work nights or irregular schedules.

Shift workers also have a higher chance of developing anxiety

Shift workers also had a higher chance of developing anxiety, but in this case the difference was too small to rule out the possibility that it was due to chance.

Women appeared particularly vulnerable to the negative mental health effects of shift work, researchers report in the *American Journal of Public Health*.

Compared to women who worked consistent weekday schedules, women who worked nights or split shifts were 78 per cent more likely to experience adverse mental health outcomes.

Men, however, didn't appear to have an increased risk of mental health issues when they worked nights or irregular schedules.

The study wasn't a controlled experiment designed to prove whether or how work schedules might directly impact mental health.

It's possible that people with poor mental health wound up in jobs with irregular schedules, rather than developing mood disorders after they started working nights or inconsistent shifts.

Even so, the results suggest that workers and employees should be aware of the potential for work schedules to impact mental health, Torquati said.

"Your brain is programmed to sleep during night hours (absence of light) to recover from all the information it has processed during the day," Torquati said. "Conversely, day light tells your brain it's time to be awake and process information."

"With shift-work you turn this cycle upside down: process information & being awake at night, sleep during the day, and this means that body functions that follow such cycle are disrupted," Torquati added. "This disruption of functions can result in irritability, nervousness, depressed mood, and ultimately mental disorders."

REUTERS

A positive outlook may be good for your heart

NICHOLAS BAKALAR
28 September

Having an optimistic mindset may reduce the risk for cardiovascular disease and early death, a review of studies has found.

In previous studies, optimism has been shown to be associated with a range of favourable physical health outcomes and with greater success in work, school and relationships.

The study found that compared with pessimists, people with the most optimism had a 35 per cent lower risk for cardiovascular events

This new meta-analysis, published in *JAMA Network Open*, included 15 studies that measured optimism and pessimism by asking the level of agreement with such statements as "In uncertain times, I usually expect the best," or "I rarely expect good things to happen to me."

Analysis of the 10 studies that looked at heart disease, which pooled data on 209,436 people, found that compared with pessimists, people with the most optimistic outlook had a 35 per cent lower risk for cardiovascular events.

Nine studies with data on all-cause mortality included 188,599 participants and found that optimists had a 14 per cent lower risk of premature death than the most pessimistic people.

The studies had an average 14-year follow-up and controlled for various health and behavioural characteristics, including a wide range of cardiovascular disease risk factors.

"It seems optimists have better health behaviours," said the lead author, Alan Rozanski, a professor of medicine at the Mount Sinai School of Medicine. "They're more likely to exercise and to have better diet. And there is evidence of direct biological effects — they have less inflammation and fewer metabolic abnormalities."

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Ban on vapes will stay, says official as protests fizzle out

ADITYA KALRA, MANAS MISHRA
28 September

India's government has no plan to roll back a ban on electronic cigarettes, an official told *Reuters* on Saturday, as protests against the move by vapers in six cities drew scant support.

India banned the sale and import of e-cigarettes this month, warning of an "epidemic" of vaping among young people.

The action has affected users nationwide and the plans of international companies including Juul Labs Inc and Philip Morris International, as well as triggering court challenges by local firms.

Protesters convened on Saturday to call for vaping devices to be regulated rather than prohibited. But organisers Association of Vapers India said only about 400 people turned up across six cities, adding that some opponents of the ban feared being targeted by police.

At one protest in the capital New Delhi, several people used vaping devices. Among them sat a child with a poster that read: "I don't want my dad to be a smoker".

The government argues the ban is essential to protect people as vaping can lead to nicotine addiction and push users towards consuming tobacco. Vapers say the devices help them stay away from more harmful tobacco cigarettes.

More than 900,000 people die each year due to tobacco-related illnesses in India, the government estimates. But the country has 106 million adult smokers, second only to China, making it a lucrative potential market for companies selling both tobacco and vaping products.

India banned the sale and import of e-cigarettes this month

An Indian health ministry official said the government was determined to stick by its ban, despite the protests and court challenges. "There is no question of a rollback or anything like that," the official said.

Two court challenges that could be pivotal for whether the ban can continue to be enforced are under way in the eastern city of Kolkata, including one by e-cigarette importer Plume Vapour.

The company, in a court filing seen by *Reuters*, argues that the ban will allow cigarette companies to flourish while putting e-cigarette firms out of business.

New Delhi protester Aryaman Chaudhary, 25, said he stocked up on vape refills ahead of the ban, but was worried he would eventually run out. "I just want this regulated, not banned ... Everybody has an addiction."

REUTERS

The voices of reason on climate

As countries reiterate old promises to control climate change, the young are showing the way

DISHA SHETTY

At the United Nations (UN) emergency climate summit, 16 children, including India's Ridhima Pandey, said they would petition the UN against five big carbon polluters in the world — Argentina, Brazil, France, Germany and Turkey — for violating their rights of children by failing to adequately reduce emissions.

Pandey, 11, is from Haridwar in Uttarakhand, and had, in 2017, filed a case against the Indian government at the National Green Tribunal for failing to take action against climate change.

As countries reiterated old promises to control climate change, the youth, led by 16-year-old Swedish climate activist Greta Thunberg, emerged as climate leaders. "I should be back in school on the other side of the ocean. Yet you come to us young people for hope. How dare you?" said Thunberg.

Every country, except the United States, has ratified the UN Convention on the Rights of the Child. Of those countries, 45 have agreed to an additional protocol that allows children to petition the UN directly about treaty violations.

Within that group of 45, Argentina, Brazil, France, Germany, and Turkey are some of the biggest emitters of the pollution that causes climate change. None of the five is on a path needed to keep the planet from heating over 1.5 or 2 degrees Celsius by the turn of the century.

The petition by children comes on the heels of the latest report by the World Meteorological Organization (WMO) that said global temperature has risen by 1.1 degrees Celsius since systematic record-keeping began in 1850, and by 0.2 degrees Celsius compared to 2011-2015.

"Climate change causes and impacts are increasing rather than slowing down," said Petteri Taalas, secretary general of the WMO.

Antonio Gueterres, the UN secretary general, has praised Thunberg for her leadership, calling it "absolutely remarkable". The UN credits the pressure from the youth for pushing climate action across countries.

Closer home, 600 million people living in the Indo-Gangetic plain stand to be affected, as global warming causes Himalayan glaciers to melt, threatening the steady flow of water to the Ganga and its tributaries, according to World Bank estimates.

AN indiaspend.org STORY

Nearly 148 million Indians live in areas that are "severe hotspots" of climate change and are already witnessing large-scale changes, as a special *IndiaSpend* reporting project has chronicled. Climate change has led to a rise in extreme events like floods and heatwaves. It threatens India's water security and could widen inequality.

Yet, at the summit, India only reiterated commitments already made several years ago.

Children take part in a global protest against climate change in New Delh

India's plan

Despite efforts, CO_2 (carbon dioxide) emissions continue to rise at a 2 per cent growth rate. Currently China is the highest emitter of earth warming greenhouse gases (GHGs), followed by the United States (US), the European Union (EU) and India.

Prime Minister Narendra Modi was one of more than 90 speakers at the climate summit. India will scale up renewable energy to 175 gigawatt (GW) by 2022 and to 450 GW in the coming years, he said, without giving a specific deadline. He also said that India was focussing on increasing the use of biofuels and was successful in providing 150 million families with clean cooking gas. He reaffirmed India's commitment against single-use plastic but said nothing about reducing the use of coal, which has been flagged as a concern in fast-growing India and China.

India is one of the few countries on track to meet the targets it set itself at the 2015 Paris Summit and justifies the platform the UN has given for it to speak at the climate summit, said Leena Srivastava, outgoing vice-chancellor of Delhi-based The Energy and Resources Institute (TERI) School of Advanced Studies, and co-chair of the Science Advisory Group of the UN Climate Summit. "If you look at the totality of it and not just one part of it then I think we deserve to be on the platform."

"Science tells us that on our current path, we face at least 3 degrees Celsius of global heating by the end of the century," said UN Secretary-General Guterres. He had set an ambitious target for those in attendance: Reduce carbon emissions by 45 per cent by 2030 and make it net-zero by 2050.

Policies to lower GHG emissions must triple to meet the 2 degrees Celsius target and increase fivefold to meet the 1.5 degrees Celsius target set by the UN, found the latest WMO report released on September 22 in New York.

"We are at risk of crossing several critical tipping points in the country systems," said Srivastava of TERI. "There is also in the science community a greater recognition of the fact that climate change impacts are hitting harder and sooner than what climate assessments had estimated nearly a decade ago and that is something we need to worry about."

AMBIVALENT ABOUT CLIMATE

- India to scale up renewable energy to 175 gigawatt by 2022
- New Zealand to plant a billion trees by 2028; 100 per cent renewable electricity generation by 2023
- Pakistan to plant six billion new trees
- Germany to phase out coal by 2038
- Allianz to stop selling insurance to companies investing in coal
- The UN has called for no new coal plants from 2020

So far 66 countries have said they will step up their Nationally Determined Targets or NDCs — targets to reduce carbon emissions that each country sets for itself under the 2015 Paris Agreement.

The UN had said that only countries with strong plans would be allowed to speak at the New York emergency climate summit, but most countries, including India, as we explained above, only reiterated old promises.

"While countries were expected to come to the summit to announce that they would enhance their climate ambition, most of the major economies fell woefully short. Their lack of ambition stands in sharp contrast with the growing demand for action around the world," said Andrew Steer, President & CEO, World Resources Institute (WRI), a global research organisation.

Pakistan's Prime Minister Imran Khan repeated his earlier promise of planting 6 billion new trees.

The US President, Donald Trump, who was invited but had said he would skip the climate summit and send a delegation instead, made a brief appearance as PM Modi took to the stage. The US, one of the largest greenhouse emitters, has pulled out of the Paris Agreement.

New Zealand Prime Minister Jacinda Ardern spoke of her country's prior commitment to plant a billion trees by 2028. She reiterated that New Zealand has also stopped issuing permits for offshore oil and gas exploration and aims for 100 per cent renewable electricity generation by 2023.

German Chancellor Angela Merkel said her country would phase out coal by 2038, an announcement she had made earlier this year.

Businesses pledge

Recognising the need to rope in corporations, the UN has made an effort to encourage them to set ambitious targets. Eighty seven major corporations—with a combined market capitalisation of over \$2.3 trillion and annual direct emissions equivalent to 73 coal-fired power plants — are taking action to align their businesses with the Paris climate summit targets.

Banks financing development projects and CEOs of companies said they would stop investing in coal. "Coal is out of the window for funding," said Peter Hiliges, head, climate change at the German bank KfW that funds development projects. Oliver Bäte, the CEO of Allianz, an insurance company, reiterated their stand of not selling insurance to companies investing in coal.

In a recorded message, Pope Francis called the post-industrial era the most "irresponsible" and questioned the political will to mitigate the impact of climate change.

The UN has asked governments to end all subsidies to fossil fuel companies by 2020, and incentivise renewables. "After all, is it common sense to give trillions in hard-earned taxpayers' money to the fossil fuel industry to boost hurricanes, spread tropical diseases, and heighten conflict?" Gueterres asked at the climate summit.

"Fossil fuel companies must pay to clean up the mess they have made. Rich country governments must stop giving handouts to those companies. Instead, they need to support communities on the frontline of the climate emergency rather than those who created the crisis in the first place," said Harjeet Singh, global lead on climate change at ActionAid, a South Africa based nonprofit.

The UN has also called for no new coal plants from 2020, asking countries to turn to renewable energy instead. India currently gets over 76 per cent of its energy needs from coal, as *IndiaSpend* reported earlier. Only one-twentieth of its energy comes from renewables, although it is a fast-growing segment. PM Modi was silent on coal during his UN address.

India and China continue to open new coal plants despite the 2020 deadline set by the UN, as these countries have to balance the energy needs of the underserved population while meeting climate targets.

"Yes, there are plans to build coal-fired power plants but we are doing very well in terms of renewable energy expansion," said Srivastava of TERI on India.

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IMO

Prime Minister Narendra Modi with US President Donald Trump in New York

MODI'S US VISIT

Ashok Swain@ashoswai
While some youngsters protested outside #HowdyModi venue, their parents were inside the stadium, cheering for Modi. Trump kept Modi waiting for one hour too.

Vedmalik@Vedmalik1
Modi visit to USA. Wish Indian TV channels would not go overboard on its impact on India–Pakistan–USA relations & on Trump's responses.. Duniya men bahut kuchh aur bhi hai….

Dr David Frawley@davidfrawleyved
Even American President Donald Trump, not known for supporting environmental protection, comes to hear @narendramodi 's speech at the UN Climate Summit.

Shekhar Gupta@ShekharGupta
Modi has convinced the world except Turkey & China that Kashmir is India's internal affair... But enough nations, incl the US, are watching what happens in Valley next. Global patience with the lockdown & arrests will soon run out

Rajdeep Sardesai@sardesairajdeep
Give him a mike and a captive audience, @narendramodi. shines more often than not. Liked the 'yodha–buddha' analogy.. also, the Tamil quote.

IMRAN KHAN'S SPEECH AT UNGA

Dr David Frawley@davidfrawleyved
Imran Khan speaks with anger, threats of violence and nuclear jihad, criticizing America. @NarendraModi calls for ending terrorism and promoting world peace and harmony, thanking America for his visit.
Difference between India and Pak is obvious.

Shehla Rashid@Shehla_Rashid
Modi govt's actions have created a huge soft corner for Pakistan in Kashmir. Three people from Kashmir told me over the phone that, after Imran Khan's UNGA speech last night, there were rallies, celebrations, firecrackers in Kashmir.
There's no diplomatic way of saying this!

Smita Prakash@smitaprakash
Sharp and stinging reply by Vidisha Maitra, India to on Imran Khan speech at the #UNGA. She calls him by his full name Imran Khan Niazi. It won't be lost on Pakistanis or on Imran who never uses his last name. It was Lt Gen Niazi who surrendered to the Indian Army in 1971.

Tarek Fatah@TarekFatah
After Pakistan's PM @ImranKhanPTI threatened a nuclear war across the world in a speech to the UN General Assembly, India's First Secretary responded with measured words that reflect a civized democracy, not a barbaric medeival jihadi state i.e. Pakistan.

PMC BANK CRISIS

Faye DSouza@fayedsouza
"RBI has DECIDED to ALLOW depositors to withdraw"…….their own , hard earned, tax paid , legal money……..''not exceeding Rs 10,000" Shall we all clap for you now? #PMC_BANK

Srivatsa@srivatsay
All 12 directors of #PMCBank have links with BJP Remember, Ahmedabad District Cooperative Bank, with Amit Shah as Director, had highest deposits of ₹745 cr in just five days after DeMo! BJP using co-operative banks to loot people' s hard earned money?

In memory of Marty Weitzman

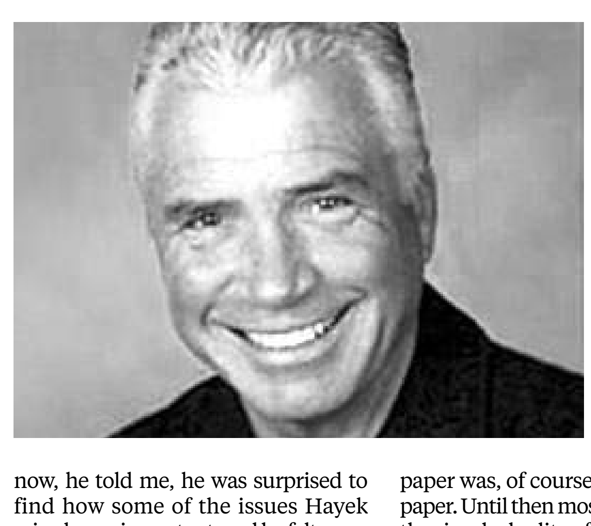
A man intolerant of humbug and pomposity, he was undoubtedly one of the greatest environmental economists in the world today

PRANAB BARDHAN

In the midst of the hullabaloo around the United Nations Climate Action Summit I kept on remembering my friend Marty Weitzman, one of the great environmental economists, who passed away a few weeks back.

I first met Marty around the time I started teaching at MIT many decades back. The first thing that struck me about him was his accent — it sounded like a deep New York street drawl, which at first I had some difficulty in following. (I don't know if his early years in a New York orphanage was responsible for this. His mother died when he was one-year old, and his father recently back from his military service in the War, could not take care of him, and gave him over to an orphanage. Weitzman is actually the surname of his foster parents.)

But soon I got used to his accent and his charming informality. At that time he was a leftist, fresh from his formative student years in the tumultuous sixties. He was a technically sophisticated economist, but unlike many others of his ilk, he grappled with big systemic issues, which particularly attracted me. We spent many afternoons and evenings discussing those issues, but unlike many on the left he was a maverick, spurning clichés and thinking always out of the box. For a time his main specialisation was comparative economic systems; he even learned Russian for that purpose.



There are speculations about his falling into depression after being passed over by the Nobel Committee last October

Over the years, his economics became somewhat less radical. He once told me that in a recent visit to his parents' summer cottage he discovered on a shelf his heavily marked old copy of Hayek's *Road to Serfdom*. In his youthful radical days he had marked many of Hayek's passages there with loud dismissive comments like "BS-BS-BS". But now, he told me, he was surprised to find how some of the issues Hayek raised were important, and he felt compelled to erase those profane markings. When in the early 1990s I wrote an article about how the old idea of market socialism (using the market mechanism to achieve objectives of social justice) needs to be reformulated to take into account many of the incentive, information and organisational issues raised by Hayek, Marty was a particularly appreciative reader.

He once attended a seminar I gave on the theory of sharecropping in agriculture. Some years later he told me that the more he thought about the idea of sharecropping, the more he became attracted to the application of the general idea to a systemic level, reforming capitalism with a share economy (he later wrote a book on the subject), where through profit-sharing labour and capital can coordinate to resolve the issues of unemployment and stagnation. This was typical of Marty, a brilliant exploration in a new direction, following on the germ of an age-old idea.

His "Prices vs. Quantities" 1974 paper was, of course, a path-breaking paper. Until then most of us believed in the simple duality of the price-quantity relation, which he showed breaking down when there is uncertainty. Later, this was applied in an important way in controlling environmental pollution, quantitative controls sometimes dominating the tax-subsidy solution with the prevailing uncertainty.

He gradually moved to the field of environmental economics, soon becoming a leader in the field, challenging some of the standard cost-benefit calculations, when we cannot ignore the small but not entirely negligible probability (in "fat-tailed distributions") of catastrophic risk in the matter of climate change from greenhouse gas emissions. So his pleading for control of those emissions became particularly urgent and influential. The main message of his 2015 book, *Climate Shock* (with his student, Gernot Wagner) is: "Most everything we know tells us climate change is bad. Most everything we don't know tells us it's probably much worse."

He also thought deeply about the rate at which society should discount the benefit of future generations vis-à-vis that of the current generation and how that rate changes over time. (The more you value the current generation's welfare, the higher in general is that discount rate). Some years back I remember receiving, like several other economists in the field, an email from him asking us for our vote on the appropriate social rate of discount. I responded to him, with tongue in cheek, saying, "Marty, of course, it is 2 per cent!"

He has also important papers on the economic theory of how to preserve bio-diversity under strict budget constraints (one of them is appropriately titled, "Noah's Ark", but published in a technical journal like *Econometrica*). All of these papers are marked by deep theoretical insights along with practical operational ideas for policy implementation.

He was intolerant of humbug and pomposity. When he was teaching at Yale after his Ph.D at MIT, I asked him, as Yale compared to MIT should have more of the classical humanities faculty, if he interacts with them, given his wide-ranging interests. He derisively told me, when he saw them in the faculty club, they were in the habit of speaking only in Latin, unintelligible to him, a mere New York Jew!

It was a great shock to me when I heard that he took his own life. There are speculations about his falling into depression after being passed over by the Nobel Committee last October when they awarded the Prize on environmental economics. If that is true, it is one more example of the simple fact that the Nobel Prize has increased the sum total of human unhappiness. (Many years back when I said this to Amartya Sen, he told me that he agrees to this, but he would not put it in such crass utilitarian terms).

Prize or not, very few people will doubt that we have just lost one of the most brilliant environmental economists in the world.

The writer is professor of Graduate School at University of California, Berkeley

Post WeWork, IPO market slams brakes on unprofitable companies

JOSHUA FRANKLIN & LANCE TUPPER
28 September

Companies making their debut on the U.S. stock market are getting a rough welcome, especially if they are losing money, casting a shadow over the calendar for initial public offerings for the rest of the year.

The surprise postponement of the WeWork IPO has underscored how confidence is eroding in the market both for companies looking to raise capital and investors.

A more discerning market for initial public offerings continued to punish Peloton Interactive Inc PTON.O on Friday, a day after it began trading. Shares of the fitness startup closed down 2% at $25.24 and are now off 13% from their IPO price. The company is now trading 15% below its Wednesday IPO price.

Before trading began on Friday, five of this year's eight deals of $1 billion or more were trading below their IPO price, according to research firm Dealogic. On a broader scale, only about 27% of the 112 deals of $100 million or more were trading below their IPO price.

Venture capital firms and other backers of many of these high profile "unicorns" - companies valued at $1 billion or more in the private market - had a higher tolerance for the path to profitability, but eventually they wanted to monetise their stakes.

Investors get more selective

In the past, public market investors have typically expected companies to become profitable within 18 months or so of an IPO. This timeline has been relaxed with money managers eager to add businesses with fast-growing revenue to their portfolios.

Recent deals, however, suggest an uncertain economic outlook is pushing investors to be more selective about which loss-making companies they are willing to back.

Peloton reported rapid topline growth of 110% during the fiscal year that ended June 30. But the company also showed negative operating leverage, with operating expenses surging 147% over the prior year.

Loss-making teeth-alignment company SmileDirectClub SDC.O this month became the first U.S. IPO in three years to price above its target range and close down on its first trading day, according to research firm Renaissance Capital.

Beyond Meat, Pinterest surge

SmileDirectClub is the worst performer among $1 billion-plus IPO deals, with its stock down 43% since its debut earlier this month, according to Dealogic.

The best performer in that group is social media company Pinterest Inc (PINS.N), whose shares are up 39% since their April debut. Revenue at Pinterest surged 58% to $463.2 million in the first half of 2019. Net cash used in operations during that period narrowed to $16 million from a year-ago $29 million, according to Pinterest's financial statements.

Shares of Beyond Meat Inc (BYND.O), which came to market in May in a small $277 million deal, have surged more than 500% since the IPO. The company's operating expenses more than doubled during the first half of the year, but that was outpaced by top-line growth that more than tripled.

Average IPO return drops

Meanwhile, the average IPO return in 2019 was now about 6% at the end of trading Friday, down from more than 30% at the end of June and more than 18% about two weeks ago.

In the United States, much of the attention in the third quarter has focused on a deal that failed to come to fruition - the planned IPO of WeWork parent We Company.

The company had aimed to launch its IPO earlier in September, then postponed plans to list until later in 2019, before replacing its chief executive officer and saying it was reviewing its timetable to go public.

The surprise postponement of the WeWork IPO has underscored how confidence is eroding in the market both for companies looking to raise capital and investors

Endeavor Group Holdings (EDR.N), an entertainment and talent agency company backed by Hollywood power broker Ari Emanuel with a track record of losses, made a last-minute decision to abandon its IPO due to the tough market conditions.

Home rental giant Airbnb has said it plans to list its shares in 2020 but provided no details and is widely expected to do a direct listing to go public. In a direct listing no new shares are created and investors can sell their stakes while saving millions of dollars in underwriting fees.

This month the company said it raked in more than $1 billion in second-quarter revenue. It has not given details on whether it was profitable.

Taking a lesson from the struggles earlier in 2019 of ride-hailing companies Uber Technologies (UBER.N) and Lyft Inc (LYFT.O), which have no stated timetable for becoming profitable, investors have started to push back on companies with a history of steep losses.

"It will be a dialogue among bankers and boards and senior management teams where they say, 'these were isolated and not comparable,' or say 'we have a sentiment shift and we need to be more conservative and use a different strategy,'" said David Ethridge, U.S. IPO services leader at audit firm PwC.

While WeWork's stock never made it to the market, it did float a $669 million junk bond in May 2018, and that plunged to near a record-low price on Friday.

The 7.875% note due in May 2025 96208LAA9= fell 4 cents on the dollar to 87 cents, just 1.5 cents from its record low of 85.5 cents in early January.

Its yield, which moves in the opposite direction, shot above 11%. The spread of its yield over U.S. Treasury debt, a measure of the added compensation demanded by investors to hold the risky paper relative to safer government securities, mushroomed to nearly 9.50 percentage points, the widest ever.

A month ago, the bond had rallied to a record high price of 105 on We Co's preparations for the IPO. As the deal fell apart in recent weeks, the bond has slid on concerns about the company's lack of access to fresh funding.

REUTERS

HK protesters mark five years since 'Umbrella' street movement

Anti-government protesters shield themselves using umbrellas during a protest in Hong Kong on Saturday REUTERS

JESSIE PANG & DONNY KWOK
28 September

Thousands of protesters chanted anti-government slogans and sang their "Glory to Hong Kong" anthem on Saturday, marking the fifth anniversary of the "Umbrella" pro-democracy movement as protests which have gridlocked the territory for weeks continued.

Families gathered at the harbourside Tamar Park, in front of central government offices and the Legislative Council, both of which have come under attack for more than three months, sparking violent street battles with police.

"It's a special day for Hong Kong protesters. We will stick together to fight for freedom," said Sam, 33, dressed in black and wearing a mask. "Most people think Hong Kong was dying after five years, but many people are still fighting for Hong Kong."

A series of protests for and against Communist Party rulers in Beijing is planned for the Chinese-ruled city ahead of the 70th anniversary of the People's Republic on Tuesday, including at the consulate of former colonial power Britain.

The Hong Kong building of the Chinese state-owned investment company CITIC, next to the Legislative Council, ran a huge purple LED-lit banner down its front commemorating National Day.

Anti-government protesters have attacked the legislature, Beijing's main Liaison Office, occupied the airport, thrown petrol bombs at police, vandalised metro stations and set street fires in more than three months of unrest.

Police have responded with tear gas, water cannon, rubber bullets and occasional live rounds fired into the air.

The MTR subway system closed entrances to some stations on Saturday to prevent fresh attacks. There were some small scuffles with police who responded with pepper spray. Large, peaceful gatherings have often turned violent at night.

The student-led Umbrella protests gridlocked the city for 79 days in 2014 but failed to wrest concessions from Beijing.

"They are not our children," China supporter Yau Mei-kwang said of the frontline activists. "Because at this age, they should be studying, not running to the airport, hitting people, hitting the police, insulting people. That is not right."

A pro-democracy protester who only gave his name as Wong defended the use of violence. "We know that they will not listen if we rally in peace because we are not on the same level."

Protesters spent the afternoon rebuilding "Lennon Walls" of anti-government graffiti, some of which were torn down by pro-Beijing activists last weekend.

A series of protests for and against Communist Party rulers in Beijing is planned for the Chinese–ruled city ahead of the 70th anniversary of the People's Republic on Tuesday, including at the consulate of former colonial power Britain

The large mosaics of Post-it notes calling for democracy have cropped up in underpasses, outside shopping centres, at bus stops and universities and outside the Legislative Council.

Anti-government protesters are angry about what they see as creeping Chinese interference in Hong Kong, which returned to China in 1997 under a "one country, two systems" formula guaranteeing freedoms that are not enjoyed on the mainland.

China dismisses the accusation and has accused foreign governments, including the United States and Britain, of fanning anti-China sentiment.

"Lennon Walls carry the spirit of civil disobedience from the Umbrella movement," said pro-democracy protester Kelvin Law, 24.

"I am not sure when this protest will end. Either we win or we lose. But as long as we are united and fight, generation after generation, we can achieve democracy."

Protesters appealed to Britain two weeks ago to rein in China and ensure it respects the city's freedoms. They plan to do so again on Tuesday.

Britain says it has a legal responsibility to ensure China abides by the 1984 Sino-British Joint Declaration. At the same time, it is pinning its hopes on closer trade and investment cooperation with China after it leaves the European Union, due at the end of October.

Protests were sparked in June by planned legislation, since withdrawn, that would have allowed the extradition of suspected criminals to mainland China. But they have since expanded into a broader pro-democracy movement.

One of the leaders of the protests, the bespectacled Joshua Wong, 22, said on Saturday he will run for local district council elections in November.

"It's time to let Emperor Xi (Chinese President Xi Jinping) be aware that now is our battle," he told reporters. "We stand in solidarity, we stand as one."

The U.S. Congressional-Executive Commission on China marked the Umbrella anniversary with a statement denouncing the "accelerated erosion" of Hong Kong's autonomy.

"We call on the Hong Kong government to make the selection of the Chief Executive and the election of all members of the Legislative Council by universal suffrage a priority and take concrete steps to strengthen Hong Kong's autonomy," it said.

Dan Garrett, a U.S. academic who gave evidence before the commission, said on Twitter he was not allowed to land in Hong Kong on Thursday for the first time in 20 years of visiting and living in the territory.

Official festivities for National Day have been scaled back, with authorities keen to avoid embarrassing Beijing just as Xi seeks to project an image of national strength and unity.

REUTERS

House Democrats subpoena Pompeo for Ukraine documents

PATRICIA ZENGERLE & IDREES ALI
28 September

Democrats in the U.S. House of Representatives who are pursuing an impeachment inquiry against President Donald Trump forged ahead with their probe on Friday, issuing a subpoena to Secretary of State Mike Pompeo for documents concerning contact with the Ukrainian government.

Following a whistleblower complaint that Trump, a Republican, solicited a political favour from Ukraine's president that could help him get re-elected, the lawmakers are investigating concerns that Trump's actions have jeopardised national security and the integrity of U.S. elections.

The House Foreign Affairs, Intelligence and Oversight Committees also scheduled depositions for five State Department officials over the next two weeks, including Kurt Volker, Trump's envoy to Ukraine. Volker resigned his post on Friday, according to sources familiar with the matter.

The reason for Volker's resignation was not immediately known. The State Department did not immediately respond to a request for comment on the subpoena or Volker's resignation.

The committees announced the subpoena after the Trump administration missed a Thursday deadline to provide documents and information about contacts with Ukrainian officials, as well as a July 25 telephone call between Trump and Ukrainian President Volodymyr Zelenskiy.

As the subpoena was announced, Trump's re-election campaign said it would spend $10 million next week airing an ad called 'Biden corruption'

That call is central to the impeachment investigation that Nancy Pelosi, the speaker of the Democratic-led House, announced this week.

The impeachment inquiry has cast a new pall over Trump's presidency just months after he emerged from the shadow cast by Special Counsel Robert Mueller's investigation into whether he colluded with Russia in the 2016 election.

Trump has reacted furiously to the impeachment inquiry, arguing he did nothing wrong, and accusing Democrats of launching a politically motivated "witch hunt." More than 300 former national security officials from both Republican and Democratic administrations on Friday endorsed the impeachment inquiry, saying they did not prejudge the outcome but wanted to know more facts.

As the subpoena was announced, Trump's re-election campaign said it would spend $10 million next week airing an ad called "Biden corruption" on television and websites that accuses Democrats of playing politics with the impeachment investigation.

Former Democratic Vice President Joe Biden is Trump's leading rival in the race for the 2020 presidential election.

The White House this week released a summary of Trump's July 25 phone call in which he asked Zelenskiy to investigate Biden and his son Hunter Biden ahead of the November 2020 presidential election - a call at the heart of the whistleblower's complaint.

Hunter Biden served on the board of a Ukrainian gas company called Burisma when Biden was in office. There has been no evidence that the former vice president used his position to help his son in the Ukraine matter.

Ukraine's anti-corruption investigation agency said on Friday it was investigating permits given to companies managed by Burisma during 2010-2012. Hunter Biden was hired in 2014. The agency said it would only go further if compelling new testimony emerged.

The whistleblower raised concerns about interactions that Trump's personal lawyer Rudolph Giuliani - who has promoted theories about Biden's activities in Ukraine - had with former and current Ukrainian officials.

REUTERS

The most beautiful Ferrari in a decade pays tribute to race cars past

HANNAH ELLIOT
28 September

It's comforting to know that some things never change. Markets may crumble, social media may demolish civil society, but fresh pasta, good wine, and the courtesy of Italian drivers who move over on the A1 when they've got a Ferrari on their tail—these things prevail across generations.

They're like the Colosseum. Or the V-8 turbo engine. That's the throbbing heart inside Ferrari NV's 2020 F8 Tributo, a new offering from the 70-year-old company. As the name suggests, the $270,530 coupe pays tribute to the almost-sacred engines that have powered the automaker's most successful cars since its first mid-engine V-8, in the 1975 Ferrari 308 GTB.

The F8 Tributo is where I found myself in early September—yes, on a sunny section of the A1 that runs from Modena to Milan and caters to the most impatient of sightseers. With a 3.9-liter, 711-horsepower engine, a seven-speed dual-clutch gearbox, and 568 pound-feet of torque, it's more powerful and efficient than its predecessor, the 488 GTB. Turbo lag simply doesn't exist here.

I looked for it, too. But as I navigated the on-ramp at 30 mph and pushed through fifth, sixth, and seventh gears on my way to 120 mph, the F8 Tributo accelerated without hesitation and with absolute control. (Top speed is 211 mph.) Climbing into the craggy Apennine mountains outside Modena, powering around narrow single-lane roads, the car handled with laserlike finesse. My drive was incrementally smoother, more agile, and more refined in all kinds of turns than what I'd experienced with its predecessors. And with a zero to 62 mph sprint time of 2.9 seconds, the car is lethally quick. A new engine note sings a cheery cantata rather than the growls or burps or wheezes of other cars in its class; the F8 Tributo made me feel like a maestro conducting Italy's grandest orchestra.

The method behind the music, as it were, is the F8

The author driving the 2020 Ferrari F8 Tributo in the hills above Fiorano Modenese, Italy

Tributo's weight. At just 2,932 pounds, the car is 48 pounds lighter than the 488 GTB. Advanced components derived from Formula 1 technology have shaved off mass: A novel exhaust manifold saves 22 pounds; titanium connecting rods knock off another 17.

I pulled off to take some photos at one point, and within seconds an elderly woman emerged from her bleached-stone home, window shutters laced with old Italian roses. In her skirt and stockings—this is, after all, the old country—she gesticulated energetically. At first, I thought she was yelling at me for parking in front of her home. Then I caught the word "bellissima!" She pointed at the car and kissed her fingers like a chef.

I shouldn't have been so surprised; the F8 Tributo is the most devastatingly beautiful car Ferrari has made in a decade. It combines winning elements from previous models into a new package, pulling from a storied history to make an automobile that's simultaneously familiar, reassuringly elegant, and aggressively modern. To wit: The new dual round rear taillights are like those from the F40 of the late 1980s and early '90s, as are the louvers in the cover atop the legendary V-8 engine. Made from ultralight Lexan, the clear screen has three slits at the center that help extract hot air from the engine compartment and allow for admiration of the engine itself.

Elsewhere, the vertical headlights of the 488 GTB are now brilliant horizontal LEDs and have another practical purpose—to let new brake-cooling intake vents be placed outside the bumper. The air intakes, which were etched on the flanks of other recent Ferraris, have been moved near the spoiler. A single massive engine air intake duct on the hood increases downforce by 15%, redirecting high pressure flowing up from the bumper and passing it over the front of the car. Forged "starburst" wheels are the exclamation mark on the whole thing. The F8 Tributo looks feminine and strong, happily formidable, even playful.

But the car will be serious for Ferrari's bottom line. It's one of a record five model revamps this year, overhauls that will allow it to charge more for most of its cars. The marque is also making more of them; it hopes to ship 10,000 in 2019, up from 9,251 last year, says Chief Executive Officer Louis Camilleri. All this is aimed at higher profits.

With the F8 Tributo, Ferrari has taken its beloved diamond V-8 engine, polished it, and placed it in a new setting. Thank God, some good things remain—though top brass declined to tell me, it may just be the last time we see a non-hybrid engine on a Ferrari of this mettle.

All of Italy pays respect—and moves aside in tribute. Deliveries start in December.

BLOOMBERG

Moment of truth coming for Brexit, warns EU

GABRIELA BACZYNSKA & KATE HOLTON
28 September

Irish Foreign Minister Simon Coveney warned on Friday that time was running out for Britain and the European Union to hammer out a divorce deal with the British Brexit minister also saying the moment of truth was approaching.

Prime Minister Boris Johnson has vowed Britain will leave the EU on Oct. 31 whether or not a deal has been agreed with the bloc, and while both sides say they are keen to reach an agreement, there is little sign of the deadlock being broken.

Johnson's opponents say leaving the EU without a deal to keep most of its trading arrangements in place would plunge Britain into economic chaos. The government says it has made preparations to avoid serious disruption.

The EU agreed a withdrawal package with former Prime Minister Theresa May but this was rejected three times by the British parliament over the "Irish backstop" — an insurance policy to prevent the return of a hard border between the British province of Northern Ireland and the Irish Republic.

After a meeting with EU Brexit negotiator Michel Barnier in Brussels, Ireland's Coveney said negotiations had to be on the basis of a "serious proposal" from the British on how they would replace the backstop.

"That hasn't happened yet and until there is a serious proposal in writing ... then the gaps that are wide at the moment will remain. And time is running out," he told reporters.

Barnier said the bloc was firmly united on insisting on a legally operative fix for the Irish border issue, saying it needed to avoid a hard border and protect the integrity of the EU's single market.

"The onus is on the British prime minister and his team," Coveney said, adding that Ireland was open to extending the Brexit departure date. "An extension is preferable to no deal," he said.

Britain is due to present concrete legal texts on their Brexit plans next week after the Conservative Party conference.

This month, British lawmakers forced through a law which compels Johnson to seek an extension to Brexit unless he has agreed a new deal with the EU by Oct. 19 or got parliament's approval to leave without an agreement, an outcome a majority of lawmakers and many businesses

British Prime Minister Boris Johnson's opponents say leaving the EU without a deal to keep most of its trading arrangements in place would plunge Britain into economic chaos

believe would be calamitous.

Johnson has repeatedly said he would abide by the law, which he has dubbed the "surrender act", but Britain would definitely leave on Oct. 31, without explaining the apparent contradiction.

"We will obey the law, but we're confident we can come out on Oct. 31 and the best way to do that is to get a deal," Johnson told reporters on Friday.

"That's why the surrender act is so damaging," he added. "It has had the effect with our European friends making them think: 'maybe parliament can block this thing, maybe they will be forced to extend.' If you're in a negotiation that obviously makes it more difficult."

Britain's Brexit minister Stephen Barclay also met Barnier on Friday and said there was a long way to go until they reached a deal.

"I think we are coming to the moment of truth in these negotiations," Barclay said in a television interview, repeating the message that the backstop had to go but a deal could be struck with good will on both sides.

Anger

With agreement still some way off, Britain's exit from the European Union still remains clouded in uncertainty three years after the vote to leave, and the country remains utterly divided with animosity reaching ever new levels.

Parliament reached boiling point on Wednesday when Johnson and his opponents spent hours hurling allegations of betrayal and deceit across the chamber of the House of Commons.

Opposition lawmakers accused Johnson of stoking hatred and cast him as a cheating dictator. One called him a liar. Johnson dismissed death threats against female law-makers that echoed his own language as "humbug" and described the law brought by opponents to potentially delay Brexit as a "surrender" bill.

On Thursday, Johnson's most senior adviser Dominic Cummings told politicians they should not be surprised by the mounting anger and the atmosphere would get worse unless Brexit was delivered.

"If you are a bunch of politicians and you say that we swear we are going to respect the result of a democratic vote and after you lose you say 'we don't want to respect that vote'. What do you expect will happen?" said Cummings, the mastermind behind the 2016 campaign to leave the EU.

Britain's leading bishops intervened on Friday to say all sides should moderate their language.

REUTERS

Wells Fargo taps one-time Dimon protégé Scharf to lead turnaround

IMANI MOISE
28 September

After a difficult, months-long search for a new chief executive, scandal-plagued Wells Fargo & Co (WFC.N) named as its next leader Charles Scharf, a one-time Jamie Dimon protégé known on Wall Street as a detail-oriented number cruncher who excels in streamlining operations.

Scharf, 54, who joins the fourth-largest U.S. bank next month, has been the CEO of Bank of New York Mellon (BK.N) and Visa Inc (V.N).

He served as a top lieutenant to JPMorgan Chase and Co's (JPM.N) Dimon during the financial crisis of 2008. He will become Wells Fargo's third CEO in as many years after a wide-ranging sales practices scandal.

Some analysts said Scharf's departure from Bank of New York Mellon, where he served only for two years, would hurt the custodian bank. Bank of New York Mellon named former finance head Thomas Gibbons as its CEO on an interim basis. Its shares closed 4.2% lower, while Wells Fargo rose 3.5% on Friday.

"He's a good choice," said former Wells Fargo CEO Dick Kovacevich. "He's very experienced in almost all of these financial services areas."

Scharf has his work cut out for him.

Wells Fargo is operating under a regulatory microscope, as it tries to rebuild its reputation with customers, investors and politicians after employee whistleblowers revealed in 2016 that the bank had opened potentially millions of unauthorised accounts.

Since then, internal and regulatory probes have discovered other issues in the bank's businesses, resulting in

On Wall Street, Scharf is known as a detail-oriented number cruncher who excels in streamlining operations

billions of dollars in fines and penalties.

Its core businesses and shares have lagged.

From 2016-2018, Wells Fargo was the only bank among the top four U.S. lenders to not grow loans or deposits, according to Refinitiv data. Wells Fargo shares have fallen short of the KBW Bank Index as the board looked for a new CEO. Analysts cited uncertainly about management and future financial targets as a top concern.

On Friday, Wall Street analysts applauded the bank's pick but warned that major regulatory hurdles remained.

"The appointment of Mr. Scharf removes a major overhang," Saul Martinez of UBS wrote in a note to clients.

While the news cheered Wells Fargo investors, analysts said it was a negative for Bank of New York Mellon.

KBW analyst Brian Kleinhanzl said he was unsure what to expect from Scharf as Wells' CEO since his tenure at Bank of New York Mellon lasted only for two years.

He added that at Bank of New York, Scharf had gone "on a hiring spree to bring in his people, and now that he has left, long-term strategy is in flux."

Diversity goal

Scharf's appointment is a win for Wells Fargo. Sources have said that the board's search process was fraught, with limits on how much the bank could have paid its new chief executive and the requirement that regulators approved of their choice.

The board had said it wanted to find an outsider, a key parameter for satisfying critics in Washington. The board also initially looked the possibility of hiring a diverse candidate, especially a woman, sources have previously said.

But several candidates that the board approached were not interested in the job. At one point, the board considered keeping its interim CEO, Allen Parker, on a permanent basis.

Parker will return to his previous role of general counsel and help the company through its transition.

"They really realised that they needed a competent CEO who could handle the issues at Wells and the regulators, and it didn't matter – race, gender, those things were secondary," one of the sources familiar with the matter said, referring to the board.

Wells Fargo spokesman declined to comment on the nature of the search process. A spokesman for the Office of the Comptroller of Currency said the banking regulator had signed off on Scharf's hiring, clearing a major hurdle in the executive search process.

Two sources who know Scharf describe him as someone more at home with numbers. When he became the CEO at Visa, people joked the company had two chief financial officers - the actual CFO and Scharf, one of the sources said.

At Visa, he is credited with transforming the payment giant's technology platform and saw the stock price more than double. Scharf was tasked with reinvigorating growth at BNY, a custodian bank which executes back office operations for asset managers.

There he quickly made changes designed to make the company more efficient like overhauling meetings and making leadership changes. So far those changes have not paid off as BNY shares are trading lower than when Scharf took the helm.

One of the sources said Scharf always had aspirations to be the chief executive of a big bank. If his tenure at the San Fransico-based bank goes well, Scharf will have a claim to the same fame as his one-time boss Dimon, the source said.

REUTERS

Fiat Chrysler to pay $40 million over inflated sales figures

DAVID SHEPARDSON
28 September

Fiat Chrysler Automobiles NV and its U.S. unit will pay $40 million for misleading investors about its monthly sales figures and will resolve a lengthy probe by the U.S. Securities and Exchange Commission (SEC).

Over a five-year period from 2012 through 2016, Fiat Chrysler's U.S. unit used a series of fraudulent moves to falsely report new vehicle sales and falsely tout a "streak" of uninterrupted monthly year-over-year sales growth, when it had actually ended in September 2013.

In July 2016, the company revised more than five years of monthly U.S. vehicle sales figures to reflect a new reporting method, amid an investigation by federal authorities including the U.S. Justice Department.

Fiat Chrysler said Friday it "cooperated fully" and added it has "reviewed and refined its policies and procedures and is committed to maintaining strong controls regarding its sales reporting." The SEC settlement is not material to its financial results, it added.

The SEC said Fiat Chrysler put pressure on its business centres "to increase sales, maintain the year-over-year sales streak, and hit internal sales targets, particularly on the last sales day of the month" and as a result some employees at most of the Business Centres "engaged in fake sales reporting."

Over a five-year period from 2012 through 2016, Fiat Chrysler's US unit used a series of fraudulent moves to falsely report new vehicle sales and falsely tout a 'streak' of uninterrupted monthly year-over-year sales growth, when it had actually ended in Sept 2013

Dealers were paid to report fake sales in a company database using "cooperative marketing funds" to disguise the payments, the SEC said, adding the database "contained false vehicle sales entries, including false customer names and dates of sales."

The suit said the company used a database of fleet and certain other retail sales, at the direction of its head of U.S. sales, "to misreport vehicle sales results and year-over-year growth percentages every month."

Employees referred to the vehicle sales saved for public reporting, the SEC said, with terms like "cookie jar," the "bank," the "bag," and the "kitty."

Detroit's Big Three automakers have ended the practice of reporting monthly sales figures and now report on a quarterly basis.

In April, Fiat Chrysler settled lawsuits with seven of its dealers over claims it urged them to input phony sales to help it meet sales targets for an undisclosed sum, while in May it settled a lawsuit with stockholders for $14.75 million.

The Justice Department declined to comment on the status of its investigation.

In May, Fiat Chrysler Automobiles' U.S. sales chief Reid Bigland sued the company claiming it withheld 90% of his 2018 compensation because he cooperated with the SEC probe. An Oct. 3 hearing is set in the suit.

Bigland said in his lawsuit that the company's sales reporting methodology had been in place since the late 1980s and was widely known throughout the company including by Sergio Marchionne, who was chief executive until his death in July 2018, and other senior executives.

REUTERS

DONKEY BUSINESS

An Afghan man loads ballot boxes and other election material on a donkey to be transported to polling stations not accessible by road in Shutul, Panjshir province, Afghanistan. The country voted for a new president on Saturday

REUTERS

McLaren to return to Mercedes engines from 2021

McLaren will be reunited with Mercedes engines from the 2021 season as the former champions go back to using the German manufacturer's power units in their bid to return to the top.

The Woking-based team are currently supplied by Renault, having joined forces with the French company last year.

They will see out that deal, which runs until the end of 2020, before making the switch back to Mercedes as part of a long-term agreement until at least 2024.

"We are delighted to welcome McLaren back to the Mercedes-Benz racing family with this new power unit supply agreement," said Mercedes' motorsports head Toto Wolff in a joint statement with McLaren issued at the Russian Grand Prix on Saturday.

"We hope that this new long-term agreement marks another milestone for McLaren as they aim to take the fight to the sport's top teams, including our Mercedes works team."

The McLaren-Mercedes partnership initially ran from 1995 to the end of 2014.

It turned McLaren, enduring a slump after their heady days of dominance during the late 1980s and early 90s with Honda, into a force to be reckoned with once again.

The combination won 78 races, a constructors' title and three drivers' titles with Mika Hakkinen (1998, 1999) and Lewis Hamilton who raced to his first Formula One title with the team in 2008.

McLaren find themselves in a similar phase now, rebuilding after three dismal years with Honda, the Japanese manufacturer they rejoined forces with at the end of 2014 in a bid to recreate their dominance from 30 years ago.

Fielding a fresh driver line up of British rookie Lando Norris and Spaniard Carlos Sainz, they have made big strides this year and are currently locked in a battle for fourth in the overall standings with Renault's works team.

But they haven't won a race since the season-ending 2012 Brazilian Grand Prix, when they were still powered by Mercedes.

"Renault has been instrumental to our Formula One recovery plan and a fantastic partner to McLaren Racing," said Zak Brown, chief executive of McLaren Racing.

"This agreement is an important step in our long-term plan to return to success in Formula One."

REUTERS

Sony makes peace with Disney over Spider-Man

CHRISTOPHER PALMERI & ANOUSHA SAKOUI
28 September

The two companies have agreed to co-produce the next "Spider-Man" movie, ending a dispute that clouded the future of one of the industry's biggest franchises. The compromise gives Disney a 25% share of the profit from the film, according to a person with knowledge of the situation. The studio had been requesting as much as 50% previously, said the person, who asked not to be identified because the terms are private.

As part of the pact, Spider-Man also will be featured in a future Marvel Studios movie, the companies said Friday. Amy Pascal, former chairman of Sony Corp.'s film studio, will produce the next "Spider-Man" stand-alone film, which is scheduled for release on

As part of the pact, Spider-Man also will be featured in a future Marvel Studios movie, the companies said Friday

July 16, 2021.

The two sides had previously been unable to agree on new terms for their partnership, and the dispute splashed into public view last month. A falling-out would have kept Marvel President Kevin Feige -- known for ensuring Marvel's quality control -- from working on new Spider-Man films. It also would have kept Sony's character from appearing in separate Disney movies, banishing the character from the so-called Marvel Cinematic Universe.

Even though Spider-Man is a Marvel superhero, Sony acquired the rights to the character long before Disney bought Marvel Entertainment for $4 billion in 2009.

Sony used to produce Spider-Man films on its own, but after a few less-than-stellar installments, it teamed up with Disney for "Spider-Man: Homecoming" in 2017 and 2019's "Far From Home" -- Sony's highest-grossing movie of all time. Spider-Man, played by Tom Holland, also appeared in the Marvel Cinematic Universe movies as the protege of Iron Man.

Spider-Man fans on social media have pleaded with the companies to repair the rift, arguing that it would ruin the storyline that had been built up for years.

Financial Dispute

Last month, Sony blamed the impasse in part on Feige being so busy producing other Disney movies. But Feige seems no less busy today; in fact, he's currently in discussions to work on a new "Star Wars" film. People familiar with the situation had said the financial issue was the bigger conflict. With the agreement to get 25% of the profit, Disney is on the hook for a quarter of the next film's costs, one of the people said.

With the matter resolved, Holland will now reprise the title role of Spider-Man in the new picture. He also was featured in the MCU films, including this year's "Avengers: Endgame," the highest-grossing film of all time.

BLOOMBERG

CHATTERBOX

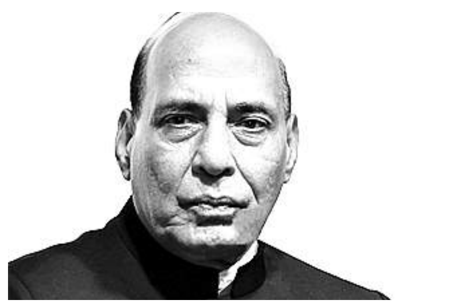
The mystery behind TDP leader's suicide

Here is the full story behind the suicide of the 72 year old trained doctor and leader of the Telugu Desam Party (TDP) in Andhra Pradesh, Kodela Sivaprasad Rao. Rao committed suicide earlier this month. After Jaganmohan Reddy came to power, his government set up a cell in the police department to dig out all past corruption cases allegedly committed by Kodela and his family members. The AP Legislative Assembly secretariat found that some furniture purchased for its new building in Amaravati had gone missing and later traced it to Kodela. The Assembly secretariat booked cases against him under IPC 409 and 411. Though Kodela offered to return the furniture or pay its cost to the Assembly, the officials opted to pursue the case against him. According to TDP leaders, this led to depression in him and Kodela killed himself.

All praise for Modi

The latest Congress leader to endorse the policies of the Narendra Modi government is Chhattisgarh Chief Minister Bhupesh Baghel. Baghel justified Pakistan PM Imran Khan quoting the Congress party's stand on the Kashmir issue, he justified it by saying: "Inside the country, we'll strongly oppose Narendra Modi ji. But for matters outside the country, whatever decision the government takes, the Congress will always support it and stand with the country". This went out on Twitter and has given great solace to Congress members like Milind Deora who acknowledged with grateful thanks, PM's endorsement of Murli Deora's contribution to India-US elections. No one knows whether the Congress is coming or going.

DID THEY REALLY SAY THAT?



Pakistan needs to understand that the Indian Navy has become much stronger with the commissioning of the INS Khanderi. They should know our capabilities and we can use them if required. India is proud of its Navy and can never forget the exceptional role it played in the 1971 war..."

Defence Minister Rajnath Singh after Pakistan PM Imran Khan's speech at the UN General Assembly, September 28

CHECKLIST

PUNJAB ASSEMBLY BY ELECTIONS: OCTOBER 21

- Jalalabad: Former State youth Congress chief Raminder Awla is the candidate from the Jalalabad constituency. The seat fell vacant after MLA Sukhbir Badal of the Akali Dal was elected to the Lok Sabha. Ravneet Singh Bittu from the Congress had come third in the constituency where the number 2 was Bhagwant Mann of Aam Aadmi Party (AAP). Mann is now MP from Sangrur and the AAP candidate is Mohinder Singh. Winning the seat is a crucial battle of prestige for the Badal family.
- Phagwara: Som Parkash of the BJP was elected to the Lok Sabha and resigned his assembly seat, causing the vacancy. Former IAS officer Balwinder Singh Dhaliwal will contest from Phagwara (SC) as the Congress candidate, while AAP has fielded Santosh Kumar. BJP is yet to name its candidate. Development and the menace of drugs are the two most important issues in the constituency.
- Dakha: The Dakha seat fell vacant after former Aam Aadmi Party MLA H.S. Phoolka resigned in January, against the Congres government's alleged failure to take action against those who were involv ed in the desecration of Sikh religious scriptures in 2015.The Shiromani Akali Dal (SAD) announced that Manpreet Singh Ayali, a former MLA, would be its candidate for the seat. Sandeep Singh Sandhu, political secretary to Punjab Chief Minister Amarinder Singh, is the Congress candidate, making this a high-visibility election. Amandeep Singh Mohi is the candidate from AAP
- Mukerian: the seat fell vacant following the death of Congress MLA Rajnish Kumar Babbi. Indu Bala, his wife, will now be the Congress candidate. The town falls in the erstwhile insurgency-hit district of Hoshiarpur. In this segment, during the Lok Sabha election, the Congress had trailed by 38,000 votes.

OPINION

NARENDRA MODI

I will personally act as a bridge if there are any gaps

Just a few days back, we have decided to drastically reduce the corporate tax. This is a very revolutionary step from the level of investment and after this decision, all the people from the business world whom I met or had a discussion with, are considering it very historical. During this time, several decisions have been announced one after another by the government to increase investment. We have also abolished more than 50 such old laws which were hindering the development work. Let me remind you again, it has not been more than three-four months of our new government. Today, I want to say from this platform, that this is just the beginning.

Today, India is in a unique position where our rapid growth enables us to cater to diverse demand. Our people are rapidly defeating poverty, moving up the economic ladder and diversifying their consumption. Thus, if you want to invest in a market where there is scale, come to India. Our middles class is a huge segment of people who are aspirational and has a global outlook. Thus, if you want to invest in a market where the latest trends and features are appreciated, come to India. Our youth are one of the largest users of the app economy. From food to transport and from movies to hyperlocal delivery, start-ups are acing everything. Thus if you want to invest in start-ups with a huge market, come to India. Our infrastructure creation is expanding at an unprecedented pace. From highways to metros, from railways to ports, from airports to logistics, each sector is seeing massive investment and tremendous potential. Thus, if you want to invest in one of the largest infrastructure ecosystem, come to India. We are rapidly modernizing our cities, and equipping them with latest technology and citizen friendly infrastructure. Thus if you want to invest in urbanization, come to India. We have opened our defense sector like never before. If you want to make in India, for India and for the world, come to India.

Today, our government is investing on the development of infrastructure in India like never before. In the coming years we are now going to spend Rs 100 lakh crore (about $ 1.3 trillion) on modern infrastructure. Apart from this, lakhs of crores of rupees are also being spent on India's social infrastructure. The roadmap for qualitative and quantitative leap in India's Growth Story has hit the ground. Now India has set a big goal - to make the country a $ 5 trillion economy.

When we came into government in 2014, the country's economy was at around $ 2 trillion. In the last five years, we added about one trillion dollars to it. And now we are working hard to achieve the goal of $ 5 trillion.

To achieve this huge target, we also have the capability and the courage and conditions are also in our favour. Today there are four important factors of India's growth story which are difficult to find in the world together. These 4 factors are Democracy, Demography, Demand and Decisiveness. If I talk about the first factor, then this kind of opportunity and political stability in India has come after many decades. When there is Democracy, Political Stability, Predictable Policy, and Independent Judiciary then confidence of Safety, Security and Growth of investment is automatically found there.

This growth is bolstered by India's Demographic Dividend and the Young and Energetic Talent Pool of India. Today India is one of the countries with the largest Engineering Education base and the strongest R&D facilities in the world. Due to the encouragement that the youth of India are getting regarding innovation, India is ranked number 3 in terms of Unicorns after America and China.

The third is the factor of Demand. As India's large population is becoming economically empowered, Purchasing power is increasing, so is the demand too. For example, the growth of air passenger traffic has been in double digit for the past few years. Because of that today India has become the third largest aviation market in the world.

Along with Democracy, Demography and Demand, what makes India special today is Decisiveness. Despite being a diverse and federal democracy, in the last 5 years the emphasis has been laid on preparing seamless, inclusive and transparent arrangements for the whole of India.

Where previously there was a web of taxes in India, now a single Indirect Tax Regime in the form of GST has become part of the business culture of the entire country.

We have also worked hard to strengthen the IPR and trade mark regime. Similarly, the Insolvency and Bankruptcy Code was created to deal with the insolvency and bankruptcy. We will continue to make necessary reforms to bring laws related to tax and tax on equity investments on a par with the global tax regime. Apart from tax reform, the world's largest financial inclusion has happened in India in a very short time. About 370 million people have been linked to banking system for the first time in the last 4-5 years. Today, almost every citizen of India has a unique ID, mobile phone and a bank account. Due to which targeted service delivery increased, leakages have stopped and transparency has increased manifold.

In this New India, we have started the campaign for de-regulation, de-licensing and de-bottlenecking. Due to such reforms, India has been consistently doing better in every Global Ranking. A jump of 10 points in the Logistics Performance Index, a jump of 13 points in the Global Competitiveness Index, a 24-point improvement in the Global Innovation Index and, most importantly, a 65-rank improvement in the World Bank's Ease of Doing Business Index, are phenomenal.

Your desires and our dreams match perfectly; your technology and our talent can change the world; your scale and our skills can speed up global economic growth; Your rational ways and our human values can show the path which the world is looking for. And if there is any gap anywhere - I will personally act as a bridge.

Edited excerpt from an English rendering of an address in Hindi by Prime Minister Narendra Modi at the Bloomberg Global Business Forum in New York, September 25

ILLUSTRATION BY BINAY SINHA

Whether oil, gold or water, data is here to stay, and Facebook is going to work with telecom players, including Reliance Jio to reach more and more people in India. Vice-President and Managing Director Facebook India, **Ajit Mohan** spoke to **Neha Alawadhi** about the social media giant's priorities in India, issues with the government and the way forward. Edited excerpts:

'We should keep the doors open for data'

Q&A

AJIT MOHAN

Vice-President and Managing Director, Facebook India

How has the journey from Hotstar to Facebook been? What are Facebook's main priorities in India?

While earlier (in Hotstar), I had the opportunity to start and drive video of a certain kind, the opportunity that I see here (Facebook) is of scale and engagement to go a lot deeper in India, and be relevant across multiple things.

The scale, relevance and engagement with our family of apps across Facebook, Instagram and WhatsApp in India are vast. Facebook has more than 325 million users a month, WhatsApp more than 400 million users a month and Instagram is growing massively. It is clear that the scale of opportunity to create an impact in India is massive.

The Facebook family of apps is so rooted in communities, whether in public or private context, that it comes across as made for India. It would have originated out of India in another world.

Where are the conversations Facebook is having with the government now, given what the Prime Minister has said about privacy recently? How important is WhatsApp as part of that conversation?

The Prime Minister and the government have been vocal about the power of social media to reach a large number of people. I think governments and citizens are both conscious that many of the issues (around tech companies) involve extraordinarily difficult trade-offs between competing values, for example, something that India values, which is freedom of expression and openness, and national security.

In case of WhatsApp, the government has publicly articulated that they support encryption, that Indians need to have the ability to have private communication. We have been very engaged in all conversations about privacy and data, including representations to the Sri Krishna committee and MeitY (Ministry of Electronics and Information Technology), and we have found that it's a challenge. But it is an important conversation that should happen for getting the right answer between tech firms like us, governments and citizens. We have found openness, we are engaging, we have expressed our points of view.

While we are cognizant that privacy is an important agenda, we are equally aware that concerns around national security should be addressed too.

While the government says it supports privacy, there is still talk about traceability of messages, including a case in Indian Courts. And that also leads into the larger issue of fake news and monitoring online content. How do you look at that internally?

On the first one (traceability), because it's going through the judiciary, it is sub judice so I won' t be able to talk about it.

The third party fact checking programme on Facebook, came out of limiting the spread of misinformation. Today, in India, we run one of the largest third party fact checking programmes anywhere in the world, with nine partners in 12 languages. Whenever there is content that violates the community guidelines of Facebook, we pull it down. We take off content from the platform, millions of pieces of content, even before they get any distribution, even before they're seen by anyone, because there's been so much progress and automation and artificial intelligence.

One of the big changes on WhatsApp came from the feedback from stakeholders in India, about limiting the virality of misinformation. When WhatsApp introduced limiting forwards to only five that limited the possiblity of virality of a content. However, we were happy to make the trade-off.

You also set up an election integrity team in India before the general elections. What does the team do now that elections are over?

That's a global team. After 2016 US election, there was a big focus (on Facebook), which continues to be there. The feedback we hear is, our efforts at ensuring integrity look a lot more involved than it was two years ago, and is still improving. The reality is, around the world, there are elections happening at some point. So it's a team that is working globally, across elections, and the idea is also to keep learning from each election, and funnel it into the next big set of product changes. That's what the integrity team does.

So they're looking at state elections as well?

All the principles that we used in the general elections hold true for the state elections as well.

How do you look at the fact that most people, whether politicians, businesses or celebrities take to Twitter as the first platform of choice for mass messaging?

We feel really comfortable in terms of not just the scale and growth of our family of apps in India, but how our communities are engaging with them. Between Facebook, Instagram, and WhatsApp, people use our platforms quite differently.

Facebook is used more for friends and families to connect with each other, Instagram (is used by) brands and celebrities and interest groups. And then of course, Whatsapp is the private forum. Over time, we're introducing new propositions like the introduction of music on Instagram and stories, both on Facebook and Instagram.

Data has become a mainstream conversation in the Indian context, in the last year or so. The Prime Minister also had recently said data is the new gold. How important is this conversation in the Indian context from what you see in other parts of the world?

A lot of this massive growth in the internet economy happened on the back of a massive disruption from Reliance Jio, fundamentally changing the game in terms of access to affordable 4G.

I know there were headlines from Nick's (Nick Clegg, Facebook VP for Public Affairs was in India two weeks ago, and said data is not the new oil but more like water) conversation two weeks ago, but I think it's key to recognise that we have benefited from it (Jio 4G). We see Reliance as a partner, and hopefully Reliance and the other telcos see the value that Facebook, Instagram and WhatsApp have bought in terms of people using data. It's important to call it out, because I don't think it should be lost in the noise of the headlines around the metaphor.

China has created a model where it's walled off. The reality is, the polarity of the global internet now comes from the US, Europe, and India. I think we recognise that India has a very special role in thinking about some of these issues, and a lot of the answers that India comes up with, will influence how the internet evolves, including their stance on data and privacy.

How do you look at India's demand for data localisation?

We genuinely believe that the right answer for India would be to keep the doors open on data flows. India has benefited from those who have been open — the first wave of information and technology companies. I believe that there is commonality in the values that drive India. The openness, the spirit of entrepreneurship, some of the same themes that Prime Minister Narendra Modi has spoken about in the US this week. In a country that has deep engineering talent, and is now at the cusp of creating fundamentally new models that can be exported to the world, I think it's the right answer for India. I'm not saying this from a self interested lens of Facebook, rather with a lot of humility and respect that India will find its own answers.

Enhancing safety of women

A gender sensitisation training is being provided to the bus conductors and drivers of Haryana Roadways in a bid to make public transport safer, writes **Meghna Chadha**

Till date, 6,000 drivers and conductors have been trained across 15 districts of Haryana. The remaining seven districts will be covered by November-end

A casual Google search on the "number of sexual assault cases" in Delhi-NCR throws up results that shock as well as enrage. Last week, the Delhi government announced it had installed over 200,000 streetlights across the dark corners of the city to make it safe for women to travel. Meanwhile, a private radio broadcaster ran a month-long initiative where the radio hosts discussed, argued and sought suggestions from Delhiites as well as those in power on how to make Delhi safe for women.

All these initiatives will remain on paper until women feel "safe" to venture out of their homes. A recent assessment undertaken by the Chief Minister's Good Governance Associates (CMGGA) Programme in Jhajjhar and Rohtak districts of Haryana found that women, especially young girls, do not feel safe while travelling in public transport. Project Jaagriti, initiated in 2016 under the CMGGA programme, had till now been working in collaboration with the Haryana government and Ashoka University to provide transparency, accountability and efficient service-delivery in the state. However, their latest offering is to develop a gender-sensitisation programme, especially for the bus drivers and conductors of Haryana Roadways.

"Safe Gaadi, a programme of gender-sensitisation training, was launched by the government of Haryana. This is the first time that the government has let their staff from the Haryana Roadways be a part of such training," says Itika Gupta, programme manager, CMGGA. It was during one assessment under the CMGGA programme that the associate zeroed down on dark streets in certain areas of Haryana. "The first logical step was to install street lights and ensure all the areas were well lit," she said.

THE OTHER INDIA

Then came the task of safer public transport system. "This was going to be possible by creating socially responsible drivers and conductors. So, we trained participants on understanding gender issues and sexual harassment laws, as well as enhanced communication skills and how to manage situations which occur on the bus," said Gupta. The programme that was launched in June this year aims to cover all the bus depots in the state.

"Till date, 6,000 drivers and conductors have been trained across 15 districts of Haryana. The remaining seven districts will be covered by November-end," she adds. The training provided by Manas Foundation includes two trainers who run the sessions thrice a day, over two hours.

While the programme aims to sensitise over 10,000 drivers by November end, it hasn't been an easy ride. "There have been logistical challenges especially to ensure that drivers and conductors are able to take time out to undergo the training without disrupting the day-to-day operations of bus services. Depot managers have been instrumental in managing the schedule so that as many drivers and conductors as possible can be trained. There have also been challenges for the trainers when discussing the personal content during these sessions. Most drivers and conductors have taken the sessions very well and engaged positively, but trainers do face difficulties in engaging all the participants," Gupta says.

"Such gender-sensitisation training is imperative to address safety of women in public spaces. It will encourage officials to pay attention to issues women and girls face on a daily basis when using public transportation and how to address these issues. It will raise awareness amongst bus drivers on how to address a sexual harassment incident when it occurs on a bus, how to believe victims and take the necessary steps to ensure that these spaces are safe for all women and girls. Hopefully, it will also set a tone of zero tolerance towards sexual harassment in public transportation and encourage women to report such incidents because appropriate action is being taken to address it," says Dr Shruti Kapoor, founder, Sayfty — an organisation that educates and empowers women and girls against gender-based violence. According to Kapoor, the training must also focus on how to raise awareness amongst bystanders on what to do in case someone is harassed in public spaces.

While the funding for "Safe Gaadi" is being provided by Indian Oil, the programme coordinators are hopeful the positive response will help them expand it to the auto drivers in the state as well. "We want to ensure that when a woman or a girl is in distress, immediate assistance is provided to them," concludes Gupta.

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The Right to Forget

Delicate balance between privacy and free expression

Google has just won a judgment with important implications at the European Court of Justice (ECJ). The court ruled that the European Union's (EU's) Right to Forget regulation could only apply within the jurisdiction of the EU. Hence, Google and others can geo-selectively remove links to information within the ambit of that regulation. The Right to Forget, or Right to Erasure, lets individuals in the EU request that search engines remove links to some categories of embarrassing information, or personal data, on the Internet. The information may remain available, but it can no longer be found via a simple search. The law came into effect in 2014 after a Spanish citizen appealed to have links pertaining to an old bankruptcy to be erased. The provisions became more stringent after the General Data Protection Regulation (GDPR) came into force last year.

Affected citizens can make a request "verbally or in writing" to have links or personal data deleted. The recipient of the request (not necessarily a search engine) has one month to respond. The recipient must consider many things before it complies with the request or turns it down. For example, the data may be personal, or collected with consent, for a purpose that has been fulfilled. It may be obsolete or pertain to a minor. In such cases, the data itself may be erased. However, it could also be in the public interest, or it may be necessary to hold that data in the interests of freedom of expression. For example, criminal records of adults may not be erased. Nor can news about communicable diseases, etc. be wiped out. Ironically, the landmark case that sparked the regulation remains easily searchable precisely because it led to the regulation.

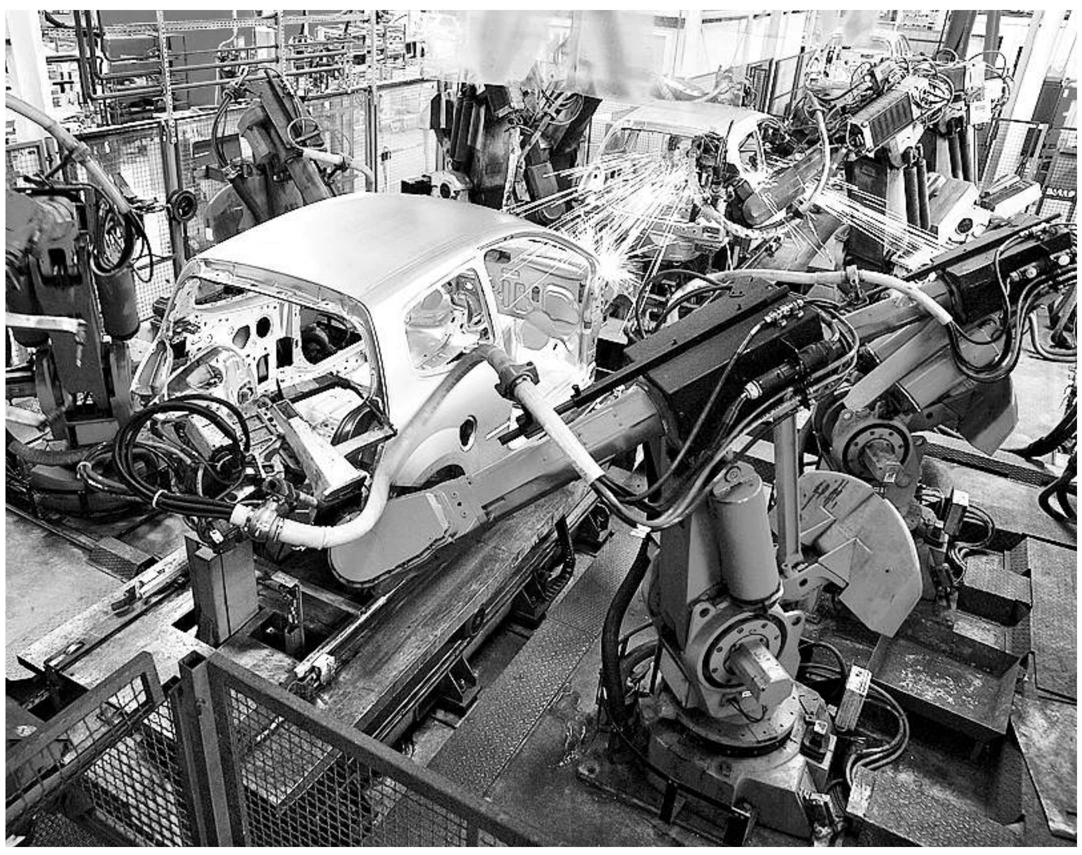
In practice, search engines delete links while the content itself may remain available. Google claims that it has complied with such requests roughly 45 per cent of the time — of the 845,000 requests that it has received asking for the removal of more than 3.3 million links. It does this by geo-blocking. The links are no longer visible if a search is made on global server Google.com from within the EU. All links are removed from European servers like Google.fr, Google.co.uk, and Google.de. But the links are visible from other regions and they are visible to a EU surfer who uses a VPN to circumvent geographic restriction. The search engine giant appealed an order by the French regulator, CNIL, which demanded that links be removed globally. CNIL also imposed a fine of €100,000. The ECJ has ruled this as overreach saying: "There is no obligation under EU law for a search engine operator who grants a request for de-referencing made by a data subject ... to carry out such a de-referencing on all the versions of its search engine."

The UK will become a grey zone if Brexit occurs if it doesn't legislate its own version of GDPR. Many other non-EU nations are legislating their versions of GDPR. Such legislation will be uneven since it is driven by regimes and constitutions, which vary in the priority allotted to privacy and free speech. Assuming this ECJ judgment is foundational, there may be a situation where geoblocks with regard to the right to forget are selectively applied in many regions. The embarrassing information will remain searchable from servers and IP addresses in other jurisdictions. This will lead to a delicate balance between privacy and free expression. India could be a global test case. It has a vast, growing population of Netizens. The Supreme Court affirmed privacy as a fundamental right but the government has not come up with specific privacy legislation in the two years since that judgment. The draft privacy legislation by the Srikrishna Committee doesn't include a Right to Forget. At the same time, vast numbers of sites are geoblocked in India, on the request of government agencies and under court orders granted to companies and individuals. How India chooses to prioritise privacy and free expression will affect the internet experience of hundreds of millions.

Turning disruption into growth

Concerted actions across all stakeholders could create a unified push for a thriving automotive industry

SHIVANSHU GUPTA, AUROBIND SATHPATHY, BARATHRAM A & GANDHARV VIG



Car bodies on an assembly line. Manufacturers will now need to build capabilities through partnerships

Discontinuities are disruptions on the evolution curve that alter the way an industry operates. The automotive component industry in India has been in a growth phase in the past decade with domestic turnover more than doubling and export turnover growing five-fold between 2010 and 2019, according to the Automotive Component Manufacturers Association of India (Acma).

In recent months, we have seen discontinuities in this sector. Auto sales have declined driven by factors like the liquidity crunch in non-banking financial companies (NBFC), higher acquisition costs for vehicles owing to an increase in the costs of raw materials, insurance and finance; and weaker consumer sentiment. Growth in the automotive component industry declined from 18 per cent in the 2018 financial year to 14.5 per cent in the 2019 financial year.

While policy measures could bring back growth, the industry can adopt some practical measures to stimulate near-term impact and long-term preparedness:

- Maximise product modularity using a spend pareto across product, sub-system and parts to improve economies of scale and reduce the working capital requirement. A pareto is a statistical technique in decision-making used for the selection of a limited number of tasks that produce significant overall effect;
- Embrace a zero-defect culture at operator level to drive individual and area-level performance management;
- Rationalise the portfolio by focusing on products that bring the majority of revenues and profits and expand after-market activities and export markets;
- Re-imagine end-to-end sales and operations processes by using digital technologies and analytics, such as forecasting tools, to optimise capital and cost and increase customer satisfaction;
- Manage fixed costs by establishing a war room to reduce indirect costs services, stores and spares.

INDUSTRY DISCONTINUITIES AND THEIR IMPLICATIONS

Component makers are bound to be affected by the fundamental changes in the automobile industry. They would do well to prepare for big changes already visible on the horizon in the following ways:

Expedited enforcement of emission and safety standards: Introduction of BSVI (Bharat Stage VI) emission standards (equivalent to Euro VI) will bring India in line with global markets. This will open up global export markets as component makers improve their capabilities and build products targeted to the wider world.

Renewed focus on electric vehicles: The government has earmarked nearly ₹10,000 crore (approximately $1.4 billion) for electric vehicles and related subsidies, while the private sector has increased its investment to about ₹400 crore ($56.4 million) in 2019 (up from about ₹300 crore or $42.3 million in 2018). Electric vehicle adoption could have many subsequent implications: Power train components could change drastically with some becoming rising stars in the age of electrification and others under high pressure; the material composition of vehicles could change fundamentally, and suppliers could transform where and how they play in the auto sector value chain.

Rise of shared mobility: Changing consumer preferences could prompt the growth of new customer segments, such as fleet owners, and create new revenue pools for auto component suppliers.

Growing demand for connected vehicles: This could gradually change the composition of vehicles with the electronics and software components dominating the mix.

Consolidation of auto original equipment manufacturers: Global auto OEMs are consolidating to take advantage of their mutual strengths and improve their capabilities. Component makers could use this opportunity to hasten modularisation and vendor consolidation.

Digital and analytics-driven transformation of core business: Digital and analytics will transform automotive organisations across the value chain. Manufacturers will need to use digital technologies heavily for internal transformations.

IMPERATIVES FOR AUTO COMPONENT MANUFACTURERS

Given these changes and possibilities, auto component manufacturers would need to examine their business in the following ways:

Rethink product strategy: Manufacturers will need to de-risk their portfolio by diversifying across channels, for example, including after-market sales. They would need to redefine customer segments, such as shared taxi aggregators, and rethink their geography, for example, by sharpening export markets. These cannot be one-time efforts and will require annual reviews of strategy.

Partnerships to build capabilities: Faster market access and time-to-market are critical. Manufacturers can co-invest in R&D and product development, building capabilities through partnerships.

Embrace digital: Manufacturers will need a roadmap for this transformation with clearly defined milestones and a taskforce to drive change.

Non-conventional sales approach: Business should develop a hunter/farmer approach, where the hunter focuses on bringing in new business and the farmer works to grow that customer, and invest in the customer of the future.

Manage organisational and cultural change: Manufacturers would need a transformation office to identify the roles that create the most value for an organisation and assign them projects that will drive growth in the future.

HOW STAKEHOLDERS CAN SUPPORT AUTO COMPONENT MANUFACTURERS

Managing the slowdown and embracing discontinuities in India's automotive component industry requires crucial stakeholders, such as the government, industry bodies and OEMs, to co-create and collaborate.

The government could continue to encourage electric vehicle manufacturing and adoption, appoint trade representatives at consulates to facilitate exports and incentivise companies to establish operations in India. Industry bodies could work with export promotion councils to identify target markets for exports, facilitate a cooperative supply chain in high-potential export markets, set up incubation centres in metropolitan zones to promote innovation related to automation, connectivity, electric power and the shared-mobility economy (ACES); and conduct training on the impact of digital interventions.

Anchor actions for OEMs include investing in and collaborating with Tier-I and Tier-II component manufacturers to help them build a workforce of the right size and with the relevant skills and knowledge partnerships to embed digital capabilities in their organisations.

Concerted actions across all stakeholders could create a unified push for a robust and thriving automotive industry in India.

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Why gender budgeting is necessary in India

SURUCHI AGARWAL

Giving development policies a gender content would have a greater impact in some of India's most backward districts. Consider Mewat district, situated 60 kilometres from high-tech Gurugram, Haryana's most backward district, where a saline water zone coupled with lack of water supply forces women to travel for up to two to three hours daily to fetch drinking water.

Being a Muslim-dominated region, the cultural ethos is conservative, restricting the movement of women outside their homes. The average family size in the district is eight. Interestingly, Mewat is at the top in terms of the proportion of the child population (22.78 per cent), which is an indicator of a level of higher dependency on the earning members of each household. This in turn creates pressure on the limited resources available to an individual as a member of a particular household.

The men in Mewat are mostly truck drivers, who are away for number of days, and hence most of the household pressure falls on the women. The mother involves the elder daughter in supporting the family. The elder daughter therefore does not get time to go to school, which reduces the literacy rate of women. Education is not considered an important resource and thus does not feature on the priority list of inhabitants.

Gender budgeting is the formulation of policies and plans, allocation of resources, impact assessment and corrective follow-up action aimed at addressing gender disparities

Large family size combined with low income leads to low nutrition levels for the women, resulting in poor health. Poor medical facilities and the absence of nurses and doctors play havoc with their health. Sewage flows in open drains on both sides of the road. Swarms of mosquitoes lead to many diseases like malaria.

The major source of cooking fuel is firewood (48 per cent). Firewood gathering not only consumes a considerable amount time for women and children, limiting other productive activities, but its usage also results in emission of carbon and methane, which are powerful climate change pollutants. The high level of dependence on kerosene for lighting and firewood for cooking carries serious health and environmental hazards in the case of Mewat.

Women work extensively on farms but are not identified as farmers, and land inheritance and ownership is patriarchal in nature. The women work for up to 20 hours a day, but continue to have low incomes.

There is a need to scale up efforts to improve women's empowerment in the region, as in more than two-thirds of the villages there is a huge gender gap in literacy, with women spending substantial amounts of time in fetching water and collecting firewood for fuel. Thus, substantial investment in water infrastructure for drinking and farming purposes should be of the highest priority in the region, as it has adversely affected all dimensions of development, such as living standards, agriculture, gender equality and so on.

The Haryana government on its part has made many efforts to improve living conditions in Mewat by opening hospitals, anganwadis, schools and colleges and developing infrastructure, but has still not been able to bring about effective change.

Despite so much effort over so many years, the condition of women has not improved much and Mewat continues to be at the bottom among all of Haryana's districts in terms of development. A change in the thinking of society as a whole is needed.

The statistics reveal that women are more disadvantaged than men. If data for males and females are disaggregated, it is clear that women are much worse off than men in terms of education, health, income and so on. They perform a lot of unpaid work like caring for children, cooking, cleaning, fetching water, and caring for the elderly. This has to be valued and methods of supporting women who contribute to the nation through unpaid work need to be identified.

A more realistic way would be to identify areas of public spending that would yield more advantages to women and girls. We would then have to work towards improvising policies to provide more funds in the identified areas, which will provide an advantage to women and girls. In the case of Haryana, budget allocations for Sustainable Development Goals (SDG) will have to be viewed through a gender lens.

Gender budgeting is the gender-sensitive formulation of policies and plans, allocation of resources, impact assessment of policies and corrective follow-up action to address gender disparities. Providing non-government organisations in Mewat with funds for women to start small mustard plants (Mewat is blessed with acres of mustard fields) would increase women's incomes.

SDG-1 featured a budget allocation to eradicate poverty. This can be given a gender twist and women of each household can be provided with food-grains to reduce poverty. Many more such practical innovations can reduce the gap between male and female development indicators and improve the district as a whole. Changes in policies, even without actually increasing the district's budget, can have far-reaching effects.

The writer is with the National Institute of Financial Management, Union Ministry of Finance

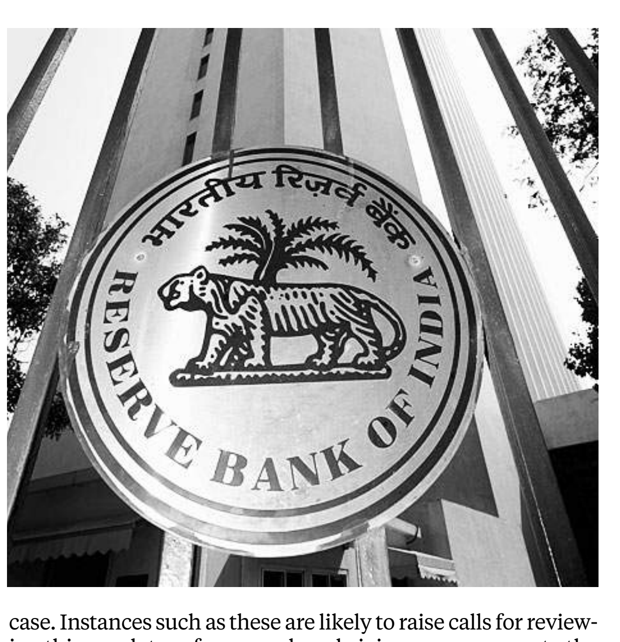
OTHER VIEWS

RBI action on PMC amounts to penalising depositors

Regulatory framework governing cooperative banking must be revisited

On Tuesday, the Reserve Bank of India (RBI) imposed curbs on the activities of the Punjab and Maharashtra Cooperative Bank (PMC) for a period of six months. The decision came after the central bank discovered certain irregularities in the bank, including the under-reporting of non-performing assets (NPAs). While the restrictions imposed by the regulator, under section 35A of the Banking Regulation Act, are aimed at safeguarding depositors interest, and preventing a run on the bank, such moves, which are seen as penalising depositors, can end up having the opposite effect, denting trust in cooperative banks and increasing the risk of a contagion.

Reportedly, the crux of the problem is the bank's exposure to a real estate firm, which itself is currently undergoing insolvency proceedings. On its part, the regulator has appointed JB Bhoria, a retired senior RBI official, as administrator of the bank. A forensic audit could shed light on its asset-liability mismatch. Cooperative banks are under joint supervision of the RBI and states. And while the RBI has signed MoUs with state governments, unless state governments cooperate in effecting regulations, supervision is likely to be ineffective. Clearly, there were no early warning signs of trouble in this case. Instances such as these are likely to raise calls for reviewing this regulatory framework and giving more powers to the RBI to oversee these entities. But the larger question over the absence of a framework for timely resolution of financial firms remains.



The Indian Express, September 27

Politics of onion price rise

Inflation vs farmers' incomes trade-off

With onion prices rising sharply in the past few weeks, one of the most basic contradictions in Indian political economy is manifesting itself once again. Urban consumers are unhappy to pay more for onions, which have become scarce and expensive, thanks to late sowing and rains disrupting supply chains. Political parties and governments have rushed in to both exploit and assuage this anger. Exports have been banned, and the government is planning to offload its stocks. Such steps will bring down prices to some extent. What about farmers, though? This was their opportunity to make some windfall gains. Do remember that tepid food prices have been the biggest reason for low inflation in the last few years. Food buyers have gained at the cost of food sellers. And this has put a severe squeeze on farm incomes. Even if left unattended, the onion price rally would have reversed in some time.

There are ways to resolve the contradiction. If farmers are denied a windfall gain by the government to keep inflation under check, then there should also be a provision to ensure that there are no windfall losses at the time of a glut. Bumper harvests are more unfair to vegetable farmers because middlemen squeeze prices paid to farmers, without passing on the entire gains to consumers.

Hindustan Times, September 27

Boost for women's education

They can be a force for social change

The *All India Survey on Higher Education 2018-19* shows that, generally speaking, women's enrolment has risen in higher education. The increase, from 47.6 per cent in 2017-18 to 48.6 per cent in 2018-19, is in step with the increase of approximately one per cent in the gross enrolment ratio within the same period, while the rise in the enrolment from scheduled caste and scheduled tribe groups is slightly, and hearteningly, sharper.

Does increased enrolment in higher education mean that the standards of school education have improved? So far, there has been no such indication — reports of achievement levels in schools are quite alarming. What proportion of students in the highest levels of study comes from non-government schools, or, more specifically, are women? The percentage of women scholars in India's institutions of national importance is a poor 24 per cent. The potential of educated young people must find full expression in satisfying work and living conditions after they get their degrees: Is India ready for that? Educated women are a positive force in a nation; is Indian society ready to let them fulfil their potential without being beaten, tortured, raped and killed? Against all these cautionary concerns, however, there must be hope that those being educated today will exert their agency and use their expertise for change in the future.

The Telegraph, September 27

Share notes to prevent errors, Cabinet secy tells ministries

The J&K Reorganisation Act had over 50 mistakes

ARCHIS MOHAN
New Delhi, 28 September

Earlier this month, the Cabinet Secretariat wrote to all Union ministries and departments to complain that they do not share draft cabinet notes, which makes it difficult to detect "deficiencies" and "inconsistences". A day later, the Ministry of Law and Justice issued a gazette notification to correct 52 errors in the Jammu and Kashmir Reorganisation Act, which Parliament had passed in the first week of August. This was just one of several instances of poor drafting of Cabinet notes and bills in the recent past.

On September 11, the Cabinet Secretariat wrote to all ministries and departments to read up paragraph 55 of the "Handbook of Writing Cabinet Notes". It states that "a copy of the draft note should necessarily be forwarded to the Prime Minister's Office (PMO) as well as Cabinet Secretariat at the time when notes are sent for inter-ministerial consultations and their comments awaited for two weeks". It states that comments, if any, received from the PMO or Cabinet Secretariat "should be duly taken into account while finalising the note".

The Cabinet Secretariat letter said that there "have been some instances where the draft cabinet notes have not been shared with cabinet secretariat while circulating them for inter-ministerial consultations." It said, "This makes it difficult for this office to detect procedural deficiencies, and inconsistencies in the proposal, as well as to monitor the time frame stipulated for inter-ministerial consultations". It asked ministries and departments to "strictly adhere" to the instructions in the handbook.

On September 11, the Cabinet Secretariat wrote to all ministries and departments to read up paragraph 55 of the "Handbook of Writing Cabinet Notes"

On September 12, the Law and Justice Ministry issued a corrigendum to correct 52 errors in the J&K Reorganisation Act. Some of the mistakes were misspelt words, for example 'notwithstanding' spelt 'nowwithstanding' and 'shariat' as 'shariet'. In the one that Parliament had passed, "Institutions Act, 2004" became "Institutes Act, 2005", "1909" became "1951" and "the Prohibition of Benami Property Transactions Act, 1988" became "the Benami Transaction (Prohibition) Act, 1988".

Apart from the Cabinet Secretariat, the legislative department of the Law and Justice Ministry does vetting of ordinances, draft legislations and rules after the pre-legislative consultation as well as inter-ministerial consultations are over.

Other instances of corrections issued include the one on Thursday when the Law and Justice Ministry issued a corrigendum to correct typographical errors in the Taxation Laws (Amendment) Ordinance, 2019, which the Centre issued on September 20. On February 21, the Centre issued an ordinance on banning of unregulated deposit schemes, and corrections, although for minor mistakes, had to be issued on February 28.

At times, minor corrections are made when one House of Parliament suggests these, while the other has already passed the Bill. On August 13, the Ministry of Law and Justice issued a corrigendum for a couple of corrections in the National Medical Commission Act of 2019. The Lok Sabha passed the Bill on July 29 and the Rajya Sabha, with minor amendments, on August 1. The health minister on the floor of the House requested members to not push for a vote on amendments, and promised to include their suggestions at the time of framing of rules.

In February 2018, the law and justice ministry issued corrections for the National Bank for Agriculture and Rural Development (Amendment) Act, 2017, and the Insolvency and Bankruptcy Code (Amendment) Act, 2017. It also issued a corrigendum, although for a minor mistake, for the Finance Act, 2018 in April of that year.

In April 2018, the law ministry had to notify corrections in the Daman and Diu Municipalities (Amendment) Regulation Act since "misbehaviour" in the text of the Act was spelt "misbehavior". In the Andaman and Nicobar Islands (Municipal) Amendment Regulation, 2018, "inquiry" was corrected to "inquire".

Corrections can have to be carried out years after the original law is passed. In May this year, the Ministry of Law and Justice issued a corrigendum for an amendment relating to cooperatives law that Parliament passed in 2011. In the text of the law, it had to issue a correction that "a stalemant" should be read as "a stalemate".

5-judge SC bench to hear pleas against repeal of Art 370

PRESS TRUST OF INDIA
New Delhi, 28 September

The Supreme Court on Saturday set up a five-judge Constitution bench headed by Justice N V Ramana which will commence hearing from October 1 on a batch of pleas mounting legal challenges to the Centre's decision to abrogate provisions of Article 370 that gave special status to Jammu and Kashmir. The bench also comprises Justice S K Kaul, Justice R Subhash Reddy, Justice B R Gavai, and Justice Suryakant.

The hearing by the Constitution bench will commence from October 1, an official source said.

The five-judge bench will examine the constitutional validity of the scrapping of the article's provisions and the subsequent presidential orders on it, the source added.

A bench headed by Chief Justice Ranjan Gogoi on August 28 had referred the matter to a five-judge Constitution bench. Several petitions have been filed challenging the Centre's decision abrogating Article 370 provisions and bifurcating the state into Union Territories of Jammu and Kashmir, and Ladakh. The UTs will come into being on October 31. Petitions have also been filed by the National Conference, the Sajjad Lone-led JK Peoples Conference and several other individuals, including the first plea filed by advocate M L Sharma.

The petition on behalf of the NC was filed by Lok Sabha MPs Mohammad Akbar Lone and Justice (retd) Hasnain Masoodi. Lone is a former speaker of the J&K Assembly and Masoodi a retired judge of the Jammu and Kashmir High Court. In 2015, he had ruled that Article 370 was a permanent feature of the Constitution.

Other pleas include the one filed by a group of former defence officers and bureaucrats. They have also sought directions declaring the presidential orders of August 5 "unconstitutional, void and inoperative'.

The plea was filed by professor Radha Kumar, a former member of the Home Ministry's Group of Interlocutors for Jammu and Kashmir (2010-11), former IAS officer of J&K cadre Hindal Haidar Tyabji, Air Vice Marshal (retd) Kapil Kak, Major General (retd) Ashok Kumar Mehta, former Punjab-cadre IAS officer Amitabha Pande and former Kerala-cadre IAS officer Gopal Pillai, who retired as the Union home secretary in 2011. A petition has also been filed by bureaucrat-turned-politician Shah Faesal, along with his party colleague and former Jawaharlal Nehru University Students' Union (JNUSU) leader Shehla Rashid.

There are other petitions challenging the Centre's decision on Article 370. The apex court on August 28 had listed the petitions connected with Article 370 and issues arising after its abrogation.

The NC leaders submitted that the Presidential Orders paved the way for application of entire provisions of the Constitution in Jammu and Kashmir and also have the effect of nullifying Article 35A and completely abrogating Article 370.

While challenging the Centre's decisions the two MPs have sought a direction to declare the Act and the Presidential Orders as "unconstitutional, void and inoperative".

THE CASE HISTORY

- Chief Justice Ranjan Gogoi on August 28 had referred the matter to five-judge Constitution bench
- The bench will be headed by Justice N V Ramana
- Justice S K Kaul, Justice R Subhash Reddy, Justice B R Gavai, and Justice Suryakant are the other members
- Hearing on the issue to commence from October 1

Top Hizbul leader, 2 other militants killed in Ramban

PRESS TRUST OF INDIA
Ramban (Jammu), 28 September

A top Hizbul Mujahideen 'commander', wanted in connection with the assassination of a senior BJP leader and an RSS functionary, was killed along with two other terrorists in a nine-hour operation in which a jawan lost his life in Ramban district of Jammu and Kashmir on Saturday, officials said.

The terrorists, identified as Osama and his associates Zahid and Farooq, were gunned down after they tried to escape from a house where they had barged in while being chased by security forces following a brief exchange of fire in Batote area along Jammu-Kishtwar national highway early this morning, they said, adding a house-owner was also rescued after the encounter ended.

Osama was the brain behind several sensational incidents including the killings of senior BJP leader Anil Parihar and his brother Ajit Parihar on November 1, 2018 and RSS functionary Chanderkant Sharma and his PSO on April 9, officials said. He was carrying a reward of several lakhs of rupees and was also wanted in three weapon snatching incidents in Kishtwar town, which was declared terror-ist-free over a decade ago.

Despite repeated attempts to make the terrorists surrender, the terrorists tried to escape from the house while firing indiscriminately on the forces and were eliminated in the encounter, they said.

"All the three terrorists were killed in the gunfight, while an army soldier also achieved martyrdom," Jammu-based Army PRO Lt Col Devender Anand told *PTI*.

The deceased soldier was identified as Naik Rajinder Singh from Jaisalmer. Two policemen were injured in the gunbattle, officials said.

The success for security forces comes days after Inspector General of Police, Jammu, Mukesh Singh said that four cases of killings and weapon snatching in Kishtwar district have been solved with the arrest of three Hizbul Mujahideen activists.

PAN-Aadhaar linking date extended to December 31

PRESS TRUST OF INDIA
New Delhi, 28 September

The deadline to link permanent account number (PAN) with Aadhaar has been extended till December 31, a Central Board of Direct Taxes (CBDT) order said on Saturday.

Earlier, the deadline was September 30.

This is the seventh time that the government has extended the deadline for individuals to link their PAN with Aadhaar.

The CBDT has extended the date for linking PAN and Aadhaar from September 30 to December 31 and a notification has been issued on Friday in this connection, the policy-making body for the Income-Tax (I-T) Department said.

This is the 7th time that the Centre has extended the deadline for individuals to link their PAN with Aadhaar

It is now mandatory to link the two unique IDs for income tax purposes. The Supreme Court, in September last year, had declared the Centre's flagship Aadhaar scheme as constitutionally valid and held that the biometric ID would remain mandatory for the filing of I-T returns and allotment of PAN.

Section 139 AA (2) of the Income Tax Act says that every person having PAN as on July 1, 2017, and eligible to obtain Aadhaar, must intimate his Aadhaar number to tax authorities. Aadhaar is issued by the Unique Identification Authority of India (UIDAI) to a resident of India and PAN is a 10-digit alphanumeric number allotted by the IT Department to a person, firm or entity.

Late & over-budget, new submarine triggers Project 75-I stake rise

AJAI SHUKLA
New Delhi, 28 September

On Saturday, Defence Minister Rajnath Singh commissioned into service the Navy's 15th conventionally powered, diesel-electric submarine, INS Khanderi. Built in Mazagon Dock Ltd, Mumbai (MDL) in technology partnership with French shipyard Naval Group, this is the second of six Scorpene submarines the Navy contracted in 2005 for ₹18,798 crore.

Singh described the commissioning as "a proud moment for the nation, the Indian Navy and MDL". In fact, INS Khanderi is being delivered more than six years late, well over cost and with several defects that remain to be resolved.

When the Khanderi first sailed out of Mumbai for sea trials on June 1, 2017, it was expected to join the naval fleet by end-2017. However, the trial team found dozens of shortcomings that MDL and Naval Group have grappled with for over two years. While the Navy's vice chief, Vice-Admiral G Ashok Kumar, insists the Khanderi is now a "fully combat capable submarine", Navy sources say it is being commissioned with several shortcomings still unresolved.

According to previous reports that there were 35 defects that still remained to be resolved. Of these, 29 could not have been resolved during the monsoon period, since they required testing in absolutely calm seas — or what is called "Sea State-1".

Nor is the Khanderi being commissioned with a full complement of its primary weapon, the torpedo. This after the government cancelled the purchase of 98 torpedoes from Italian firm, WASS, because its group company, AgustaWestland, was accused of bribing Indian officials to win a contract for VVIP helicopters.

As an emergency stopgap, German firm Atlas Elektronik was contracted to modernise 64 torpedoes, bought in the 1980s and 1990s for the Navy's four Shishumar-class submarines. This meagre quantity is now being shared with the Scorpene submarines being commissioned. By 2022-23, when six Scorpenes will have been commissioned to supplement the four Shishumar-class boats, there will be just six torpedoes for each submarine.

PHOTO: AJAI SHUKLA

INS Khanderi, the Navy's second Scorpene submarine, which Defence Minister Rajnath Singh commissioned in Mumbai on Saturday

Besides these, the Navy operates nine Russian-origin conventionally powered Kilo-class submarines, one nuclear powered attack submarine (INS Chakra) and a nuclear powered, nuclear missile submarine, INS Arihant. That is well short of the Navy's assessed requirement of 24 conventionally powered submarines and six nuclear powered attack submarines.

Yet, there is delay and confusion in the proposal to build six more conventional submarines, with "air independent propulsion" (AIP) that would allow them to remain submerged for up to two weeks, compared to just 36-48 hours for a diesel-electric submarine. When a submarine is submerged, it is far harder to detect.

The new proposal, called Project 75-I, envisages selecting an Indian firm as "strategic partner" (SP). Chosen SPs will bid to build the six AIP submarines in partnership with a foreign "original equipment manufacturer" (OEM) that offers a suitable submarine design and transfer of technology.

In response to a navy enquiry, five Indian entities have submitted Expressions of Interest (EoI) for being the SP in Project 75-I. These include MDL, Larsen & Toubro (L&T), Reliance Naval and Engineering (RNaval), Hindustan Shipyard Ltd, Visakhapatnam (HSL), and a proposed special purpose vehicle (SPV) consisting of HSL and Adani Defence.

Navy sources say only L&T and MDL are realistic contenders, since financially stressed RNaval and HSL do not meet the financial criteria and the HSL-Adani SPV remains to be formally incorporated.

The more difficult choice is between the five firms that have submitted EoIs for selection as the chosen OEM. Rubin Design Bureau (Russia) has offered its Amur submarine, Thyssenkrupp Marine Systems (TKMS, Germany) its Type 218 boat, Naval Group (formerly DCNS, France) its Shortfin Barracuda, Navantia (Spain) its S-80 and Daewoo (South Korea) its KSS-3 submarine.

Of these, only Rubin, TKMS and Naval Group are considered to have a chance. The Navantia S-80 is grappling with serious weight imbalance issues, while the Korean submarine is an untested design. Indian naval submariners are almost unanimously convinced of the superiority of the TKMS Type 218, the design of which is optimised for the shallow Baltic Sea, which has similarities with the Arabian Sea, where the waters 40 kilometres off Karachi are just 40 metres deep. The Type 218 is also reputedly the most silent design. However, it is probably the most expensive of the three.

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