



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

'ICSI House', 22 Institutional Area, Lodi Road, New Delhi-110003, India.
Phone-(011) 41504444, 45341000, Fax-(011)24626727, Email - info@icsi.edu

CS UPDATE

September 10, 2010

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FORTHCOMING PROGRAMME



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**WESTERN INDIA REGIONAL COUNCIL,
NASIK AND AURANGABAD CHAPTERS**
Jointly Organizes



FULL DAY SEMINAR AT RELIGIOUS PLACE NASHIK
ON
Changing Laws
- Emerging Vistas for Company Secretaries

Day & Date : Saturday, 18th September 2010
Time : 11.00 am to 07.00 pm
Venue : Hotel Sai Palace
Mumbai-Agra Road, Nashik

Inauguration by

Hon. President of ICSI, Shri Vinayak Khanwalkar

Topics to be covered:

- Takeover regulations
- Public Shareholding in listed companies
- NCLT, GST and Ethical Dilemma in Corporate management

Special Programme

Felicitatation of students who have passed final examination of ICSI in June 2010

Faculty:

Eminent faculty would address the seminar

Fees :

(Incl. Backgrounder, breakfast, lunch & snacks) :-

- Members- Rs.1,100/- •Non -Members -Rs.1,200/- •Students - 400/- (spot regn. Rs.100/- extra)
- **Optional Tours** - One Day Tour to Shirdi and / or Trimbak will be arrange on Sunday, 19th September 2010 on actual cost basis
- **Residential Accommodation** - List of Hotels in Nashik and the Hotel Tariff will be mailed on request. Assistance will be provided in room booking. However, hotel bills are to be settled directly by members.

For enrollment contact:-

ICSI-WIRC Office: Tel Nos.: 22047569/22047580 Cell Nos.: 9223542195

Email: prog.wirc@icsi.edu/wiro@icsi.edu

Nasik Chapter of WIRC of ICSI:

2nd Floor, Prasanna Archade, Near Hotel Mazda,

Old Agra Road, Nasik 422 002.

Tel – (0253) 2509989, 2500150.

E-mail -dateyvs@yahoo.com

Timing: 12 noon to 7.30 pm

Aurangabad Chapter of WIRC of ICSI:

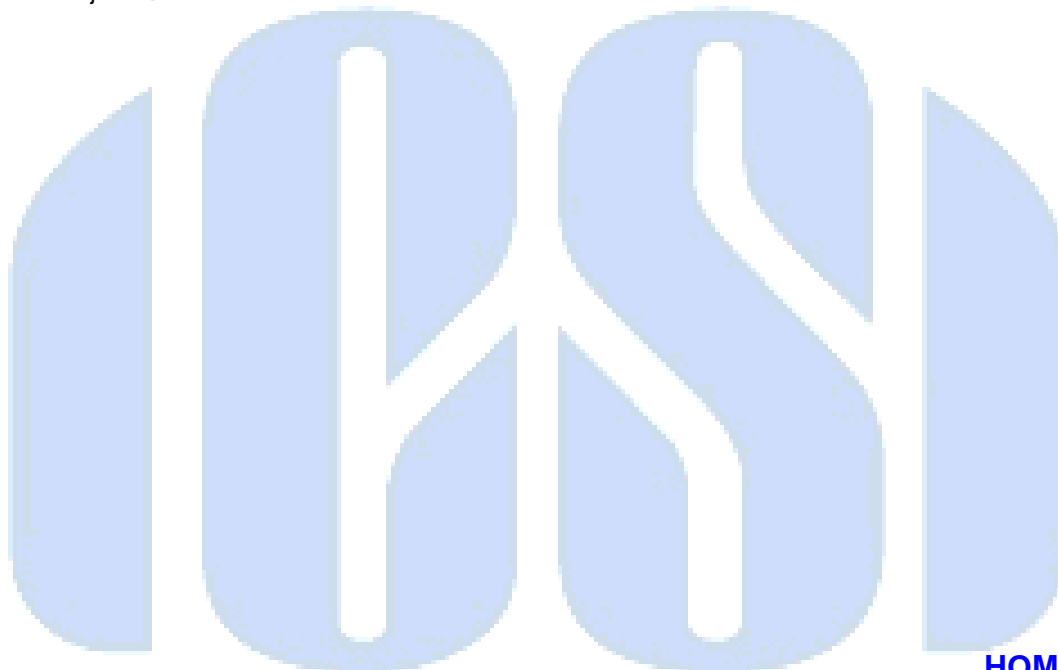
18, Prashant, Mitra Nagar,

Limayawadi,

Aurangabad – 431 005.

Tel – (0240) 2480415

E-mail: arjoshi@sancharnet.in



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SEBI Updates

FAQs ON CREDIT RATING

1. What is credit rating?

A credit rating is an opinion regarding timely payment of interest and principal on a debt instrument. A simple alphanumeric symbol is normally used to convey a credit rating.

2. Is a credit rating in the nature of a recommendation?

No, a credit rating is not a recommendation to buy, sell or hold a debt instrument. It is a comment only on the credit risk in an instrument. Rating only provides an additional input to the investor and the investor is required to make his own independent and objective analysis before arriving at an investment decision.

3. How is credit rating done?

Ratings are based on a comprehensive evaluation of the strengths and weaknesses of the company along with an in-depth study of the industry as well as macro-economic, regulatory and political environment.

4. What do the various rating symbols mean?

Each rating symbol is an alphanumeric representation of the degree of repayment risk associated with debt instruments.

5. Are rating symbols the same across all types of debt instruments?

No. Rating symbols may vary depending on the type of debt instrument, as for example long term or short term.

6. What do the “+” and “-” sign indicate in a rating?

Plus and minus symbols are used to indicate finer distinctions within a rating category. The minus symbol associated with ratings has no negative connotations. In fact, ratings in a higher rating category such as ‘AA-’ are stronger than ratings in a lower rating category such as ‘A+’.

7. What are investment and speculative grade ratings?

An investment grade rating signifies the rating agency's belief that the rated instrument is likely to meet its payment obligations. The debt instruments rated 'BBB' and above are classified as investment grade ratings. Instruments that are rated 'BB' and below are classified as speculative grade category ratings in which case the ability to meet the payment obligations is considered to be “speculative”. Instruments rated in the speculative grade are considered to carry materially higher risk and a higher probability of default compared to instruments rated in the investment grade.

8. Who pays for the credit rating?

The issuer pays for the credit rating.

9. Who regulates rating agencies?

In India, credit rating agencies are regulated by SEBI. The SEBI (Credit Rating Agencies) Regulations, 1999 govern the credit rating agencies and provide for eligibility criteria for their registration, monitoring and review of ratings, requirements for a proper rating process, avoidance of conflict of interest, code of conduct and inspection of rating agencies by SEBI, among other things.

10. Does SEBI have a role in the rating exercise?

No. SEBI does not play any role in the assessment made by the rating agency. The rating is intended to be an independent opinion of the rating agency.

11. Is rating a one time exercise?

No. To protect the interest of investors, SEBI has mandated that every credit rating agency shall, during the lifetime of the securities rated by it, continuously monitor the rating of such securities and carry out periodic reviews of all published ratings and disclose the revised ratings.

12. Why do ratings change?

Rating is an opinion based on information available at a point in time with the rating agency. However, information can change significantly over time causing the rated agencies performance to deviate from the earlier expectations thereby affecting the future repayment abilities and thus, requiring the rating to be altered.

13. What does a rating downgrade indicate?

As mentioned earlier, rating is monitored throughout the life of the instrument. A downgrade in the rating indicates that the risk of the instrument is higher than what was earlier predicted.

14. What kind of responsibility or accountability will attach to a rating agency if an investor, who makes his investment decision on the basis of its rating, incurs a loss on the investment?

A credit rating is a professional opinion given after studying all available information at a particular point of time. Nevertheless, such opinions may prove wrong in the context of subsequent events. There is no contract between an investor and a rating agency and the investor is free to accept or reject the opinion of the agency.

It is advisable that the investor should also do his own risk analysis apart from relying on ratings while making investments.

Rating of Capital Protection-Oriented Funds (CPFs)

15. What is rating of CPFs?

The ratings on CPFs indicate the degree of certainty regarding timely payment of the face value of the units to unit holders on maturity of the scheme. It is a comment on the portfolio's ability to protect its capital.

16. Why is rating of CPFs necessary?

An investor in a CPF may either have limited access to information on it, or may find it challenging to appropriately assess, on the basis of the information available, the ability of the portfolio to protect its capital. Rating provides an additional input to the investor and the investor is required to make his own independent and objective analysis before arriving at an investment decision.

17. Does the rating comment on the NAV of the fund?

No. The rating does not comment on the scheme's Net Asset Value (NAV).

18. Is rating of CPFs mandatory?

Yes. As per applicable SEBI Regulations, a pre-condition to the launch of CPFs by Asset Management Companies is that the scheme be rated by a registered credit rating agency from the perspective of the portfolio's ability to protect the capital invested therein.

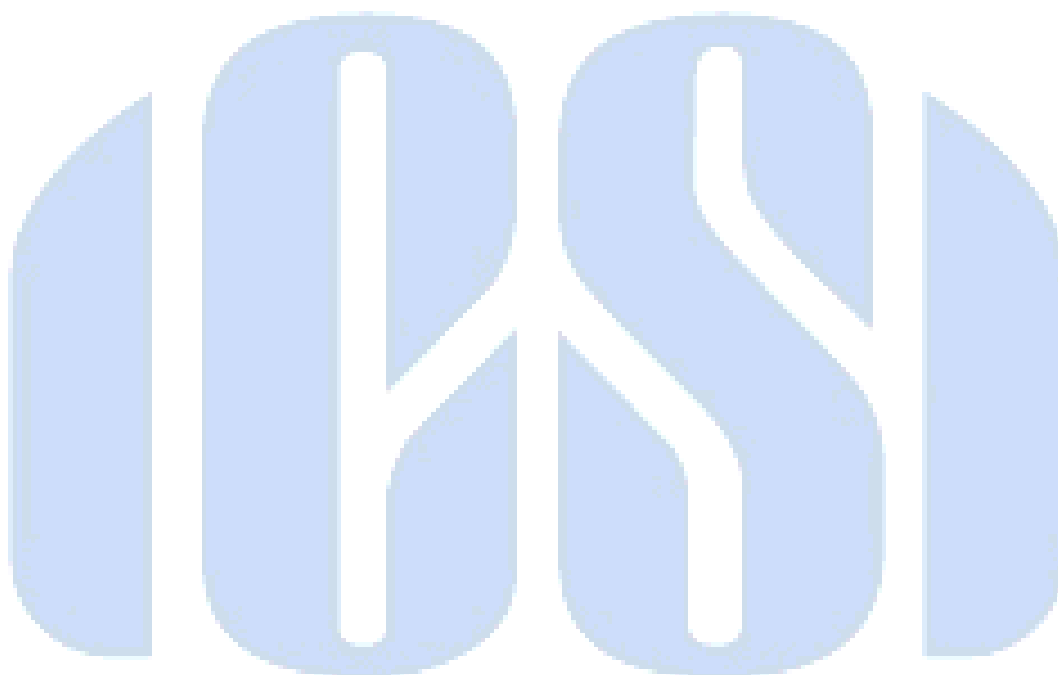
19. For how long would the assigned rating be valid?

To protect the interest of investors in CPFs, SEBI has mandated that the rating must be reviewed on a quarterly basis.

20. Which are the credit rating agencies registered with SEBI?

Name of the rating agency	Information
Credit Analysis & Research Ltd. (CARE)	4th Floor, Godrej Coliseum Somaiya Hospital Road Off Eastern Express Highway Sion (East) Mumbai-400022 http://www.careratings.com
ICRA Ltd.	1105, Kailash Building, 11th Floor 26, Kasturba Gandhi Marg New Delhi-110 001 http://www.icra.in
CRISIL Ltd.	CRISIL House Central Avenue Hiranandani Business Park Powai Mumbai 400 076 http://www.crisil.com
Fitch Ratings India Pvt.Ltd.	Apeejay House, 6th Floor 3, Dinshaw Vachha Road Churchgate

	Mumbai-400020 http://www.fitchindia.com
Brickwork Ratings India Pvt.Ltd.	55, 1st Main, 3rd Phase J P Nagar Bangalore 560078 http://www.brickworkratings.in

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RBI Updates

Know Your Customer (KYC) guidelines – accounts of proprietary concerns

RBI/2010-11/193

RPCD.CORRB.AML.BC.No.19/03.05.33(E)/2010-11 September 9, 2010

The Chairmen

All Regional Rural Banks (RRBs)

Dear Sir,

Know Your Customer (KYC) guidelines – accounts of proprietary concerns

Please refer to our circular [RPCD. CO. RRB. AML. No. 67/03.05.33 \(E\) /2009-10 dated April 9, 2010](#) advising all RRBs to lay down criteria in their customer identification procedure for opening accounts of proprietary concerns.

2. In this connection, it is clarified that in addition to the documents listed in paragraph 2(i) of our circular referred to above for opening a bank account in the name of a proprietary concern, RRBs may also accept any registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department. RRBs may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of bank account.

3. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(B.P.Vijayendra)

Chief General Manager

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TAX LAW

Updates

Service Tax

Exemption to service of outdoor catering

Notification No. 47/2010 - Service Tax , 3rd September, 2010

In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the Finance Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable service of outdoor catering referred to in sub-clause (zzt) of clause (105) of section 65 of the Finance Act, if the same is provided by a Non Government Organisation registered under any Central Act or State Act, under the Centrally assisted Mid-Day Meal Scheme, from the whole of service tax leviable thereon under section 66 of the Finance Act.

