



Newsletter-22

Mysore Chapter

September 2005

From Chairman's desk...

Dear Friends,

Warm Greetings to you all!

The monsoon showered its bounty during the months of August & September in abundance. However, the heavy rains did not dampen the spirits of the Chapter in general and the students in particular!

The students brought laurels to the Chapter by returning **an excellent result of 20% in the June exams**. Let us all join in conveying our heartiest congratulations to the students for achieving this feat. I take this opportunity to congratulate the successful students. I exhort the students who could not make it to the winning post to take up the challenge and return to their study mode with a determination to make it in December, 2005 exam.

The Chapter under auspices of the Silver Jubilee Celebration Committee arranged a **full day program "Thrishna....." on 10th September, 2005**. The program ended with "Investors' Clinic"



with a presentation by **Mr. Rajesh Sampat, President of Mangal Keshav Securities Ltd.** The program was well attended with more than 150 participants. The participants' list included Vice- Chairman of SIRC; Chairman of Bangalore Chapter; Heads of the Department of Commerce Departments from city's reputed colleges; Officials

of the Central Government and Heads of Personnel & Human Resource Departments of some of the large Industries.



The program was well received and evoked immense interest by the participants. I have no doubt that the awareness about and visibility of the profession got a boost with the success of this program. **The program was conceived, mapped and executed by the students**. It offered much deserved opportunity to the students to once again show case their talent. The impact of the presentations was such that invitations from people of different walks of life were received on the spot for making the presentations at their respective institutions/ organisations. The members who could not make it to the Program due to their busy schedule really missed a good opportunity.

The members are aware that the Silver Jubilee Years celebrations included a MEGA EVENT in August 2005, which got rescheduled to November 2005. Due to strategic reasons the **MEGA EVENT is being shifted to January 2006**.

The members will be hearing more on this from the Silver Jubilee Committee shortly.



The members might have already received the communication from the head quarters about the **NATIONAL CONVENTION being held at Chennai from**

20th to 22nd October, 2005. The topics being most relevant and the venue being so convenient I request the members to register themselves and participate in the NATIONAL CONVENTION in large numbers. I also request the members to mobilise advertisements and sponsorships for the National Convention. The members might be aware that the Chapter gets a 10% share in the advertisements & sponsorships amount generated by its members.

I would also like to share the **request received from the students that the delegate fee of Rs. 2500 for students is a little high and beyond the reach of many students.** The members are welcome to come up with suggestions & ideas to address this issue. Generous minded members

may think of sponsoring the students desirous of participating.

I request, once again, those members who are yet to subscribe to the Journal “Chartered Secretary” to subscribe and also to get subscriptions from their friends and acquaintances. The members are also requested to subscribe to the “Company Secretaries Benevolent Fund” if not already subscribed.

With warm Regards,

D D Bhat
Chairman- Mysore chapter.

Mysore dated 14th September, 2005.

ICSI News:

ICSI CORPORATE GOVERNANCE AWARD, 2005

The Institute is preparing to organize the ICSI CG Award Function for the year 2005 **on January 6, 2006 at Mumbai.** This year Awards will be presented to two best governed companies. In addition, a new category of Award for “**Emerging Corporate**” is being introduced.

Empanelment of Members for Appointment as Independent Directors

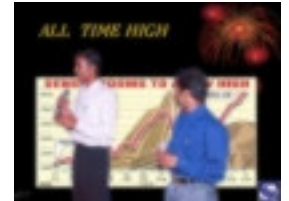
The Council has decided to maintain a Panel of Members with extensive exposure and experience in various facets of corporate management, administration and governance who are willing to act as Independent Directors.





highlight...

- Over 150 participants attended the program - Highest number of participation in recent years
- Participants included members of ICSI, parents of ICSI Students, lecturers of various colleges, businessmen, investors and representatives from the companies and Chartered Accountants apart from CS students.
- Great response from all the participants. Several participants expressed the willingness to participate in all our future programs.
- Many said that they never knew that CS is such a big profession. Parents were proud that their children took such a course.
- Visibility of the profession increased by "Investor's Clinic" among investors and professionals.
- Two colleges have come forward to arrange career counseling in their colleges.
- Mr. Sundareshan of Bangalore Chapter requested for repeating 'Trishnaa' at Bangalore.
- Mr. Dattatraya Joshi requested for "India - Wonderland" powerpoint presentation for National convention.
- All participants appreciated the caliber of ACS Students.
- Students got complete opportunity to organise the program and thus got first ever practical training in "management"
- Recorded as the biggest event in the calendar year 2005



Photos of the event are in a separate Supplement.

Please check your mail for Supplement on "Trishnaa... Thirst for Knowledge"



CLAUSE 49 - CORPORATE GOVERNANCE *made easy*

N Anantha Murthy

Company Secretary(ACS - 17134) - BPL Soft Energy Systems Limited

Synopsis

- I. BOARD OF DIRECTORS
- II. AUDIT COMMITTEE
- III. INVESTORS' GRIEVANCE COMMITTEE
- IV. SUBSIDIARY COMPANIES
- V. DISCLOSURES
- VI. CEO / CFO CERTIFICATION
- VII. COMPLIANCE

Part I Deals with "BOARD OF DIRECTORS" and "AUDIT COMMITTEE"

I. BOARD OF DIRECTORS

(A) Composition of Board

i) Optimum combination of Executive & Non-executive Directors - **At least 50% of the Board should comprise of Non-executive Directors**

ii) **½ the Board should comprise of Independent Directors if the Chairman is an Executive Director and 1/3rd of the Board should comprise of Independent Directors if the Chairman is a Non-executive Director**

Independent Director means a Non-executive Director:

- who does not have material pecuniary relationship / transactions with the Company, Promoters, Directors, Senior Management (Core Management Team including Functional Heads), Holding Company, Subsidiaries and Associates
- who is not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- who has not been an executive of the Company in the preceding three years
- who is / was not a partner / executive of firm of statutory / internal auditors associated with the Company OR legal / consulting

- firm having material association with the Company in the preceding three years
- who is not a material supplier, service provider or customer, or a lessor or lessee of the Company
- who is not a substantial shareholder owning 2 percent or more of the block of voting shares

Note: Nominee Director of lending / investing institution is considered to be Independent Director

(B) Non-executive Directors' compensation and disclosures

- i) Board should fix the fees / compensation, if any, paid to Non-executive / Independent Directors
- ii) Prior approval of shareholders in general meeting would be required
- iii) Shareholders' resolution to specify the limits for maximum no. of stock options, if any, to be granted to Non-executive / Independent Directors in any financial year and in aggregate

(C) Board / Committees

- i) Board shall meet at least 4 times in a year with maximum gap of 3 months between any two meetings
- ii) Mandatory information to be made available to the Board - Refer Annexure - IA of Clause 49
- iii) Director shall not hold membership of committees exceeding 10 or act as Chairman of committees exceeding 5 across all companies in which he is a Director. Only Audit / Shareholders' Grievance Committees of Public Limited Companies shall be considered for the above limits.
- iv) Director to intimate his committee positions to the Company on an annual basis and notify changes as and when they take place

- v) Board should review compliance reports of all applicable laws and also the steps taken to rectify the non-compliances, if any

(D) Code of Conduct

- i) Board should adopt a Code of Conduct for Directors & Senior Management, which shall be posted on Company's website
- ii) Directors / Senior Management to affirm compliance with the code on an annual basis and the Annual Report to contain a declaration to this effect, signed by the CEO

II. AUDIT COMMITTEE

(A) Qualified & Independent Audit Committee

- i) Audit Committee should comprise of at least 3 directors, out of which 2/3rd shall be independent
- ii) All members should be financially literate (i.e., ability to read & understand basic financial statements viz., Balance Sheet, P& L Account, Cash Flows) and at least one member should have accounting / financial management expertise (i.e., experience in finance or accounting, professional certification in accounting, CEO or COO or other senior officer with financial oversight responsibilities)
- iii) Chairman of the Committee should be an Independent Director
- iv) Chairman of the Committee should be present at Annual General Meeting to answer shareholders' queries
- v) Company Secretary to act as Secretary to the Committee

(B) Meetings of Audit Committee

- i) Meet at least 4 times in a year with maximum gap of 4 months between any two meetings.
- ii) Quorum - Two Members or 1/3rd of the total strength of the committee whichever is higher, but a minimum of two independent directors must be present

(C) Powers of Audit Committee

- a) To investigate any activity within the terms of reference
- b) to seek information from any employee
- c) to obtain legal / professional advise
- d) to secure attendance of outsiders with relevant expertise, if necessary

(D) Role of the Audit Committee

As described in Clause 49 of the Listing Agreement

(C) Mandatory information to be reviewed by the Audit Committee

- i) Management Discussion & Analysis of financial condition & result of operations
- ii) Significant related party transactions
- iii) Management letters / letters of internal control weaknesses issued by the statutory auditors
- iv) Internal Audit Report
- v) Appointment, removal and terms of remuneration of Chief Internal Auditor

(...to be continued)

Share Application Money is "Deposit"

Bhalotia Engineering Works Pvt.Ltd Vs. C.I.T 24/08/2004 (2005)275 ITR 399 (Jharkhand)

Held by High Court that ,even though Share Application money can not be assumed as loan but still it can be taken as deposit with in the meaning of Section 269 SS.Therefore acceptance in excess of Rs.20000 in cash voilates the rules of section 269SS

Legal Roundup....

HINDU SUCCESSION (AMENDMENT) ACT, 2005 COMES INTO FORCE

The Hindu Succession (Amendment) Act, 2005 (39 of 2005) comes into force from 09th September, 2005.

The Government of India has issued notification to this effect. The Hindu Succession (Amendment) Act is to remove gender discriminatory provisions in the Hindu Succession Act, 1956 and gives the following rights to daughters under Section 6:

1. The daughter of a coparcener shall by birth become a coparcener in her own right in the same manner as the son;
2. The daughter has the same rights in the coparcenary property as she would have had if she had been a son;
3. The daughter shall be subject to the same liability in the said coparcenary property as that of a son; and any reference to a Hindu Mitakshara coparceners shall be deemed to include a reference to a daughter of a coparcener;
4. The daughter is allotted the same share as is allotted to a son;
5. The share of the pre-deceased son or a pre-deceased daughter shall be allotted to the surviving child of such pre-deceased son or of such pre-deceased daughter;
6. The share of the pre-deceased child of a pre-deceased son or of a pre-deceased daughter shall be allotted to the child of such pre-deceased child of the pre-deceased son or a pre-deceased daughter.

After the commencement of the Hindu Succession (Amendment) Act, 2005, no court shall recognize any right to proceed against a son, grandson or great-grandson for the recovery of any debt due from his father, grandfather or great-grandfather solely on the ground of the pious obligation under the Hindu law, of such son, grandson or great-grandson to discharge any such debt.

EXCISE - CENVAT - Notifications / Circulars / Trade Notices

The all India jurisdiction of the Principal Benches of the CESTAT for hearing of appeals has been withdrawn. From now on, appeals can only be filed before the respective Zonal Benches of the CESTAT.

(Public Notice No. 02 of 2005 dt 05/08/05)

[CBEC fiat : All shipping bills & bills of entry to be digitally signed from November 2005](#)

CUSTOMS Circulars/Trade Notices

The Central Government has clarified that in cases of seizure of export goods other than prohibited or contraband goods, the seized goods may be released provisionally and allowed to be exported on execution of a bond equivalent to the value of the seized goods, probable fine and penalty which would be leviable. Further no export benefits would be allowed on such goods pending investigation.

Circular No. 33/2005 dt 02/08/05

The Central Government has issued a detailed circular with regard to the reduction in export documentation and the abolition of various declarations required to be filed by the exporters.

Circular No. 34/2005 dt 05/08/05

SERVICE TAX

The CBEC has circulated the draft of the revised forms for service tax registration and of the returns and has invited feedback from the public.

Notifications/ Circulars/ Trade Notices

The CBEC has clarified the changes made by Budget 2005-2006 relating to the levy of service tax on the new services and on the expanded scope of the existing services, along with the changes in service tax rules.

FEMA

(i) Master Circular on Guarantees and Co-acceptances

RBI has released a Master Circular consolidating instructions/ guidelines issued till June 30, 2004 on matters relating to issue of Guarantees and Co-acceptances by banks.

(ii) Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) (Amendment) Scheme, 2005.

In order to bring the ADR/GDR guidelines in alignment with guidelines on domestic capital issues framed by the Securities and Exchange Board of India (SEBI), the Government of India has brought about certain changes to the guidelines on GDR/ADR guidelines by amending the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993. Necessary changes are being brought about in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000.

Reference Description Source A. P. (DIR Series) Circular No. 01 dated –July 12, 2005 Import of Goods of Value USD 100,000 and Less - Clarification on Follow up for vidence of Import It is clarified that ADs need not follow up submission of evidence of import involving amount of USD 100,000 or less provided they are satisfied about the

genuineness of the transaction and the bonafides of the remitter. A suitable policy may be framed by the bank's Board of Directors and the ADs may set their own internal guidelines to deal with such cases.

A.P. (DIR Series) Circular No. 03 dated – July 23, 2005

RBI IDMC - Foreign Investments in India - Transfer of Security by Way of Gift - Procedure

Circular No. A.P. (DIR Series) Circular No.08 Dated 25.08.2005: Vide the above circular, the procedure for obtaining the approval from Reserve Bank by a person resident in India who proposes to transfer, by way of gift, to a person resident outside India any security including shares/convertible debentures has been modified. Prior Approval of RBI is required for making any transfer by way of gifts, securities including shares or debentures to residents outside India.

The value of gift or security is not to exceed the rupee equivalent of \$25,000 during a calendar year. The gift should not exceed 5 per cent of the paid-up capital of the Indian company. In case of Government dated securities and treasury bills and bonds, a certificate issued by a Chartered Accountant on the market value of such security is required to be furnished. In case of units of domestic mutual funds and units of Money Market Mutual Funds, a certificate from the issuer on the Net Asset Value of such security would be required.

Master Circular on Branch Authorisation

RBI has released a Master Circular on Branch Authorisation with the objective of liberalising and rationalising the policy for opening of branches by Indian banks in India. It has been decided to put in place a framework for a branch authorisation policy which would be consistent with the medium term corporate strategy of banks and public interest.



"BARRY IS A FINE EXAMPLE OF THE SUCCESS OF OUR CLEAR DESK POLICY"