IIMM proudly presents 16th edition of SCALE 2016

“CUTTING EDGE SUPPLY CHAIN STRATEGIES TO MANAGE DOUBLE DIGIT GROWTH”

Venue: Hotel Lalit Ashok, Kumara Krupa Road, Bengaluru
Date: 15th and 16th December, 2016

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• SCM Strategies – Reducing Cycle time
• Lean Supply Chain to avoid wastage
• Identification & Cut Down the unproductive Supply Chain Link
• Standardization of methods for Supply Chain
• Quality parameters in SCM
• Innovation – how Indian Companies are reaping creative value (Case Studies)
• ERP Solutions for Manufacturing and managing double digit growth

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Dear fellow professionals

GST has been on the cards for some time now. We are at a stage where introduction of GST is no longer an expectation or a wish. The date of implementation is not far away. The present government is doing all that matters for a smooth implementation. The challenges to be faced at the time of implementation needs to be overcome. Under these circumstances we must not, for a moment, forget our role in the implementation process. We have a responsibility to equip ourselves with all the knowledge and familiarize ourselves with the new process and the system. This definitely will give us the confidence to go forward in the implementation phase. IIMM, Bangalore has taken upon itself the task of giving an exposure through this program on GST to enlighten all of us in the process and prepare ourselves for the implementation. Many of the sectors have already started to look up with the prospects of GST implementation.

While such tax and administrative simplification is making it easier for the industry, the environment on the other hand is posing tough challenges. Competition is growing not only from the domestic sector but from across the borders as well. “Make In India” is bringing the latest in technology and management styles. At this juncture we must harness all the resources, technology available with us to cope up with the challenges. The knowledge and skills available with the Indian industry needs to be consolidated for the benefit of all. Supply chain is poised to play a very important role in this growth story. “Disruptive Technologies in Supply Chain for Double Digit Growth” is the theme for the next edition of SCALE 2016. Many eminent speakers and new technologies available will be shared by stalwarts in the industry and academicians. It is my earnest request to all our fraternity to participate in large numbers and get benefitted from this flagship event of IIMM, Bangalore.

Let us keep learning and be a part of the success.

With warm regards,

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MATEMANEWS is a part of Indian Institute of Material Management, Bangalore Branch has focus to promote educational activity on the supply chain management.

Published in English

See the online version at iimmbangalore.org

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Publisher
Indian Institute of Materials Management, Bangalore Branch

Cover photo courtesy :
Hyundai plant

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Dear Supply Chain Professionals,

Greetings for the season!!

IIMM Bangalore Branch is very excited to present its members / supply chain professionals / students special issue of MATEMANEWS on “India Prepares for GST - An analysis & way forward”. The Goods and Services Tax (GST) Bill has been approved by The President of India post its passage in the Parliament (Rajya Sabha on 3 August 2016 and Lok Sabha on 8 August 2016). The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017. GST will be a game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services.

GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems. GST will improve Supply Chain Management (SCM) and logistics in the country. Standard tax rates will allow corporations to move away from the practice of building a warehouse in different states to adhere to each state’s tax code. A big packaged consumer goods company could thus make do with one large mother warehouse at critical points in the country and employ logistics companies to manage distribution and supply chains.

The team of MATEMANEWS has put its considerable effort to deliver high standard of information for IIMM community. I would like to express my appreciation to all authors of the articles in the present issue. With this I also wanted to share that IIMM Bangalore Branch is going to organize SCALE 2016 in the month of December 2016, for more information IIMM Bangalore Branch may be contacted.

Thank you all!!

AKASH KUMAR GUPTA
Hon. Editor, MATEMANEWS
The Function of supply chain management is getting to the centre stage of business activities in all sectors of business. It has been realised world over that to retain and to continuously march ahead of competition is with the support of SCM. Hardcore senior SCM professionals are feeling the trend and are validating across different industries.

All corporates are harping on sustainability and responsibility to the society be it a Govt. or private enterprise. Whether they are running for profit or for service to the society.

There are many intersections to SCM domain like IT interface, Green and sustainable revolution, dynamic global business environment, dominating service chain, global demographic trend, artificial intelligence, digitally enhanced SCM, to name a few.

All FMCG goods are now impacted by BRIC (Brazil, Russia, India and China) markets, The demographic data states that about 40% of world populations live in these countries who form the main consumers. There is progressive gallop in their economies which is expected to surpass the rich countries like US and EU.

For instance, India will lead by knowledge youth workers to meet the needs of other ageing countries. We all know that India is the youngest country in the world with an average age of 26 years. We are also witnessing the surge of youth from rural areas to urban cities. Present day rural youth are less interested in agri business. Govt is making serious efforts to skill these populations with the project “Skill India”. It may not be surprise if India even export knowledge workers to the other parts of the world. This body shopping is likely to increase gradually and may start finding shortage in our country since the overseas attraction will be greater. Thus knowledge worker will be global in nature.

Artificial intelligence will be the integral part of supply chain activities. The volume of transaction will be too huge to manage without the comfort of artificial intelligence. We have to remember professor C. K. Prahlad, who gave the concept of “Bottom of the pyramid” for designing Supply Chain.

Like consumer market, supply chain also will embrace digital in operation. The professionals have to get used to work with apps and E-Commerce Platform and social media for procurement of all industrial goods of all sectors.

Then the emergence of innovations are constant and as the adage goes the change only is permanent. Professionals are to accept the change of innovations and take advantage their core competency.

The supply chain managers are already under huge pressure and to allign with the turbulent and vagaries of business dynamics, shortage of qualified professionals and continuous expansion of global markets.

The present indirect structure prompt them to base their inventory norms and distribution network mainly on the basis tax avoidance rather than improved efficiency.
The incoming GST will replace appx 15 state and central taxes for one point of sale. It is a comprehensive form of tax based on a uniform rate for both goods and services and is payable at the final point of consumption. This tax is 27% as per empowered committee.

The Goods and services Tax will have a deeper impact on SCM and there are several direct and fringe benefits. It may reduce paper work and reduce overheads. SCM professionals have to pull up their socks and be ready for transformation.

It is the supply chain which are competing with other companies. It is the Supply Chain which is expected to add value to the product like reducing the cost, improving the quality or get the product exactly when it is required. It is the supply chain which has to adopt the latest technology be it a software or artificial intelligence. It is the supply chain which has to be responsible and sustainable in procurement.

The function in any area of Supply Chain Management is highly skilful, knowledge and technology oriented and never a clerical work as used to be considered. The professionals are required to be qualified, educated and certified by a premier institute like Indian Institute of Materials Management, before joining to any sectors of management when they have to work in the domain of Materials or supply chain management. Otherwise, companies have to pay the penalty indirectly by experimenting with untrained and uncertified professionals. The tools and techniques of SCM can be mastered only with exposure to the all the subjects of SCM with concepts and case study exercises.

It is in this context I have been telling that the professionals are required to be more careful than before and the company's sustenance and progress is heavily resting on the skill and knowledge strength and competence of their SCM.

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“Can taxation create wealth in a society? If the answer is in the affirmative, its logical extension will be that rationalization of taxation should end up creating more wealth. Firstly, as we understand, taxation, per se, is more about wealth distribution rather than its creation. But, if we rationalize this well known instrument of wealth distribution, can we expect some wealth creation in the bargain? As India is now just at the threshold of creating history in the realm of taxation in the form of GST, these are the moot points to consider.”

“It is a paradoxical truth that the tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenue in the long run is to cut the tax rates.” - John. F. Kennedy

“For a nation to try to tax itself to prosperity is like a man standing in a bucket and trying to lift himself up by the handle.”- Winston Churchill

Introduction: From the two quotes above, is there an apparent conflict of ideas as far as taxation is concerned, between the statements of two stalwarts i.e one erstwhile American President and the other a British Prime Minister when we look at what they said? Yes, indeed, we can match the sarcastic pessimism of the British PM with the benign optimism of the American President through our instrument of taxation called GST.

Introduced for the first time in the western European country of France, known for its creativity and innovation, in 1954, GST has been adopted by many countries so far, not all of them with encouraging results. So, GST is definitely not a panacea for bringing about economic prosperity, then what is waiting for us in India?

Taxation and wealth creation: Traditionally, taxation has been an instrument of revenue generation by the government. As our country’s economy has been progressing further, tax has been used more to re-distribute wealth from the rich to the poor and have also been used in order to influence the economic behavior of people. Examples are tax encouragement for housing and saving and punitive tax structure for smoking and gambling, which are instances of influencing behavior constructively.

But, the challenges with the GST are that all its elements i.e customs, VAT, excise and sales tax are regressive and indirect. A regressive tax is generally uniform and the tax rate apparently goes up with income coming down. So, because the poor have less disposable income, even though they have the same tax rate on sales tax, relatively, they are paying more on the tax than someone who has more disposable income. Advanced countries have attempted to reduce this inherent regressive nature of indirect tax by exempting basics like food and clothing. In the absence of any such measures in India, will a reform in the regressive indirect taxation bring about wealth creation?

But then, what is wealth creation? Wealth is said to be created when the surplus generated from the present economic activity is reinvested to generate higher surplus which leads to capital formation. Wealth is also purported to be created when any economic reform spurs further economic activities which, in turn, create higher surplus at a low input cost. Does GST stand this scrutiny? The answer is more ‘Yes’ than ‘No’. Let us see how.
Purported marvels of GST:

i) It will unify the whole of India under a common tax umbrella including Jammu and Kashmir which has been so far left out of the ambit of service tax. This should spur manufacturing activity in Jammu and Kashmir, at least to some extent, its political turmoil notwithstanding.

ii) It is likely to set right, at least, to some extent, the uneven distribution of contribution of manufacturing and service sectors to the GDP. As GST will be harder on service and softer on manufacturing, it would create larger number of jobs in the lower strata.

iii) “Make in India” initiative is likely to get a boost.

iv) GST is expected to create a shift from a complex, multilayered and cascading indirect tax system to a single unified indirect tax system that permits tax set-off across the value chain both for goods and services. Beneficial effects will be more pronounced on goods as its supply chain is longer.

v) Interstate barriers to the trade of goods in the form of location based tax requirement have led to deadweight losses with respect to transportation transit time creating inefficiency in the supply chain. GST is expected to reduce the compliance scrutiny thereby leading to seamless movements of goods interstate.

vi) Now, on average, a trucker loses about six hours daily in tax compliance matters at the interstate borders. That is likely to be a matter of the past.

vii) GST will, hopefully, lead to a more efficient re-allocation of resources in the economy. At present all decisions regarding supply and distribution are guided by the need to minimize the impact of indirect taxes. Cost and proximity to market will dictate supply chains henceforth.

viii) Making India the global hub of manufacturing which appears to be far cry today, is likely to be founded on the eco-system that GST is likely to create.

Conclusion: The crux of the issue is not the promise and the potential, it is the implementation. Firstly, the uniform tax rate quantum that can do justice to both goods and services produced in the country and secondly, the initial boost in GDP will have to be sustained by dedicated manufacturing effort and discipline which have been lacking so far.
Impact of GST on E-Commerce in India

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E-commerce means the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. E-commerce companies follow different supply chain models. Some provide only a web portal for buyers and sellers to meet, and charge a % Commission when any product is sold. This means they provide only services and are currently liable to pay service tax. Some other e-commerce companies provide end-to-end customer service, i.e. they even raise a VAT invoice for selling goods along with providing services. Broadly, impact of GST on all e-commerce companies will be huge. This is mostly because,

1. E-commerce companies sell across all states in India. GST, being a consumer based taxation regime, GST is to be paid in the state where the goods or services are consumed. This will lead to huge complexities in record keeping, accounting, and compliance (returns etc.)

2. Currently, Octroi and Local Body Tax (LBT) are proving to be a real pain to e-commerce companies. Some e-commerce companies do not deliver in some cities (eg. Aurangabad) due to huge LBT litigation faced by them. The disagreements between them and the authorities, is a different issue altogether. However, Octroi and LBT being subsumed into GST, all e-commerce companies will face the brunt of higher rate of GST tax.

Many e-commerce companies, that currently avoid certain taxes, will be included in the broadening tax base of GST, and their tax expenditure would increase. However, with the rising e-commerce market, the government is expected to provide some incentives/exemptions for hardships faced on the regulatory front by such companies.

Key impacts for an e-commerce company on account of GST

Pricing impact: The output rate of tax could be higher for the company compared to the current service tax rate. However, the companies should have a higher credit pool than they do in the current regime, which could reduce the prices of their services.

Place of supply in case of B2C transactions would be the location of the service provider.

Place of supply in case of B2B transactions would be the location of the service recipient: It will be important to examine whether there would be rules to define inter-state service or intrastate service. This could be important to understand additional compliance requirement for e-commerce companies. For instance, in case it is stated that e-commerce companies would need to pay applicable CGST + SGST in the state where the service recipient is located, it would result in e-commerce companies taking registration in almost all the states where the service recipients (i.e. vendors) are located.

Compliance requirement: Currently, e-commerce companies discharge their output service tax liability through centralised registration. Under GST, the centralised registration option may not be available. Hence, e-commerce companies would need to as such obtain registration in each state where they have their place of business, resulting in increased compliances.
Today e-commerce in India is mired in a host of taxes: VAT / CST / Excise / Service Tax / TDS with more than one tax applicable on any given transaction. Involvement of logistics / reverse logistics, advertising & promotion services, goods like software, music, e-books etc. makes it hard to differentiate Goods & Services component of each transaction. The prevalence of statutory forms / e-way bills etc., make it complex to do interstate transactions. Market places also need to comply with requirements of registrations and declaration of turnover to multiple state tax departments. Under GST, India would become a common market and drive uniformity, reduce compliance costs. Due to restrictions on cross utilization of input of central taxes against state taxes there is price escalation due to taxes sticking to products sold.

A number of e-commerce transactions are also undefined in tax laws (Ex: e-wallet, gift vouchers, drop shipments, advance receipts, COD etc.). With interstate transactions becoming tax neutral vis-à-vis local sales under GST, the warehousing strategy of ecommerce companies would also need reengineering to meet client proximity needs and not be driven by tax consideration. On the positive side pricing of product, profitability would be more predictable and agnostic to destination of customer.

For e-commerce companies who buy stock, store inventory and sell, in place of 12.5% Excise they will have to shell out 17-18% GST thus driving up prices. They will also be taxed on unsold inventory held in warehouses.

**Model draft GST Law:**

The model draft GST law lays to rest many of these confusions and provides clarity on valuation, definition of services (all intangibles) and goods, Place of supply and point of taxation. The model draft law also defines terms such as ‘electronic commerce’, ‘aggregator’, ‘electronic commerce operator’ etc.

**Business Process Change:**

Registration: Sellers or suppliers on e-commerce platforms will have to register under GST irrespective of threshold which could be unfair as it is not applicable to offline sellers who are below threshold (Turnover of 10 lakhs for Rest of India and 5 Lakhs for NE states and Sikkim). Ecommerce companies like Amazon and Flipkart operate under the market place model, wherein they store the goods from sellers at their warehouse and supply to end users upon receiving orders. These warehouses are registered as additional place of business under local VAT by sellers and e-commerce companies do not register under VAT.

Under GST both ecommerce companies and sellers would have to simultaneously register these warehouses as Principal and Additional Place of Business, respectively. This would be challenging as these warehouses do not have dealer wise physically segregated or designated areas within the warehouse.

**Stock Transfer:** Also the treatment of stock transfer from seller to the warehouse under GST would be different as any ‘supply’ is taxable. This might lead to cascading of taxes as typically sellers do not ‘sell’ stock to e-commerce companies.

However, on the positive side the ‘Fulfilled by Amazon’, ‘Flipkart Advantage’ or ‘Snapdeal Plus’ model wherein dealers store their products at warehouse is currently disallowed in states like Karnataka may be revived. Currently registration of market place warehouse as additional place of business is disallowed and under GST regime this may change. Market places will also have to take registration in each of the states (optional) and union territories.

Freebies and discounts: Freebies or discounts will have to be explicitly mentioned in the invoice to arrive at transaction value on which GST is applicable. Any post sale discount will attract GST.
**Place of Supply:** While determining place of supply of goods to customers may be easy to determine, the place of supply of services by ecommerce firms to the sellers may be little difficult (Ex: for large vendors like shoppers stop who supply from multiple locations).

**Tax Deduction at Source (TDS):** Under the prevailing tax laws sellers on e-commerce platforms are required to deduct Tax at source (TDS) on the commission they pay to the platform. They would have to deposit the TDS, obtain Form 16 submit to the e-commerce player and get refund (Since in practice, platforms deduct their commission and pay to seller thereby sellers do not have an option to deduct TDS on commission).

The entire process has been flipped over in Model draft GST, wherein the marketplace would deduct its commission as well as TDS (presumably @ 1%) and file TDS return. The TDS deducted would appear automatically as credit in the electronic credit ledger of seller which he can use to discharge his tax liability. The impact is graver when sales returns happen (ecommerce grapples with 10-20% returns based on product type) and the deducted TDS has to be reversed.

**Return Matching:** Both e-commerce player and seller will have to upload invoice wise details of supplies in their respective returns and the GST system will match them. In case of any supply reported by platform and not reported by marketplace, unless reconciled will be added to the liability of the seller which appears to be harsh.

**Impact:** Apart from sudden increase in compliance needs for both seller and ecommerce platform, new rules impact cash flows of small sellers (due to TDS). If an ecommerce platform wrongfully reports supply against a seller unless reconciled, it is considered as supply by seller which is unfair. The platforms will have to develop mechanism for all cash to flow through their platform to seller such that TDS can be effected. In case of direct shipping by seller to the end customer, cash on delivery has to be disabled. More clarity needed on other forms of e-commerce in areas of logistics (aka Ola / Uber), ticketing and tourism (Ex: IRCTC/goibibo/makemytrip), adventure or events (Ex: Thrillophilia), Hotels or resort bookings (Trip advisor) and B2B e-commerce (Indiamart, Capital float etc.) and other similar industries wherein sellers supply services to end customers but not necessarily involve cash flow via the platform. Commission in many cases is collected periodically (Ex: Drivers paying commission on cash payments to platform by end of month).

**System Changes:** Market places will have to make necessary changes to their ERPs to handle the new requirements emerging due to GST:

Each Order or Invoice will now need to carry Harmonised System of Nomenclature (HSN) or Service Accounting Code (SAC) code as well.

- Place of Supply has to be determined (based on GSTIN for B2B and delivery address for B2C) ERP needs to be tweaked for deduction and accounting of TDS and reversal of the same in case of sales return.
- Return filing in itself be a huge process (reporting invoice level sales, debit notes, tracking mismatches etc.)

**Conclusion:**

While ‘legal recognition’ to e-commerce model in India as per GST Act is a welcome move, more needs to be done to address the complexities in execution of the same. The sooner they are settled, smoother will be the rollout of GST.
GST is an evolution of the current tax regime, transforming the complex and cascading structure into a unified value added system of taxation. Under this, a value added tax would be levied at every point of the supply chain providing for credit for any/all taxes paid previously.

Keeping in line with the governance structure of the country GST would be levied simultaneous by the Centre and State (CGST and SGST respectively). All essential characteristics in terms of its structure, design applicability, etc. would be common between CGST and SGST, across all states.

GST is expected to replace most of the current applicable indirect taxes

Issues with current Tax Regime:

1) Logistic cost considered as significant impediments of the manufacturing sector. As per recent survey, about 70 textiles, electronics, auto components, and heavy-engineering companies in India reveals that manufacturing firms incur relatively higher costs in logistics vis-à-vis the “usual suspects” like power and labor. The cost of logistics ranges from over 10 percent of net sales for auto components to over 14 percent for electronics.

Below are comparative representation of logistics cost as percentage of GDP
2) Check posts are also biggest hurdles in free inter-State movement of goods and is dividing India into various small markets and also responsible for impacting significantly the costs and competitiveness of the firms in terms of inventory cost and inventory carrying cost.

**Business implication of GST:**

1) Logistics and supply chains will go through with major changes as sourcing, distribution and warehousing decisions (which are currently planned based on state level tax avoidance mechanisms instead of operational efficiencies) will be reorganized to leverage efficiencies of scale, location and other factors relevant to the business.

2) Rationalization of Warehouses and Transport network; GST would eliminate the existing penalties on interstate sales transactions and facilitate consolidation of vendors and suppliers. This will eliminate the need to have state wise warehouses to avoid CST.

3) It will also improve efficiencies, better control in terms of ERP and reduction in inventory due to lesser numbers of stocking points and cases of stock outs. This would allow a firm to take advantage of economies of scale and consolidate warehouses at the same time reduce capital deployed in the business.

4) A rationalization similar to warehousing can also be done in distribution and transportation routes as tax ceases to become the deciding factor. Since the tax rates across states are envisaged to be uniform, state boundaries will no longer be the parameter for deciding routes. At the same time, with larger warehouses, transportation lot sizes will automatically increase, making way for more efficient bigger trucks.

Above cost comparison (Pre & Post GST) clarifies how GST support demand & supply matching and backs warehouse and space optimization to achieve more profitably for companies.

Thus GST offers competitive advantage to the business through better service and faster turnaround times at lower costs. It is an opportunity for Supply chain companies to revisit Supply Chain & Distribution strategy, and identify what is required to become GST ready. Those who move early are likely to gain an advantage on cost and service levels over their competitors and deliver a better value proposition to the customer.
Are you ready for GST?

GST would bring in significant change in doing business in India. Advocacy for best practices, gearing up for changes in processes, training teams and developing IT systems for being GST compliant are the key areas to be assessed.

The Government is committed to introduce GST by April 2017. Tax payers need to be GST compliant to be able to test system changes in time. Depending on the operating geographies, size and sector, the changes would be substantial and may require proactive planning with a time-bound action plan.

In order to prepare for the implementation of GST, companies need to understand GST policy development and its implications for scenario planning and transition roadmap preparation.

Impact of GST on business

<table>
<thead>
<tr>
<th>Sourcing</th>
<th>• Inter-state procurement could proveviable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• May open opportunities to consolidate suppliers/vendors</td>
</tr>
<tr>
<td></td>
<td>• Additional duty/CVD and Special Additional duty components of customs duty to be replaced</td>
</tr>
<tr>
<td>Distribution</td>
<td>• Changes in tax system could warrant changes in both procurement and distribution arrangements</td>
</tr>
<tr>
<td></td>
<td>• Current arrangements for distribution of finished goods may no longer be optimal with the removal of the concept of excise duty on manufacturing</td>
</tr>
<tr>
<td></td>
<td>• Current network structure and product flows may need review and possible alteration</td>
</tr>
<tr>
<td>Pricing and profitability</td>
<td>• Tax savings resulting from the GST structure would require re-pricing of products</td>
</tr>
<tr>
<td></td>
<td>• Margins or price mark-ups would also need to be re-examined</td>
</tr>
<tr>
<td>Cash flow</td>
<td>• Removal of the concept of excise duty on manufacturing could result in improvement in cash flow and inventory costs as GST would now be paid at the time of sale/supply rather than at the time or removal of goods from the factory.</td>
</tr>
<tr>
<td>System changes and transaction management</td>
<td>• Potential changes to accounting and IT systems in areas of master data, supply chain transactions, system design</td>
</tr>
<tr>
<td></td>
<td>• Existing open transactions and balances as on the cut-off date need to be migrated out to ensure smooth transition to GST</td>
</tr>
<tr>
<td></td>
<td>• Changes to supply chain reports (e.g., purchase register, sales register, services register), other tax reports and forms (e.g., invoices, purchase orders) need review</td>
</tr>
<tr>
<td></td>
<td>• Appropriate measures such as training of employees, compliance under GST, customer education, and tracking of inventory credit are needed to ensure smooth transition to the GST regime</td>
</tr>
</tbody>
</table>
Salient features of GST in Indian System:

- The power to make laws in respect of supplies in the course of inter-state trade or commerce will be vested only in the Union Government. States will have the right to levy GST on intra-state transactions, including on services.
- The Centre will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services other than on alcohol for human consumption.
- Central taxes such as Central Excise duty, Additional Excise duty, Service tax, Additional Custom duty and Special Additional duty as well as state-level taxes such as VAT or sales tax, Central Sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi will subsume in GST.
- Petroleum and petroleum products, i.e., crude, high speed diesel, motor spirit, aviation turbine fuel and natural gas, shall be subject to GST - date to be notified by the GST Council.
- Provision will be made for removing imposition of entry tax/Octroi across India.
- Entertainment tax, imposed by states on movie, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- GST may be levied on the sale of newspapers and advertisements. This would mean substantial incremental revenues for the Government.
- Stamp duties, typically imposed on legal agreements by states, will continue to be levied.
- Administration of GST will be the responsibility of the GST Council, which will be the apex policy making body for GST. Members of GST Council comprise Central and State ministers in charge of the finance portfolio.

GST BUSINESS IMPACT
Benefits of GST

GST has been envisaged as an efficient tax system, neutral in its application and distributionally attractive. The advantages of GST are:

- Wider tax base, necessary for lowering tax rates and eliminating classification disputes
- Elimination of multiplicity of taxes and their cascading effects
- Rationalization of tax structure and simplification of compliance procedures
- Harmonization of center and state tax administrations, which would reduce duplication and compliance costs
- Automation of compliance procedures to reduce errors and increase efficiency

Taxes to be subsumed: GST would replace most indirect taxes currently in place such as:

<table>
<thead>
<tr>
<th>Central Taxes</th>
<th>State Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Excise Duty [including additional excise duties, excise duty under</td>
<td>• Value-added tax</td>
</tr>
<tr>
<td>the Medicinal and Toilet Preparations (Excise Duties) Act, 1955]</td>
<td>• Octroi and Entry tax</td>
</tr>
<tr>
<td>Service tax</td>
<td>• Purchase tax</td>
</tr>
<tr>
<td>Additional Customs Duty (CVD)</td>
<td>• Luxury tax</td>
</tr>
<tr>
<td>Special Additional Duty of Customs (SAD)</td>
<td>• Taxes on lottery, betting and gambling</td>
</tr>
<tr>
<td>Central Sales Tax (levied by the Centre and collected by the States)</td>
<td>• State cesses and surcharges</td>
</tr>
<tr>
<td>Central surcharges and cesses (relating to supply of goods and services)</td>
<td>• Entertainment tax (other than the tax levied by the local bodies)</td>
</tr>
</tbody>
</table>

Courtesy: www.ey.com
Frequently Asked Questions (FAQs) on Goods and Services Tax (GST)

Question 1 : What is GST? How does it work?

Answer: GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Question 2 : What are the benefits of GST?

Answer : The benefits of GST can be summarized as under:

For business and industry

- Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

- Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

- Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

- Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

- Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

For Central and State Governments

- Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

- Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

- Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
For the consumer

- Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

- Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Question 3: Which taxes at the Centre and State level are being subsumed into GST?

Answer: At the Central level, the following taxes are being subsumed:

a. Central Excise Duty,
b. Additional Excise Duty,
c. Service Tax,
d. Additional Customs Duty commonly known as Countervailing Duty, and
e. Special Additional Duty of Customs.

At the State level, the following taxes are being subsumed:

a. Subsuming of State Value Added Tax/Sales Tax,
b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
c. Octroi and Entry tax,
d. Purchase Tax,
e. Luxury tax, and
f. Taxes on lottery, betting and gambling.

Question 4: How would GST be administered in India?

Answer: Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Question 5: How would a particular transaction of goods and services be taxed simultaneously under Central GST (CGST) and State GST (SGST)?

Answer: The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.
A diagrammatic representation of the working of the Dual GST model within a State is shown in Figure 1 below.

**Figure 1: GST within State**

**Dual GST within State: Working Example**

- **State**
  - SGST @10%
  - SGST Paid = Rs. 10
  - (Rs. 20 – Rs. 10 Input Tax Credit)

- **Timber Maker**
  - CGST @10%
  - CGST Paid = Rs. 10
  - (Rs. 20 – Rs. 10 Input Tax Credit)

- **Furniture Maker**
  - CGST @10%
  - CGST Paid = Rs. 10
  - (Rs. 20 – Rs. 10 Input Tax Credit)

- **Furniture Retailer**
  - CGST @10%
  - CGST Paid = Rs. 10
  - (Rs. 20 – Rs. 10 Input Tax Credit)

- **Final Consumer**
  - CGST @10%
  - CGST Paid = Rs. 10
  - (Rs. 20 – Rs. 10 Input Tax Credit)

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**Question 6:** Will cross utilization of credits between goods and services be allowed under GST regime?

**Answer:** Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained in answer to the next question.

**Question 7:** How will Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?

**Answer:** In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since, GST is a destination-based tax; all SGST on the final product will ordinarily accrue to the consuming State.
A diagrammatic representation of the working of the IGST model for inter-State transactions is shown in Figure 2.

**Question 8 : How will IT be used for the implementation of GST?**

**Answer :** For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.

GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.

There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.
Question 9: How will imports be taxed under GST?

Answer: The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST will be levied on all imports into the territory of India. Unlike in the present regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods.

Question 10: What are the major features of the proposed registration procedures under GST?

Answer: The major features of the proposed registration procedures under GST are as follows:

i. Existing dealers: Existing VAT/Central excise/Service Tax payers will not have to apply afresh for registration under GST.
ii. New dealers: Single application to be filed online for registration under GST.
iii. The registration number will be PAN based and will serve the purpose for Centre and State.
iv. Unified application to both tax authorities.
v. Each dealer to be given unique ID GSTIN.
vi. Deemed approval within three days.
vii. Post registration verification in risk based cases only.

Question 11: What are the major features of the proposed returns filing procedures under GST?

Answer: The major features of the proposed returns filing procedures under GST are as follows:

a. Common return would serve the purpose of both Centre and State Government.
b. There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
c. Small taxpayers: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
d. Filing of returns shall be completely online. All taxes can also be paid online.

Question 12: What are the major features of the proposed payment procedures under GST?

Answer: The major features of the proposed payments procedures under GST are as follows:

i. Electronic payment process- no generation of paper at any stage
ii. Single point interface for challan generation- GSTN
iii. Ease of payment – payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
iv. Common challan form with auto-population features
v. Use of single challan and single payment instrument
vi. Common set of authorized banks
vii. Common Accounting Codes

(Source: www.pib.gov.in)
RECAP OF EVENTS

8th August 2016 – In-house Training Program:

In-house training program conducted at Chennai for Executives of Mahindra First Choice Services on "Warehouse Management" on 8th August 2016 at their Chennai Unit. Mr. P.L. Mohan, Sr. Faculty handled the session. Program ended with very good interaction sessions and received excellent feedback from the participants.

31st August 2016 Annual General Body Meeting

The Annual General Body Meeting of IIMM, Bangalore Branch was held on 31.08.2016 @ 6.30 p.m. at Woodlands Hotel. As it was a working day and with the local traffic, the meeting finally commenced @ 6.45 p.m.

Hon. Secretary – Mr. K.V. Sudheendra confirmed the quorum. There were about 60 members who attended the AGM.

The meeting commenced with a formal invocation rendered by Mr. S.M. Nagaraj.

Mr. M.S. Shankar Narayanan, Branch Chairman welcomed the members and gave insights of achievement/activities during the year and programs planned for the future.

Mr. K.V. Sudheendra, Hon. Secretary presented the Annual Report for the year 2015-16. He highlighted various activities of the Branch and special events conducted during the year. The report was proposed for adoption by Mr. H. R. T. Chari and seconded by Mr. Ahobala Rao, senior member. The report was unanimously adopted.

Mr. D. Lakshmaiah, Hon. Treasurer presented the Income & Expenditure and Balance Sheet for the year 2015-16, which was proposed for adoption by Mr. P.S. Sathish another senior member and was seconded by Mr. Abdul Kader. It was resolved that M/s A.N. Sriram and Associates would continue to be our Internal Auditors. Subsequently, office bearer clarified a point raised by Mr. G.S. Raju with regards the remuneration to be paid for the internal auditors by the branch, to which Mr. Shankar Narayanan, Branch Chairman clarified that professional fees being paid to Internal auditor is Rs.9,000/- which was fixed in previous year and same would continue for the current year too.

Mr. C. L. Kapoor, National Awardees and Branch Adviser, suggested EC to take up the following points to implement current year along with other Educational & Professional development activities:

- GST Seminar to be arranged at the earliest
- Short Term courses with reasonable fees to be conducted
- Increase Institutional Membership
- Skill Development Programs
- SCALE 2016

Mr. H.R.T. Chari, Distinguished member suggested following points to take action:

- Large Scale Institutional Membership & Membership Subscription renewals
- Have a tie-up with colleges

Mr. Subramani, VP (South) suggested:

- Recognition of courses by the PSU’s – Meet PSUs with letter;
- Mission 100 – Opening of more branches to reach more professional activities – more professionals increase membership – development of Regional Branches
RECAP OF EVENTS

Mr. C. Subbakrishna, Former National President, addressed the gathering and he has announced that he has decided to donate a sum of Rupees One Lakh to IIMM Bangalore Branch as Corpus fund, to be utilized for prize/presentation every year on the occasion for honoring rank holder’s. The Program for which this will be instituted will be discussed and finalized. Mr. HRT Chari suggested unused office space for renting out, it was also clarified by the former National President that the Institute is not empowered to sub-let the unused premises as it would amount to earning of an income. As IIMM being a non-profitable institution, renting out of unused premises is ruled out. He also indicated that there must be good participation for NATCOM from Bangalore branch.

On a point raised by Mr Chari on KSOU issues, Mr. Srinivas V. Rao, Branch Vice Chairman clarified that recently there was meeting held between IIMM Bangalore and VC of KSOU, upon which it was revealed that the KSOU had to complete certain documentations and need to be submitted to UGC, which is in process and within a month’s time, a positive results from UGC can be expected, based on which KSOU will guide us further. Hence, we need to wait for the official notification from KSOU in this regards for some more time.

The Vice Chairman further appealed to all the members present in the meeting for their participation in forthcoming programs and requested them to share with others as well and make the programs a grand success.

Finally, Mr. Srinivas Rao thanked all members for their co-operation and participation and expected them to continue in future. He also thanked all the Committee members and National Presidents, Senior Members, Faculty and Students for their continued encouragement co-operation and support. He also thanked Industries, Private and Public Sectors and Government organizations for their continued support and co-operation and giving an opportunity to conduct in-house training programs, Consultancy and sponsoring delegate for executive development programs and SCALE. He also thanked the Branch Staff for their excellent co-operation and support in the growth of activities of the Institute.

The AGM concluded with dinner

6th September 2016 – Teachers Day Celebration:

To commemorate Teachers Day, a Faculty meeting was organized on 6th September 2016 at IIMM Conference Hall. Faculty Members and Students were invited for this program. Mr. M.S. Shankar Narayanan, Branch Chairman welcomed them with a Bouquet and invited Faculty and Students to share their experiences. Mr. H.R.T. Chari, Distinguished Member and Sr Faculty and other faculties shared their views and suggestion.

15th and 16th September – Two Days Workshop:

Two days workshop on “Introduction to Supply Chain Management” conducted for executives of ARIBA Technology on 15th and 16th September 2016 at Their Venue at Ariba Technologies, Jaymahal Vilas Extn. Corporate Office, Bangalore. About 20 participants were attended the program. Mr. C. Subbakrishna, Mr. M.S. Shankar Narayanan, Dr. A.K. Bandopadyaya and Mr. P.L. Mohan Sr. Faculty handled the sessions. Program ended with very good interaction sessions and received excellent feedback from the ARIBA Executives.

22nd and 23rd September 2016 – Two Days Workshops:

Two days workshop on “International Trade” was organized on 22nd and 23rd September 2016 at IIMM Conference Hall, Bangalore. Mr. C. Subbakrishna, Mr. M.S. Shankar Narayanan, Mr. Abdul Kader and Mr. H.R. Gowri Shankar, Sr. Faculty handled the session. Program ended with very good interaction sessions and received excellent feedback from the participants.
BRANCH ACTIVITIES

Mr. H.R. Gowri Shankar Sr. Faculty Handling the Session on 23.09.2016

Mr. M.S. Shankarnarayanan, Branch Chairman welcoming members on 31.08.2016

Group photo Participants and Faculty

Mr. T.K. Ramasubbu, Sr. Faculty Handling the session

Mr. K.P. Rajendran, Sr. Faculty Handling the Session

Mr. Srinivas V. Rao, Vice Chairman, Proposing Vote of Thanks on 31.08.2016

Office Bearers Clarifying points raised by members in AGM on 31.08.2016

Mr. C. Subbakrishna, Sr. Faculty Handling the Session

Mr. D. Lakshmaiah, Hon. Treasurer, presenting Finance statement in AGM on 31.08.16

A view of Participants

Teacher’s day celebration on 6th September 2016 - Welcoming Faculty with bouquet

Appeal

1) Writers are requested to send their article to iimmbg@airtelmail.in /akashforce@gmail.com

2) Members are requested to send us their latest e-mail id, official and communication address to update our membership data base urgently.

3) All Communication are being sent by mail id only, Please send information to iimmbg@airtelmail.in

MATEMANEWS Advertisement Tariff

<table>
<thead>
<tr>
<th>Advertisement Tariff</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover Page Inside / Backside</td>
<td>20,000/-</td>
</tr>
<tr>
<td>Full Page</td>
<td>10,000/-</td>
</tr>
<tr>
<td>Half Page</td>
<td>5,000/-</td>
</tr>
<tr>
<td>Filler Page</td>
<td>2,500/-</td>
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</tbody>
</table>

MATEMANEWS, OCTOBER 2016
<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Course</th>
<th>Mode</th>
<th>Eligibility</th>
<th>Total Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Graduate Diploma in Materials Management (GDMM)</td>
<td>2 Years - Regular (Evening classes)</td>
<td>Engg. Diploma / Degree</td>
<td>Rs. 55,500/-</td>
</tr>
<tr>
<td>2</td>
<td>Graduate Diploma in Materials Management (GDMM)</td>
<td>2 Years - Distance</td>
<td>Engg. Diploma / Degree</td>
<td>Rs. 42,000/-</td>
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<tr>
<td>3</td>
<td>PG Diploma in Materials Management (PGDMM)</td>
<td>3 Years - Distance</td>
<td>Degree/GDMM with minimum 55% marks + 2 Years Experience in MM/Supply Chain</td>
<td>Rs. 45,000/-</td>
</tr>
<tr>
<td>4</td>
<td>Post Graduate Diploma in Logistics Management</td>
<td>1 Year – Distance</td>
<td>Degree with 3 years experience</td>
<td>Rs. 18,000/-</td>
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<tr>
<td>5</td>
<td>Diploma in Stores Management (DSM)</td>
<td>1 Year - Distance</td>
<td>Engg Diploma/Degree or Higher Secondary with 2 years Experience</td>
<td>Rs. 9,900/-</td>
</tr>
<tr>
<td>6</td>
<td>Diploma in International Trade (UIT)</td>
<td>1 Year - Distance</td>
<td>Engg Diploma/Degree or Higher Secondary with 2 years Experience</td>
<td>Rs. 9,900/-</td>
</tr>
<tr>
<td>7</td>
<td>International Diploma in Purchasing and Supply Chain Management (in association with ITC/WTO)</td>
<td>IntI. Certificate – 6 Months (6 Modules, Advance Certificate – 6 Months +6 Modules) IntI.Diploma – 6 months (+3 Modules + Project)</td>
<td>Degree + 2 Years Experience in Purchase/Supply.</td>
<td>Course Fee: Rs. 2,500/- per Module Proj. Rs. 3,500/- Exam Fee: Rs. 1,500/- per Module</td>
</tr>
<tr>
<td>8</td>
<td>Certified Professional Supply Manager (CPSM) in association with Institute of Supply Mgt, USA</td>
<td>Min six months - Distance</td>
<td>Degree + 5 Years Experience</td>
<td>Rs. 20,000/-</td>
</tr>
<tr>
<td>9</td>
<td>Graduate Diploma in Public Procurement (GDPP)</td>
<td>1 year – Distance</td>
<td>Engg. Diploma / Degree</td>
<td>Contact our NHQ Edn. Wing</td>
</tr>
<tr>
<td>10</td>
<td>Certificate Course International Trade (International Trade)</td>
<td>6 Months – Regular (Evening Classes)</td>
<td>12th Std and above</td>
<td>Rs. 12,000/-</td>
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<tr>
<td>11</td>
<td>CIT (Certificate Course on International Trade)</td>
<td>6 Months (Regular - Classes will be conducted weekly three days in the evening 6.30pm to 8.30pm</td>
<td>Any Degree /12th Standard</td>
<td>Rs. 14,000</td>
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<tr>
<td>12</td>
<td>SKILL Development Program Purchasing Management Stores Management</td>
<td>4 Months to 6 Months</td>
<td>10th 12th Standards, with Working People</td>
<td>As per Govt. Notification</td>
</tr>
<tr>
<td>13</td>
<td>PDPP (Professional Diploma in Public Procurement (In association with World Bank)</td>
<td>6 Months</td>
<td>Graduates /Post Graduates or Engg. Diploma with three years experience</td>
<td>Rs. 20,000/-</td>
</tr>
</tbody>
</table>

For more details and prospectus, please contact IIMM Secretariat
- January – June 2017 Batch Prospectus and Applications are being issued.
- For further details and prospectus please contact IIMM Bangalore Branch Secretariat at the following address:

Indian Institute of Materials Management
304,306 & 307 ‘A’ wing, Mittal Towers M.G. Road, Bangalore - 560 001,
Tel: 25327251 -52 -53,40921766, Fax: 25327253
E-mail: iimmbg@airtelmail.in;
Website: www.iimmbangalore.org ; www.iimm.org

National Headquarters:
Plot No: 102 & 104, Sector-15, Institutional Area, CBD Belapur, Navi Mumbai-400 614,
Phone: 27565592
e-mail: iimm.edu@iimm.co.in ; iimmnhq55@gmail.com
All of us do not have equal talent. Yet, all of us have an equal opportunity to develop our talents.

- Ratan Tata