



# Newsletter - 31

The Institute of  
Company Secretaries of  
India,  
Mysore Chapter  
June 2006

**“Let’s grow together”**

**Dear Reader,**

Thanks to you, for your mails and encouragement for our little effort. Few of our readers conveyed personally over phone that they are very happy to see the improvements in the newsletter and the increasing utility of this monthly feature. Few have suggested more features too.

That way May was very good month for us. At the same time your words have increased our responsibility.

Thanking your encouraging words, we invite you too to participate in this effort to 'Grow together'. Will you extend your hands little bit? Just send us updates for the benefit of all readers, share your thoughts and experiences....

Awaiting your feedback,  
Meet you again next month...

Dattatri  
Sarina and Kasturi  
Editorial Committee

For past issues of newsletter visit  
[www.esnips.com/web/ICSIMysore](http://www.esnips.com/web/ICSIMysore)

***From Chairman’s desk,.....***



**Dear Friends, Good wishes to you all!**

*The members might be wondering that the unusually heavy pre-monsoon rains dampened the Chapter activities and therefore no activities were scheduled by the Chaptered during May, 2006. I admit the spirits are dampened but not due to rains but die to poor participation of members in the Chapter activities. I reproduce the following portion of my last News Letter. “In fact, the last Meeting of the Management Committee after lot of deliberation decided to slow down on the frequency of the conferences / workshops etc organised by the Chapter at least till October 2006, in view of poor attendance by the members. The only activity during this period would be Career counseling for which I request the members to spare time.”*

*I am happy to inform that the study circle meetings and student related activities have been going on as usual thereby keeping the morale of the students high. My sincere thanks Mr. H.M. Dattatri for his dedication and involvement in this regard.*

*The members are aware that the South India Regional Conference of the Institute was held at Bangalore on 26th & 27th May, 2006. Two delegates including me attended the conference. The Technical sessions were on the current topics and found relevant and useful. The conference had record number of delegates and also record number of sponsors. Congratulations to Bangalore Chapter.*

*The members who have not yet subscribed to the “Company Secretaries Benevolent Fund” are requested to subscribe.*

**With warm Regards,  
D D Bhat**

**“Let us resolve to protect and conserve the environment”**  
On the occasion of World Environment day on 5th June 2006

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# NEWS OF USE

Compiled from various sources.



## Companies (Amendment) Act 2006

Companies (Amendment) Act 2006 was passed by the Rajya Sabha on March 21, 2006 and the Lok Sabha on May 15, 2006. Section 253 is amended and new sections 266A, 266B, 266C, 266D, 266E, 266F, 266G, 610B, 610C, 610D and 610E were inserted.

Here are the highlights from RSM & Co.

Appointment of directors:

1. A company cannot appoint or re-appoint any individual as director of the company unless he has been allotted a Director Identification Number ('DIN')
2. Application for allotment of DIN to be made to the Central Government
3. Directors appointed before the commencement of the Companies (Amendment) Act, 2006 to make application within 60 days of the commencement of the Amendment Act
4. Applicant who has made an application for allotment of DIN can be appointed as director in a company, or, hold office as director till such time DIN is allotted
5. DIN to be allotted by Central Government within one month from the receipt of application
6. Individuals who are already allotted DIN are prohibited to apply, obtain or possess another DIN
7. All existing directors to intimate his DIN to the company or all companies wherein he is a director within one month of the receipt of DIN from the Central Government.
8. All companies to furnish DIN's of all its directors to the Registrar or any other officer or authority as may be specified by the Central Government within one week of the receipt of intimation.
9. Quoting of DIN is compulsory in any return, information or particulars required to be furnished under the Act and which contains reference of any director.
10. Penalty for contravention - fine upto Rs. 5,000 and if the contravention is continuing, further fine which may extend to Rs. 500 for every contravening day.

Electronic filing:

1. Central Government to make rules to require:
  - Filing of documents through electronic form and authenticated in a manner specified in the rules

- Service of delivery of documents through electronic form and authenticated in a manner specified in the rules
  - Maintenance of documents filed under the Act or rules by the Registrar in electronic form and registered or authenticated in a manner specified in the rules
  - Inspection of documents through electronic form
  - Payment of fees, charges or other sums through electronic form
  - Registrar to register document, issue certificate, record notice, receive communication by the electronic form
  - A scheme would be framed by the Central Government to carry out the above provisions through electronic form and different dates may be notified for such scheme to come into force for different Registrar of Companies or Regional Directors.
2. Value added services may be provided by the Central Government through electronic form on payment of fees as may be prescribed.
  3. All provisions of the Information Technology Act, 2000 relating to electronic records not inconsistent to the Act would apply.

## FDI Policy 2006

The Government of India has recently undertaken a comprehensive review of the FDI policy and associated procedures. As a result, a number of rationalisation measures have been undertaken which, inter alia include, dispensing with the need of multiple approvals from Government and/or regulatory agencies that exist in certain sectors, extending the automatic route to more sectors, and allowing FDI in new sectors. The latest changes in the FDI policy were notified vide Press Note 4(2006 Series).

## E-filing mandatory from July 1st:

Filing of mandatory documents like balance sheets and annual returns by corporates, as stipulated under Companies Act, 1956 will have to be compulsorily filed in the electronic format with effect from 1st July, 2006 under the MCA-21 project of the government.

## Capital Market Instruments

Prasanna Patil CS Final, Bangalore



*Hi friends,*

Again a Market Crash!! But why? Simple answer is the FII (Foreign Institutional Investors) are pooling the funds out of market by selling the scripts that they purchased a year ago. Reason? Well its' a cascading effect of New York Stock Exchange (NYSE) and London Stock Exchange (LSE), the capital markets of developed countries have come down due to various reasons, which effects the Indian market as the Large Institutional Investors try to hedge the risk.

Lets lookout for some more concepts;

1. Derivatives
2. Futures
3. Options

Derivatives - we have understood as commonly said "Underlying value of an asset". But what is that underlying value of an asset?

Its' a kind of betting on the running stock. i.e. just like betting on a horse among several horses that are in the race. Derivatives trading do not involve actual buying or selling of scripts. It is betting on the "Price" share that you expect to move at a particular rate. So you are trading on the underlying worthiness of the script that makes you bet.

What's' the advantage? Well, it helps in:

- a) Analyse the risk potential of the company
- b) Credit worthiness of the Company
- c) Market Capitalisation (Which will helps in deciding the premium price in case of Company looking for Public Offer)

There are three types of derivatives:

- a. Security Derivatives
- b. Commodity Derivatives
- c. Currency Derivatives

Security derivatives are the derivatives trading on the Shares, Bonds etc. Commodity derivatives are the betting's on the price of commodity like Coffee, Gold, Silver and Steel of which the price always fluctuates. Currency derivatives are the derivatives used for trading the Currency of different countries (we'll discuss about this in our future sessions)

We have some more concepts related to Derivatives:

- i) Futures
- ii) Options
- iii) Swaps

Futures is a contract to buy or sell an underlying financial instrument at a specified future date at a price decided at the time entering into the contract. The idea behind financial futures contract is to transfer the future changes in security prices from one party in the contract to other. It helps in hedging the risk. Futures is basically a transfer of price rather than creating it. Its' a kind of wagering agreement where one party earns profit and the other must suffer losses.

The way the futures functions will be discussed in the next episode. **Keep watching!**

### Fair Practices Code- Display of Bank Charges

The Reserve Bank of India in order to ensure transparency in banking services vide circular No. UBD. (PCB).Cir.No.54/09.39.000/05-06 dated 26.05.2006 has advised scheduled banks to display and update on their website the details of various service charges levied by them on the customers. This may also be displayed in the local languages.

This was in light of the fact that the Reserve Bank continues to receive representations from the public about the unreasonable and non-transparent service charges being levied by banks indicating that the existing institutional mechanism in this regard is not adequate.

### Annual Trade Returns

Clause 2.9.5 in the Hand Book of Foreign Trade Procedures 2004-2009 requiring the filing of annual mandatory trade returns has been deleted.



## Globalization of corruption

**Sunita Narain,**

Director of Centre for Science and Environment (CSE), India  
Editor, Down to Earth



A journalist from the *International Herald Tribune* asked my opinion about what he called “modern forms of lobbying” that US multinationals operating in India engaged in. He was investigating how these companies were bringing their skills of influencing policy – from ‘planting’ stories in the media, to ‘engaging’ academics and scientists to counter debates, to ‘lobbying’ legislators – to India.



My reply was simple: firstly, cash transactions are still part of the game but more covert. Secondly, given a choice between the new and the old, I would prefer old-fashioned, Indian-style corruption. This is because direct financial dealings, however distasteful, cannot be hidden for long. But this US -refined influence game will erode our public institutions, subvert public decision-making and fatally undermine democracy.

It is important to learn and analyse how democracy is ‘worked’ in the US. Robert F Kennedy Jr explains some of this in his writings on the Bush administration. Kennedy, a politician and lawyer, is the son of the charismatic Democrat senator, who was assassinated.

What he reveals is chilling. We know in American electoral politics, industry and other interest groups make donations to candidates. These donations are seemingly not corrupt, because they are given openly (not Indian-style cash under the table). Unfortunately, the truth lies elsewhere. Kennedy describes, in detail, the corporate takeover of the US and how this undermines issues of public health and policy.

The process is deliberate. The corporate world knows that policy is personnel. So, the first step in dismantling public policy formulation is to ensure ‘their’ people are put in charge. This has been done in institution after institution, with devastating impacts. For instance, when a mining industry person is given charge of public land policy or a coal industry person is put in place to decide energy policy, you cannot expect unbiased outcomes.

Another step is to recruit scientists, who Kennedy calls ‘biostitutes’ – prostitutes to serve industrial interests. He describes in detail how this was done again and again in cases concerning public health. For instance, in deciding how much arsenic should be acceptable in drinking water, how much mercury Americans should ingest through fish, how to regulate effluents from pig-farms, industrial-style, which release a toxic mix of chemicals. In this case, Kennedy documents how a government scientist found an antibiotic resistant strain of bacteria near pig farms, which was making people sick. He was gagged, his studies buried and his public appearances cancelled. This, Kennedy says, was done because of lobbying by the National Pork Producers Council.

In the fight for a voice, all tricks are used. One such case concerns a bill introduced in the US Senate in late 2001, which would require chemical plants to reduce their inventories of highly toxic and dangerous substances. The first assault came with industry associations lobbying senators against the proposed law. Money poured in – the chemical industry donated over US \$38 million to Republicans and spent another US \$30 million on lobbying. To ‘soften’ public servants, money was paid to benefit funds; suddenly there was a spate of articles and editorials condemning the legislation as subversive. Right-wing think tanks like the Heritage Foundation and Competitive Enterprise Institute produced briefs justifying the opposition. The bill was killed.

The most devastating fact is that this ‘corporate cronyism’ can take root because democratic institutions have been seriously compromised. Kennedy finds that even his party members – Democrats – need to play the game, because they need corporate money for elections. He also finds that the media has been systematically taken over and its role as a public informer been compromised. This has been done through pincer-like actions. Firstly, the law that regulated media as a public trust – mandating it to publicise different points of view – was abolished. Till the 1960s, under the Fairness Doctrine, advertisers of gas-guzzling automobiles, for instance, had to provide rebuttal time for public-interest advocates to debate the impact of wasteful fuel use. But in the 1980s, Ronald Reagan, supported by the media, changed this. Secondly, media has been consolidated, is often owned by industry: its business is expensive so that

money rules. Stories on corporate shenanigans are buried or journalists fired, finds Kennedy.

The fact is that India is currently standing on a precipice. Our institutions of governance – particularly our political institutions – have been so weakened that we are ready for the same ‘corporate takeover’. If you don’t believe me, visit the official homepage of the Indian Planning Commission, click on the report of the innocuously termed Indo- US CEO forum. Its members included the most respected from India – from Ratan Tata to Nandan Nilekani. Read the report and its action agenda for the Indian government on everything – agriculture, food processing, intellectual property rights, real estate,

education. No surprises there, you will say. After all, all industry – Indian or foreign – has a wish list.

But wishes are commands when lobbies, not government, rule. For instance, the report directs that Indian government must “eliminate policies like the discriminatory special excise duty on carbonated drinks”. In the same budget, the duty was reduced. The group included the head of soft drink major, US multinational Pepsico. No surprises there.

Read Kennedy. Get angry. Don’t allow this takeover of India. This is not a US makeover we can afford.

## Saifu Chaha was telling...



**As a boy, I remember a lot of such lessons taught to us by so many.** Here is a narration of an elderly man Saifu Chacha teaching me something.

"I was sitting in Wazir's shop one evening. He had a butcher's shop I knew Wazir for a long time and was a god fearing man, and I often wondered why he chose being a butcher. I used to visit him regularly in the evenings to spend some time.

It was late evening and he was about to close his shop when a man came and asked him for a hen. And I knew he would give the only one he had because he told me that he had a good sale that day and had sold all but one. Good I thought for a moment it would be a 100% sale day. Wazir went in and brought the hen and threw it on the scale and said, "this will be 5 rupees."

The customer said, "it is good, but I am going to have a party in my house and with the number of guests I'm expecting this might just be a little small. Can you look for another one bigger than this?"

Now I knew Wazir had only one, but I was waiting to see what he would do. I actually wanted to tell the customer that this was the last, but, kept quite as it wasn't my business.

I could see the Wazir in a dilemma. He didn't say anything.

He went inside the room with the hen, spent a couple of minutes and came back again and threw the hen on the scale and said, "this will cost you 7 rupees."

I was stunned.

The customer was happy though with that response and told Wazir, "give me this and the other one too, I'll take both."

Wazir was in a desperate fix. The situation was very awkward. It is a good feel to assume we are smart, but never so good when we assume we are smart and the other a fool.

Saifu Chacha's narration ends there. I leave you to judge the ending, not my guess anyway

However what Saifu Chacha taught me was that, **"we shouldn't tell lies at all, not even for the simplest things. Never get into a situation where you have to say 'sorry' to someone unless the situation demands your apologizing. Never also push someone to a position where you have to ask them to apologize to you. Both are bad, and we all are not saints..."**

# MANAGING ORGANIZATIONAL CHANGE- THE HUMAN FACTOR

Jayalakshmi Anshuman,  
ACS, MFM, CISA Certificate Passer

In this fast moving world the only constant thing is **change**. Most organizations work in a situation where they have to plan, implement and manage change optimally. Any talk of change is always met with resistance. Any thing different from our normal routine disturbs us. But at the same time change is inevitable and absolutely necessary to keep up with the fast pace of the world. Change management is the process of developing a planned approach to change in an organization with minimum disruptions to the normal flow of activity.

Change management is primarily a human resource management issue. This is because implementing new procedures, technologies, and overcoming resistance to change are fundamentally "people issues". Different people react to change in different ways depending upon their personality, their status and their educational background. Change can be seen as an opportunity for development, progress and growth as well as a threat and disorientation to the otherwise normal routine.

Take the case of an organization where hundreds of people are employed - people from different cultural, social, educational and emotional backgrounds. In such a situation how can the organization handle change effectively? The answer lies in following certain simple but very effective principles. Conventional methods of implementing change normally involve training and development and "motivation". But the chance of failure in such cases is also high. The reason is that bosses and organizations still tend to think that people whom are managed and employed and paid to do a job should do what they're told to do. We are "conditioned" from an early age to believe that the way to teach and train, and to motivate people towards changing what they do, is to "tell them", or "persuade them". But the boss is always not right. The present generation has an entirely different perspective of things. They may not be experienced, but they have the exposure to the latest technologies. It is important to re-assess and re-align the organization's aims, beliefs and integrity with those of the people. Then only the organization can be successful in implementing change.

So what should the organization do? Businesses should align themselves with social objectives, fulfill legal requirements and preserve resources. People, usually, will ultimately conform to change, provided the same is not unethical or illegal and it aims not only for the

betterment of the business, but also for the betterment of the people.

Here are some modern principles:

1. Understand where the organization is at the moment and where it should be, when and why. What is the vision and mission of the organization?
2. Get the right people in place with the right mix of qualifications, skills and emotional commitment.
3. The change, while being aligned with organizational objectives, should also consider employee perceptions and feelings.
4. Focus on learning and do not impose training.
5. Consult with people. This enables their input to be gained and their approval and commitment to be secured. It will improve goodwill of the organization.
6. Conduct workshops: Workshops are very useful processes to develop collective understanding, approaches, policies, methods, systems, ideas, etc.
7. Managers should act as enablers and facilitators to the change process and not merely convey and implement policy from above, which does not work.
8. Be polite and courteous. Treat people with humanity and respect and they will reciprocate.
9. Describe the change process to all people involved and explain the reasons why the changes are occurring. The information should be complete, unbiased, reliable, transparent and timely.
10. Face-to-face communications are always better to handle sensitive aspects of organizational change management.
11. Cultivate patience and tolerance. Initial resistance to change will always be there. Top management should constantly encourage the ongoing change and focus on future milestones.
12. Change needs to be understood and managed in a way that people can cope effectively with it. Any change can be unsettling to the people. In such cases the manager should be a settling influence.
13. During this process people will experience high levels of confusion and uncertainty. Therefore effective support and direction of the top management is very essential.
14. Make change a habit. Make it a part of the organizational culture.

# The Silva Method

Nimmoo Kinger,  
PCS, Mysore



Jose Silva, founder of The Silva Method, spent 22 years studying the world's greatest minds of every discipline - including scientists, religious gurus, non-traditional healing groups, psychologists and eastern philosophers before launching it.

The Silva Method was first presented in 1966 and has been continuously taught by Certified Silva Method Instructors (CSMIs) for the last 40 years. In fact – The Silva Method has been taught and put into practice by over 4 million people worldwide. Currently, our programs are being taught in 111 countries in 30 languages.

**The Silva Method:** Think and Grow Fit is one of the acknowledged classics on mind development. It is written by Jose Silva with E Bernd Jr and details a clear-cut and tested method which anyone can use to become physically fit, break bad habits, stay focused under pressure, improve one's performance, etc. This process can be used to achieve the most 'impossible' goals. The alpha level, visualization, the 3 fingers technique, etc aid one to become a winner; to achieve one's dreams. This method helps improve concentration, helps one to relax, change one's attitudes, etc. It is one of the techniques used for personal development and a book one can read and easily put into practice. A must read for those who are keen on self improvement.

Web gatra



Manjunatha Hegde Ionidea, Bangalore



You've just moved to a new city and desperately need a place to live in. You also need to sell your old house and rent office space.

Normally you'd scan newspaper classifieds, trudge to several brokers, view properties, consult a lawyer etc. If you're an NRI or planning to buy property in another city, you'll also have to rely on friends and relatives for help.

Online, all of this is accessible to you a few clicks away at property site like [indiaproperties.com](http://indiaproperties.com). You can locate properties for rent or purchase, find a buyer, read up on property law, apply for a home loan online and even find architects and decorators to take care of remodeling!

Indiaproperties.com maintains a comprehensive record of real estate across India that is for either sale or rent. This information can be easily accessed for free by any individual at [Indiaproperties.com](http://Indiaproperties.com). House-hunters need not waste weekends searching for a house any more - on [Indiaproperties.com](http://Indiaproperties.com), you can search through thousands of listings to find your dream house. You can also list your property requirements for a prospective owner, broker, builder or developer to contact you. Real estate agents now have a nationwide database of properties at their fingertips, making buying, selling or renting property as easy as pie.

**“Nothing great will ever be achieved without great persons. And persons are great only if they are determined to be so.”**



# LEGAL ROUNDUP...

Compiled from various sources



## Income Tax Act

**Crossing the cheque is not enough, also write "Account Payee"**

Provision of Section 40A(3) is being amended to ensure that the payment for expenditure is made only by crossed with words 'Account Payee' cheque.

### Income Tax Return in Form 2F

Individual have to file Income Tax Return in new Form 2F. However it is optional for salaried employees to file in new form 2F or in old form 2D (Saral).

### Case Laws

U/S 194J Reimbursement of expenses will attract TDS. If bill is raised separately for the same, withholding tax will not be applicable u/s 194C & 194J.

ITO Vs Dr. Wilmar Schwabe India(P) Ltd., (2005) 3SOT 71 }  
& Circular No. 715

### Late Payment of PF, ESI are allowable

Income Tax Appellate Tribunal has held that the amendment in proviso to Section 43B by Finance Act, 2003, is clarificatory, hence retrospective in nature. Accordingly, employers contribution in respect of PF, ESI shall be allowable even if the same has been paid late. This judgement will help in getting deduction in respect of late payment of employers contribution to PF, ESI on the line of deduction being claimed in respect of sales, excise duty etc., which otherwise used to get disallowed even for a smaller default.

Kwality Milk Foods Ltd vs ACIT 100 ITD 189 (Chennai) (SB)

## Customs

The Central Government has notified that the exemption from the additional duty of customs. @ 4% will not be available to mobiles phones, storage units and parts and accessories of automatic data processing machines, which are otherwise not chargeable to duty and goods which are imported under specified Trade Agreements.

(Notification 24/2006 dt. 28/02/06 and Notification No. 29/2006 dt. 20/03/2006)

The Central Government has notified revised quarterly slabs for claiming duty drawback on re-exports of goods.

(Notification 27/2006 dt. 14/03/06)

## Foreign Trade Policy/RBI

### Remittance of initial and recurring expenses for branch offices opened abroad

Presently, an Indian entity is permitted to remit up to 2% of its average annual sales/income or turnover during the last two accounting years towards initial expenses and 1% of its average annual sales/income or turnover during the last two accounting years towards recurring expenses.

This circular has increased the said limits of 2% and 1% to 10% and 5%, respectively. Thus, an Indian entity can now remit up to 10% of its average annual sales/income or turnover during the last two accounting years towards initial expenses and 5% of its average annual sales/income or turnover during the last two accounting years towards recurring expenses.

A.P. (DIR Series) Circular No. 32, dated April 21, 2006

### Foreign Trade Policy

The Central Government has clarified that second hand capital goods are freely importable without any license on the basis of a declaration by the importer that the capital goods are second hand and do not fall under the category of remanufactured capital goods, which are restricted for import.

(Policy Circular No. 4 (RE-2006) 2004-2009 dt.20/04/06)

## Karnataka VAT

Karnataka Government has introduced Karnataka Value Added Tax (Second Amendment) Rules, 2006 effective from the 1<sup>st</sup> April, 2006.

### Highlights:

1. Monthly returns to be submitted in Form VAT 100.
2. Annual Statement to be submitted in Form VAT 115 from 31.03.2007 onwards.

Notification FD 124 CSL 2006 dated 26.04.2006.



## Excise/CENVAT

### Levy of special additional duty of customs (CVD) @ 4% under Export Promotion Scheme:

- special CVD of 4% is not leviable in case of imports under advance licence, EOU and SEZ schemes.
- The special additional duty of 4% is, therefore, not leviable on imports under EPCG Scheme.
- The special additional duty of 4% is not leviable on imports under DEPB, DFCE, Target Plus etc and such duty can be drawn back

Circular No. 18/2006-Cus. 5th June, 2006

### Export of goods under bond - Non levy of duties of Excise - Clarifications

It is specifically clarified that none of the duties under any Act of Parliament is required to be paid when goods are exported under bond under Rule 19 of the Central Excise Rules.

C.B.E.&C. Sec 37B Order No.60/1/2006- CX., dt 13-1-2006

## Service Tax

### Abatement on GTA Service Charges

Applicability of benefit provided under Notification No. 32/2004 dated 03.12.2004 vis-à-vis Notification No. 35/2004 dated 03.12.2004.

Abatement of 75% from the gross amount charged by goods transport agency for providing the said taxable service, is available only in cases where Goods Transport Agency is liable to pay service tax. This benefit is not available in cases where the provisions of Notification No. 35/2004 dated 03.12.2004 are applicable. (i.e., where the consignee or consignor are from one of the seven categories mentioned therein).

F. No. V/ DGST/ 43- GTO / 02 / 2005 / 19879, dated 30.03.2005

## Consumer Protection

Locker found opened - Jewellery missing - Bank failed to discharge its obligation of taking due care and caution - Compensation awarded.

CANARA BANK V. AGNES D'MELLO [indialawsite.com](http://indialawsite.com) 1978 (Con) : 1 (2006) CPJ 8 (NC)

## Labour Law

### Back wages

(contd...)

Workman not automatically entitled to back wages upon reinstatement if same have not been categorically spelled out in the award.

Union of India and another Appellants versus Kankuben (dead) by LRs. and others etc. etc. Respondents

## Environment

### Principle of sustainable development and golden balance between industrial development and ecological preservation

The respondent agriculturalists under Article 226 sought to refrain appellants-Karnataka Industrial Areas Development Board from converting certain lands for any industrial purpose and to retain the lands for use by the respondents for grazing their cattle. The respondents alleged violation of Article 14 and 21 of the Constitution as the land was allotted to respondent No: 3 without following the procedures. The High Court however held that authorities must leave one k.m. area from the village limits as a free zone or green area to maintain ecological equilibrium but allowed to continue with the industrial project. The appellants raised objection, as the legislation does not warrant leaving of one k. m. area as free zone.

The Apex Court allowing the appeal and discussing the principles of sustainable development held that before acquisition of land impact of development on ecology and environment has to be assessed. And that it should be made mandatory for the allottee to obtain necessary clearance for the project from the Karnataka State Pollution Control Board and the Department of Ecology and Environment before execution of the agreement. Hence, appellants were directed to put the above-mentioned conditions as mandatory before allotment.

KIADB Vs. Sri. C. Kenchappa and Ors.

## Trademarks

Application for registration of trade mark "SONICO" in respect of rubber bushes. Opponent's trade marks "SONY" and "SONYCO" registered in respect of electronic goods. Both the marks "SONICO" and "SONYCO" visually and phonetically similar. Opponent's mark having global goodwill and reputation and use of such mark by others not be permitted irrespective of the goods being different as it would cause confusion and deception among public. Order of Asstt. Registrar rejecting opposition set aside and application for registration of impugned mark dismissed.

Sony Corporation. Vs Jasbir Singh Kohli & Anr. 2005 [indialawsite.com](http://indialawsite.com) 87 (IPR)



## “A Good Beginning Makes a Good Ending”

### Capital Asset Pricing Model - (CAPM) A Method of pricing a stock

Raghuveer  
ACS Final and ACA Final

Capital asset pricing model is a model that describes the relationship between the expected return and the risk and is used in pricing the risky stock. The return on stock is calculated by using the formula:

$$R_a = R_f + B_a (R_m - R_f)$$

Where  $R_a$  = Return on asset or investment.

$R_f$  = Return on risk free investment.

$R_m$  = Expected return from investment.

$B_a$  = Beta of the security.

The idea behind capital asset pricing model is that the investors have to be compensated in two ways:

1. At risk free rate which the investor can earn by investing in any risk free security and is represented in first part of the formula ( $R_f$ ).
2. For the risk which the investors take by investing in a risky stock. This is represented by the second half of the formula and calculates the additional compensation for taking the risk. This is calculated by taking risk measure (Beta) which compares the return on the asset to the return on market over a period of time and compares it to the market premium ( $R_m - R_f$ ).

The CAPM says that the expected return on stock equals the risk free rate and risk premium. If the expected rate of return does not meet the required return the investment should not be taken.

Using the CAPM model we can compute the expected return of a stock as follows:

If the risk-free rate is 3%, the beta (risk measure) of the stock is 2, and the expected market return over the period is 10%, then the stock is expected to give a return of 17% ( $3\% + 2(10\% - 3\%)$ ).

If the required return is less than 17% money can be invested in the stock on the other hand if the required return is more than 17% money should not be invested in the stock.

### *Spectrum this Month...*

Hello Friends,

Examinations are over so is the tension. Hope all of you have performed well at the examinations.

There were no much activities conducted as most of us busy preparing for the examinations.

However, the study circles were conducted on all the Sundays of the month. Clarifications on various topics were sought by the students preparing for the examinations.

This month we are planning some exciting activities. We shall keep you informed of the same in coming letters.

Till then enjoy the much required break.

**Spectrum friends**

### *ICSI Bangalore presents All-India Students' Conference*

# UDAAN

*July 29 & 30, 2006 (Saturday and Sunday)*

*at Institute of Agricultural Sciences, Queens Road, Bangalore from 9am to 6pm, both days. Nominal fees of Rs. 100 for both days (includes 2 lunch, 1 dinner and coffee/tea).*

*Quiz, Debate, Stock Exchange, Thrash to Cash, Academic Presentations, Cultural events and much much more....*

*Education, Entertainment and Excitement at one platform! Don't Miss the flight!*