12th January, 2022

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East),
Mumbai- 400051

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 Kernex Microsystems (India) Limited ("KMIL").

This is to inform you that today i.e. on **12th January, 2022**, the Recommendation of the Independent Directors Committee duly signed by the chairman of the committee under Regulation 26(7) of SEBI (Substantial Acquisition of Share and Takeovers) Regulations, 2011 and subsequent Amendments thereto have been published in Business Standard (English-All Editions), Business Standard (Hindi-All Editions), Nava Telangana (Telugu-Hyderabad Edition) and Navshakti (Marathi-Mumbai Edition).

Acopy of newspaper clipping is being submitted and dispatched to Securities and Exchange Board of India, Mumbai ("**SEBI**"), BSE Limited, Mumbai (**"BSE"**) and to Mark Corporate Advisors Private Limited ("**Manager to the Open Offer**").

Kindly take the above information on your records.

For **Kernex Microsystems (India) Limited**

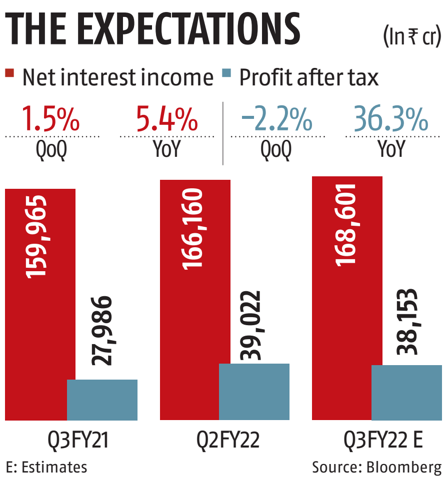
Sreenivasa Rao Ravinuthala
Chairman-IDC

Encl: *As Above.*

Banks may log 36% rise in Q3 net profit

Provisioning burden may ease due to enough buffers

ABHIJIT LELE
Mumbai, 11 January



The listed banks are likely to post a 36.3 per cent year-on-year (YoY) rise in net profit at ₹38,153 crore for the December quarter (Q3FY22), helped by a lower provisioning burden for stressed loans.

Sequentially, net profits may decline 2.2 per cent from ₹39,022 crore in Q2FY22, according to Bloomberg's estimates. The projection is based on analysts' assessments covering 19 lenders — six public sector and 13 private banks.

Domestic brokerage Motilal Oswal said earnings of private as well public sector banks are likely to pick up, led by a recovery in business/fee income and a gradual reduction in credit costs.

Seconding the view, another domestic brokerage — Emkay — said banks under its coverage are expected to post healthy profits, driven by better growth, net interest margin (NIM), and contained provisions given a higher provisioning coverage ratio (PCR) and buffers in place.

Better income, margins

The Bloomberg assessments said the net interest income (NII) is expected to grow 5.4 per cent YoY from ₹1.59 trillion in Q3FY21 to ₹1.68 trillion in Q3FY22. Sequentially, it may rise just 1.5 per cent, from ₹1.66 trillion.

The income from the treasury (investments) is a crucial item for the bottom line and the hardening of yields could limit their contribution to income.

Rating agency ICRA said the rising bond yields will pose challenges for banks in terms of their bond portfolios, with reducing the probability of gains and a higher likelihood of losses. The yield on the 10-year benchmark government security (G-Sec) had increased to 6.46 per cent as of December 23, 2021, from 6.22 per cent as of September 30, 2021,and 6.05 per cent as ofJune 30, 2021.

Kotak Institutional Equities, in a banking sector pre-view, said NIM is likely to be similar to the previous quarters, and contribution from the treasury is likely to decline further. With a steady increase in interest rates, it expected a muted performance in non-interest income.

Asset quality in check

The bad loans saw a dip in Q2, both in absolute and percentage terms. The trend is likely to prevail in Q3.

However, there is a big risk of slippages occurring from the restructured book and some risks from the normal book. But banks are not expected to raise the amounts to be set aside as provisions. Kotak Institutional Equities said it expected an improvement in asset quality outlook for most lenders, led by lower slippages and better recovery trends.

There are no large corporate slippages, while retail and SME (small and medium-sized enterprise) loans should show some improvement on a net basis. Slippages in these portfolios would still remain higher than pre-Covid levels.

Traction in credit growth

The economy opened up in Q3, which also saw the festival season in full swing before the Omicron variant struck. Centrum Equity Research said lenders under its coverage are expected to report better sequential loan growth in Q3FY22.

The Reserve Bank of India data showed that the credit growth on a YoY basis moved up to 7.3 per cent in the middle of December, from 6.7 per cent in September.

Govt likely to ease curbs on Chinese investment

SHRUTI SRIVASTAVA
11 January

India is considering easing scrutiny on certain foreign direct investment, according to people familiar with the matter, after rules mainly aimed at China created a bottleneck for inflows.

Currently, Prime Minister Narendra Modi's government scrutinises all investment proposals from companies that are either based in countries that share a land border with India or have an investor from one of those nations.

It is now considering exempting proposals where the so-called beneficial ownership is less than 10 per cent, which means the investor may be from a neighboring country but holds only a small stake in the firm proposing the investment.

The move is being considered after proposals worth $6 billion were stuck amid the red tape, the people said, asking not to be identified discussing private deliberations. The proposal could be approved as early as the next month.

INDIA IS CONSIDERING EXEMPTING PROPOSALS WHERE BENEFICIAL OWNERSHIP IS LESS THAN 10%, WHICH MEANS THE INVESTOR MAY BE FROM A NEIGHBOURING COUNTRY BUT HOLDS ONLY A SMALL STAKE IN THE COMPANY PROPOSING THE INVESTMENT

The government had imposed curbs on such investments amid a bloody border standoff with China and also avert risks of opportunistic takeovers. The move slowed down the approval process with proposals from the neighboring nations including China and Hong Kong piling up.

An email and text message sent to the trade and industry ministry spokesperson remained unanswered.

Apart from delaying, the restriction had also complicated deal-making for investors. Relaxing the rules will broaden the pool of investors that capital-hungry Indian firms can tap, as local firms increasingly turn to large global investors to fund their growth. As of November 2021, over 100 proposals are awaiting clearance from the government, with around a quarter of them of over $10 million each. BLOOMBERG

Deadline to file corporate ITR, audit extended

ARUP ROYCHOUDHURY
New Delhi, 11 January

The finance ministry on Tuesday extended the deadline for corporations to file income-tax returns (ITRs) to March 15, 2022. For entities whose accounts need auditing, the last date to submit the audits has been extended to February 15. However, salaried taxpayers whose accounts are not liable for auditing did not get an extension.

The Central Board of Direct Taxes (CBDT) said on consideration of difficulties reported by taxpayers due to Covid and electronic filing of various audit reports, it was decided to further extend the due dates for Assessment Year 2021-22 (AY22).

AY22 is for income during financial year 2020-21 (FY21).

"Those categories in which the accounts had to be audited, that date has been extended. And along with that, the date of furnishing of audit reports has been extended," CBDT spokesperson Surabhi Ahluwalia told Business Standard.

This is the third ITR extension given to corporations for FY21. The original deadline was October 31. For those with transfer pricing transactions, it was November 30.

Vishweshwar Mudigonda, Partner, Deloitte India, said: "The CBDT announcement is a major relief considering the challenges…due to newer variant of virus and the glitches in the online portal. Timing of the announcement, in particular, avoids anxiety for all concerned".

DRDO test-fires indigenous anti-tank missile

AJAI SHUKLA
New Delhi, 11 January

The Defence Research and Development Organisation (DRDO) successfully flight-tested the final deliverable configuration of an indigenous Man Portable Antitank Guided Missile (MPATGM) on Tuesday.

The anti-tank missile is a lightweight, fire-and-forget missile, which is launched from a man portable launcher, integrated with a thermal sight that allows it to be used in low-visibility conditions, even in complete darkness.

It was launched by a two-man crew at a target that was mimicking a moving tank.

"The missile impacted the designated target and destroyed it. The final impact event was captured on camera and the test has validated the minimum range successfully," stated the DRDO in a press release.

The MPATGM will now be built in large numbers in India, eliminating the need to import large numbers of Spike ATGMs from Israel, or Javelin ATGMs from the US, which was the earlier plan.

Unusually, the test was carried out to validate whether the MPATGM is effective against tank targets at the lower end of its range spectrum, which is 200-300 metres. The MPATGM has already proven in earlier tests its ability to strike targets at its maximum range of 4,000 metres.

Seldom on a battlefield does an infantryman have occasion to fire a missile at a tank from as close as 200-300 metres. Usually, the infantryman would take advantage of the MPATGM's 4,000 metre range and destroy the tank from afar, before the tank's main gun — with a range of 2,000-2,500 metres — could accurately shoot at him.

The DRDO argued that ATGMs require about 400-500 metres of flight in order to stabilise and deploy their guidance mechanisms. However, the Army insisted on the MPATGM being effective and accurate at 200-300 metres.

THE PRESENT TEST WAS TO PROVE THE EFFECTIVENESS OF THE ANTI-TANK MISSILE AT A MINIMUM RANGE OF 200-300 METRES. IT'S MAXIMUM RANGE HAS ALREADY BEEN TESTED AT 4,000 METRES

"The present test was to prove the consistent performance for the minimum range… The missile performance has (already) been proven for the maximum range in earlier test trials," stated the DRDO release.

On February 7, 2018, the MoD told Parliament that "on account of indigenous development of 3rd Generation MPATGM system by DRDO, the plan to build the Spike missile in India (321 launchers, 8,356 missiles) was scrapped on December 20, 2017.

The MoD had sanctioned the development of the MPATGM on January 27, 2015, and its probable date of completion (PDC) was put at July 26, 2018. The project was allocated a budget of ₹73.46 crore.

The MoD's first "import embargo list" of 101 items prohibits the import of "short range surface to surface missiles" from December 2020 onwards.

HC upholds OMCs' penal guidelines for oil retailers

Minimum wage mandate most contentious for retailers

TWESH MISHRA
New Delhi, January 11

A division bench of the Delhi High Court has upheld the Marketing Discipline Guidelines (MDG) 2017, formulated by Oil Marketing Companies (OMCs) for maintaining market discipline and uniformity in action for operating the network of petrol and diesel retail outlets (ROs). Under the guidelines, heavy penalties are imposed on petrol pump dealers for malpractices such as short delivery of petroleum products, among others.

Petrol pump dealers had alleged that MDG 2017 gives arbitrary powers to officers of OMCs and makes their business unviable due to high-compliance burden. The aggrieved dealers had approached the Delhi High Court and a single-judge bench had passed an order striking down MDG 2017. The division bench on Monday overturned the decision, and ruled in favour of the OMCs by giving its nod to all but one provision of the guidelines.

The dealers were represented by the All India Petroleum Dealers Association (AIPDA). Officials from the association told Business Standard that they plan to chart out their future course of action this week after consultation with state heads.

This means that petroleum dealers will continue to face stringent penal action for offences involving short delivery of products, operating automated dispensing units on manual mode, and improper maintenance of toilets. The dealers have also been directed to pay minimum wages as notified by the OMCs or those laid down by the respective state governments, whichever is higher.

TIMELINE

OCTOBER 2017: Amendments to MDG 2012 incorporated

MARCH 18: Single-judge bench of Delhi HC strikes down amendments to MDG 2012

JANUARY 10: Division bench of Delhi HC upholds amendments to MDG 2017

Petrol pump owners said that the minimum wage stipulation is one of the most contentious issues in MDG 2017, as it directly affects their margins.

With respect to toilets, the division bench agreed with the concerns raised by petrol pump dealers. The division bench of the Delhi High Court observed that allowing everyone to use toilets in petrol pumps, with no restrictions whatsoever, can be a safety hazard. The court gave pump operators the right to exercise their discretion with respect to who may use the toilets at their premises.

OMCs formulated and issued the MDGs for the first time in 1981-82. The guidelines are reviewed and amended from time to time, in view of changing circumstances as well as to set high customer service benchmarks for the OMCs as also the dealers' network. The MDGs were reviewed and amended again in the year 2012 and MDG-2012 were issued and made effective from January 8, 2013.

The MDG-2012 was challenged in various high courts, following which the Allahabad High Court, the Delhi High Court and the Karnataka High Court, among others, upheld the power, jurisdiction and authority of OMCs to issue the MDGs.

According to the oil companies, MDG 2012 was amended in 2017 following detection of large-scale malpractices in some states at the time of supply and dispensation of petroleum products. This was being done by manipulating software or hardware in the dispensing units. The amendments were also aimed at motivating the employees of ROs to provide better services and deliver the assurances in terms of quality, quantity, cleanliness and behaviour.

To ensure that dealers were adhering to minimum wage directives, the OMCs in September 2017 reiterated that payment of salaries with effect from August 2017 were required to be made through e-payment. A Wage Register and e-payment details were also to be kept ready by the retail outlets for verification by OMC officials.

FROM PAGE 1

Voda Idea...

Last October, the Union Cabinet had cleared the telecom reforms package aimed at improving liquidity and ease of doing business. Telecom companies were provided with the option of four-year moratorium on spectrum and AGR dues. Companies were also granted an option to convert interest on deferred liabilities into equity.

On Monday, Vi's board decided to exercise the option and approved the conversion of the full amount of interest (with a net present value of around ₹16,000 crore) into equity. The shares would be allotted to the government at par value of Rs 10 per share since the average price of company's share was below the par value on the relevant date that was fixed by the government under the reforms package. The allotment will happen following confirmation by the Department of Telecommunications (DoT).

The government also has the discretion to convert any part of such loan to preference shares instead of equity shares, which could be convertible or redeemable in nature.

The government is likely to hold the shares through the Specified Undertaking of the Unit Trust of India (SUUTI) or by any other trustee-type arrangement.

"The conversion will therefore result in dilution to all existing shareholders of the company including the promoters. Following the conversion, it is expected that the government will hold around 35.8 per cent of the total outstanding shares of the company and the promoter shareholders would hold around 28.5 per cent (Vodafone Group) and around 17.8 per cent (Aditya Birla group) respectively," the company said in a stock exchange notification.

Currently the Aditya Birla group holds around 27.7 per cent while Vodafone Group holds 44.3 per cent in the telco. Vi promoters have also decided to amend shareholder agreement and articles of association to protect their governing rights. This amendment is necessitated following dilution of promoter shareholding.

Currently the rights are subject to threshold of 21 per cent stake for each group and that will be reduced to 13 per cent.

Restaurants...

With the national capital reporting close to 20,000 Covid cases for the past few days, the Delhi Disaster Management Authority ordered dine-in at all restaurants and bars to shut down from Tuesday, allowing only takeaway and delivery.

Calling the order arbitrary, Riyaaz Amlani, CEO and MD of Impresario Handmade Restaurants, which owns brands like Social and Mocha, said, "We are just submitting to those who have the power to take these decisions, but we wish we had been given some explanation for how this will help. It doesn't seem like an effective measure, but just an optic measure." Close to 25 per cent of food business operators shut down permanently and nearly 2.4 million jobs lost after the first two waves of the pandemic. India's food market size shrank to ₹2 trillion in FY21 from ₹4.23 trillion in FY20, according to the National Restaurant Association of India report.

The association said the industry would be "permanently debilitated" if urgent relief measures were not forthcoming.

"There is fear psychosis created by the government and the media. Instead of asking people to exercise caution and not worry, there's a long list of don'ts. As a result, people are not venturing out. All restaurants are deserted. The occupancy is down to 15 per cent from as high as 80 per cent," said Gurbaxish Singh Kohli, vice president, Federation of Hotel and Restaurant Association of India (FHRAI).

According to Kohli, home delivery can't be an alternative and it can only help one survive. It's less than 10 per cent of the total business, he said.

Others, too, have seen their business shrink. Anjan Chatterjee, chairman and managing director of Kolkata-headquartered Speciality Restaurants, said business had bounced back after the second wave -- in fact, it did better than what it was in the pre-Covid phase due to the festive season.

It was all good till the first week of December after which news of Omicron started flitting in and out. "And business started coming down by the day, by the hour, ending up way below our projections," Chatterjee said. Since then, business has been down by about 60 per cent. Speciality operates brands like Oh! Calcutta, Mainland China, and Sigree. "From survival, we came to revival mode which has nosedived. So, all plans in the short- and mid-term, including capex, are deferred till things come back (to normal)," Chatterjee adde Nitin Kothari, owner of iconic restaurants Peter Cat and Mocambo in Kolkata, said the footfall was down by almost a fourth.

Restaurant owners in Gujarat, Bengaluru, and Chennai are no better off. The mandated 50 per cent capacity, weekend curfew, and restricted hours are hurting them. Some have already started taking harsh measures to survive the crisis.

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