JAI PRAKASH GUPTA

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Date: 28th December 2021

To,
The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400 001
Maharashtra. India.

Dear Sir/Madam,

Sub : Recommendations of the Committee of Independent Directors ('IDC') under Regulation 26(7) of SEBI (SAST) Regulations, 2011 and subsequent amendments thereto for the Open Offer to the shareholders of Rama Steel Tubes Limited ("RSTL")

This is to inform you that today i.e. on 28th December 2021 the Recommendation of the Independent Directors Committee duly signed by the chairman of the committee under Regulation 26(7) of Securities and Exchange Board of India (Substantial Acquisition of Share and Takeovers) Regulations, 2011 and subsequent Amendments thereto have been published in the Business Standard (English-All Editions), Business Standard (Hindi-All Editions) and Navshakti (Marathi-Mumbai Edition).

Accordingly, a newspaper clipping is attached along with this letter and is being submitted and dispatched to Securities and Exchange Board of India, Mumbai ("**SEBI**"), Mumbai, National Stock Exchange of India Limited, Mumbai ("**NSE**") and Mark Corporate Advisors Private Limited, Mumbai ("**Manager to the Open Offer**").

Kindly take the above information on your records.

For **Rama Steel Tubes Limited**

Jai Prakash Gupta
Chairman-IDC

Encl: *As Above.*

Reform in three Acts

The government introduces a long-overdue Bill to improve the audit discipline

SUBHOMOY BHATTACHARJEE
New Delhi, 27 December

A Bill to amend the three Acts that regulate the business of Chartered Accountants, Cost and Works Accountants and Company Secretaries was introduced in the last week of the winter session of Parliament by the Ministry of Corporate Affairs. The core of the Bill is about the auditing role of chartered accountants, though it covers much else, too. It was only appropriate that the Bill was referred to the standing committee of finance, and one can be sure the provisions will be heavily contested.

Since the Satyam saga of 2009, whenever the role of auditors was questioned, it primarily revolved around the big four multinational partnerships. Large companies are quite likely to be audited by either PricewaterhouseCoopers, EY, Deloitte or KPMG, and that is why questions rightfully popped up about these large audit firms. But the larger questions about the reforms in the role of the chartered accountants as well as the two sister business professional services was often left dangling.

The Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021, has been written in this context. No surprises, then, that the salient feature of the Bill are the changes envisaged in the disciplinary powers for the three. Under the three Acts that the Bill seeks to amend, the governing council running the affairs of the respective institutes under which all the chartered accountants, cost accountants or company secretaries are registered, used to decide on disciplinary issues, with full rights. The council formed a board of discipline, which would decide all cases of misconduct by a professional. The cases would be framed before it by a disciplinary directorate. While the presiding officer of the board would be a member of the institute and also had the majority membership in it to investigate any charges of misconduct, the directorate was a single-member affair. There would be one member nominated to the board by the Ministry of Corporate Affairs. Cases from the board would travel up to a five-member disciplinary committee of the institute headed by the president of the council. Two of them would be members from the respective professions and two nominated by the Ministry of Corporate Affairs. So, here too, the majority was a foregone conclusion.

All this changes now (*see box: Accounting for discipline*). The presiding officer of the board must not be a member of the institutes and shall be nominated by the central government. For the first time there is a time bar on how long an inquiry can run. The Bill says an inquiry must be completed within 180 days from the receipt of the preliminary examination report. And the chairmanship of the disciplinary committee shall also be from outside the profession.

These changes are likely to be contested. The changes mean effectively the disciplinary powers of the Institute of Chartered Accountants of India (ICAI) or the other two bodies — Institute of Company Secretaries of India and Institute of Cost Accountants of India — are whittled down substantially and they become more of an examination conducting body. They are, however, in line with the global norms. The power of the president of the council to arbitrate over the fortunes of the chartered accountancy companies, by deciding whom to haul down harsh or mild penalties, will be over.

Who will be the chairmen of the board of discipline and the disciplinary committee? The Bill says these women or men will be selected by the central government from amidst a panel of suitable people with experience in law, having knowledge of disciplinary matters and the profession. The government members will be selected from a panel of people of eminence with experience in law, economics, business, finance or accountancy.

The key question before the standing committee will be whether a professional from another field can have the ability to adjudicate on an accountancy or audit-related issue

The key question before the standing committee will be whether a professional from another field can have the ability to adjudicate on an accountancy or audit-related issue. Considering that each regulatory body in sectors ranging from telecom, petroleum and electricity to securities market has a law member, this is a clause in whose favour the ministry should be able to argue effectively.

There is more. While each council satisfied itself with setting up only one board of discipline each year, the Bill now provides for multiple boards. The single board meant a long line of cases would accumulate before it, cutting into the chances of disciplining errant members on time. Moreover, the Preliminary Examination Report to be prepared by the disciplinary directorate at the very first stage has to be categorical whether there is guilt/no guilt in the conduct of the member. It allows for a clearer investigation and does away with a mutual back scratching report. It is a salutary measure that should be made the norm in government vigilance cases also. Often the reports on officers fail to do this due diligence, leading to a pile-up of irrelevant cases that meander for years.

It is surprising that such a salutary set of measures necessary to improve the scope of corporate governance in India has taken so many decades to come up. The ICAI Act is of 1949 vintage, that of the Institute of Cost and Works Accountants of 1959 and the Company Secretaries Act was passed in 1980. There have been piecemeal changes to them but no efforts to make for a wholesale rewrite, even as the quality of audit has dipped starkly.

For instance, the Bill has mandated there should be an annual audit of the accounts of the councils of the institutes by a firm of chartered accountants to be appointed from the panel of auditors maintained by the Comptroller and Auditor General of India. Clearly, there is much room to improve in the role of the accountants and auditors, if such blindingly obvious measures have not been the norm for these institutes. There is a larger advantage in adopting these measures. In most negotiations on free trade agreements by India, the non-recognition of India's chartered accountants in mature markets comes up as a major obstacle. Hopefully, the changes proposed now will change their image abroad.

ACCOUNTING FOR DISCIPLINE

- The Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021, will amend the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959, and the Company Secretaries Act, 1980
- All the three institutes must have a three-member Disciplinary Directorate instead of single member
- Disciplinary Directorate must decide whether a complaint is actionable within 30 days of receiving such a complaint. No complaint filed with the Directorate can be withdrawn under any circumstances
- Multiple Board of Disciplines can be set up. No presiding officer to be a member of the profession. Boards must conclude inquiry within 90 days
- Disciplinary Committee to be headed by Presiding Officer outside the profession. Five members with two to be nominated by GOI. Must conclude inquiry in 180 days from the receipt of the preliminary examination report
- Penalties doubled to ₹10 lakh. Multiple offences can invite more penalties, including debarment

ON SENTIMENTS

Consumer sentiments pose a challenge

MAHESH VYAS

Consumer sentiments seem to have weakened in India during December 2021. Trends seen in the weekly estimates and also in the 30-day moving averages of the index of consumer sentiments during December suggest that the month is likely to register a fall in consumer sentiments compared to November. This would be the first month to record a fall in sentiments since June 2021.

Consumer sentiments have been improving in each of the five months since July 2021. In the process, the sentiments recovered from the fall during the second wave of Covid-19 spanning April, May and June 2021. The Index of Consumer Sentiments (base 100 in September-December 2015) was at 56.6 in March 2021. Then, following the second wave of Covid-related restrictions, it fell to 47.7 by June 2021. The recovery was quick as the index had touched 58.2 by September 2021. Losses of the quarter of June 2021 were recovered in the quarter of September 2021. But the precipitous fall in sentiments suffered during the first wave of Covid-19 still remains largely uncovered.

Now, further recovery in consumer sentiments has slowed down during the current quarter that ends this week. The index rose by 2.1 per cent in October and then by 1.2 per cent in November. Nevertheless, even the slowed down growth helped the index cross 60 for the first time since April 2020. The index was at 60.1 in November 2021. In December, it is seen losing ground. It is sliding back.

The weekly consumer sentiments index had peaked at 61.9 in the week ended November 21. It fell a bit in the week ended November 28 to 61.5. Nevertheless, the month ended in the green with a growth of 1.2 per cent. But the fall in the last week of November was apparently just a precursor to a much bigger fall that came in the first week of December. The index fell 10.9 per cent to 54.8. This was its worst weekly fall in over a year. In the following three weeks, it recovered a bit but the recovery has not been very convincing. There was a correction in the second week of December but it was followed by falls in the next two weeks.

It appears that the impact of this slowing or deterioration on the Indian economy will be mild. This would be because of the substantial gains made during October and November

At 55.1, the weekly index of consumer sentiments for the week ended December 26 was lower than it was in any week of November and in most weeks of October. December is not looking good on consumer sentiments. We can see this in the weekly data and also in the 30-day moving average data.

On December 25, 2021, the 30-day moving average of the index of consumer sentiments was at 57.1. This was 4.7 per cent lower than it was at the end of November 2021. It seems unlikely that this fall will be recovered in the last six days of the month.

Assuming that there is no recovery and also that there is no further deterioration in consumer sentiments during the last few days of December, how does a 4.7 per cent fall in sentiments compare with past records? Quite badly, actually, with all non-Covid-19 influenced observations. If we exclude the months of March, April and May of 2020 and May 2021, then a 4.7 per cent fall would be among the worst monthly falls. In less than a week we will know the extent of the dent in consumer sentiments in December. But a substantial dent is almost certain.

The fall in consumer sentiments in December after five months of an impressive rise raises some questions regarding the recovery of the Indian economy. Will the weakening of the recovery of consumer sentiments in the third quarter of 2021-22 stall the recovery of the Indian economy?

It appears that the impact of this slowing or deterioration on the Indian economy will be mild. This would be because of the substantial gains made during October and November 2021. The proportion of households that reported an improvement in their incomes rose to an average of 9.4 per cent during these months. During the quarter ended September 2021, it was much lower at 5.8 per cent. And, in the quarter ended December 2020, it was 5.4 per cent. In comparison, the quarter ended December 2021 is likely to end with a proportion of over 8.5 per cent. Similarly, the proportion of households that report a decline in income has fallen.

The proportion of households that believe that this is a good time to buy consumer durables is likely to end at 5.7 per cent in the quarter ending in December 2021. This would be better than the 3.8 per cent pencilled in the quarter of September 2021, but it would be lower than the 7.1 per cent recorded in the quarter of December 2020.

In 2021, the growth in the proportion of households reporting an improvement in incomes has not translated into a proportionate increase in households reporting an inclination to buy consumer durables. The expectation was that as incomes grow further and the growth becomes more credible, consumers will start to loosen their purse strings. But the poor performance of incomes in December may derail that progression. This derailment poses a challenge to India's economic recovery process.

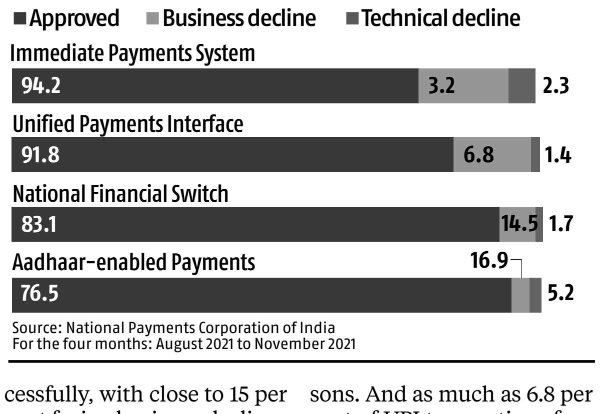
The writer is MD & CEO, CMIE P Ltd

In India, one in 10 digital transactions falls through

ABHISHEK WAGHMARE
Pune, 27 December

AADHAAR-BASED PAYMENTS MOST VULNERABLE TO TRANSACTION DECLINE

Proportion among initiated digital transactions, %



Source: National Payments Corporation of India
For the four months: August 2021 to November 2021

Close to ten per cent of digital transactions across four modes of payments get declined in India, data from the National Payments Corporation of India shows. This includes Immediate Payment Service (IMPS), Unified Payments Interface (UPI), transactions in automated teller machines (ATMs), which get passed through the National Financial Switch (NFS) network, and welfare scheme transfers under the Aadhaar-enabled Payment System (AePS) for the August to November 2021 period.

About 7.6 per cent of digital transactions get declined due to business reasons such as insufficient balance, incorrect PIN, Do Not Honour (when the recipient does not authenticate) and so on. Only 1.7 per cent of transactions get declined due to technical reasons such as connectivity issues, switch unavailability, invalid response, etc.

Among the four modes, Aadhaar-based AePS has the highest rate of declines, with 5.2 per cent of all initiated transactions junked due to technical reasons, and 16.9 per cent due to business reasons. ATM transactions have the second-highest rate, followed by IMPS and UPI.

Only 83 per cent of ATM transactions go through successfully, with close to 15 per cent facing business declines and about 2 per cent facing technical declines.

UPI transactions by value have now crossed ₹7 trillion per month; and 1-2 per cent of initiated transactions are declined due to technical reasons. And as much as 6.8 per cent of UPI transactions face business declines, suggesting that the popular peer-to-peer and peer-to-merchant small-ticket transaction platform is facing more difficulties due to user behaviour than banking system issues.

Air pollution less in most parts during lockdown

PRESS TRUST OF INDIA
New Delhi, 27 December

Reduction in economic activities during the pandemic-related lockdown had resulted in decrease in air pollution in most parts of the country, but satellite observations show that parts of central-western and northern India recorded an increase in pollution in contrast to the general trend, the government said on Monday quoting a study.

Scientists at the Aryabhatta Research Institute of Observational Sciences (ARIES), an autonomous institute under the Department of Science and Technology, utilised the EUMETSAT and Nasa satellite observations for 2018, 2019 and 2020, and investigated the influence of significant cutoff of activities on the changes in distribution of ozone, carbon monoxide and nitrogen dioxide during the lockdown period.

According to the study, published in the *Environmental Science and Pollution Research* journal, ozone, carbon monoxide and NO2 showed an increase of about 15 per cent over the central-western part of India.

According to the results, carbon monoxide showed a consistent increase (as high as 31 per cent) of concentration at higher heights during the lockdown.