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Cost Management in Pharmaceutical Industry

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

CMA AWARDS 2015

CMA Awards recognize the significant contributions of CMAs in improving corporate governance, value creation and preservation, managing risk and control, achieving operational efficiency, promoting good CSR practices, and implementing innovative Cost and Management Accounting practices.

AWARDS CATEGORIES

CMA-CFO Awards	CMA - Achiever Awards	CMA -Young Achiever Awards
1. Manufacturing Sector- Public	4. Manufacturing Sector- Public	7. Manufacturing Sector- Public
2. Manufacturing Sector- Private	5. Manufacturing Sector- Private	8. Manufacturing Sector- Private
3. Service Sector	6. Service Sector	9. Service Sector

- Each category of the awards may be further sub divided in Large, Medium and Small on the basis of turnover of the company.
- Woman – CMAs Categories: This shall be a category within each of the above categories and women CMAs based on her nomination shall be considered for Awards.

NOMINATION GUIDELINES

1. Only CMAs in employment are eligible for these awards.
2. CFO heading the Finance Department of a company or holding Board Level position shall be eligible for nomination in **'CMA-CFO Awards'**.
3. CMAs not eligible under serial number 2 above but having minimum 15 years of post-qualification experience shall be eligible for participation in **'CMA-Achiever Awards'**.
4. CMAs not eligible under serial number 2 & 3 above but having minimum 10 years of post-qualification experience and are below 45 years of age shall be eligible for participation in **'CMA-Young Achiever Awards'**.
5. CMA, who got the award from the Institute in the past in any of the category, shall not be eligible for nomination in the same category for next three years.
6. Screening Committee reserves the right to reject any nomination without assigning any reasons therefor.

NOMINATION REQUIREMENTS

The nomination form, duly signed, along with necessary documents shall be sent to **Ms. Sarika Agarwal, Assistant Director, The Institute of Cost Accountants of India, CMA Bhavan, 3, Institutional Area, Lodhi Road, New Delhi-110003 latest by 5th April, 2016.**

For details and nomination forms, please visit www.icmai.in

The Institute of Cost Accountants of India

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BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS ALWAYS A CMA

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The Institute of Cost Accountants of India

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

VISION STATEMENT

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a ***CMA***

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Greetings!!!

The Indian Pharmaceutical Industry has witnessed a robust growth over the past few years moving on from a turnover of approx US \$ 1 billion in 1990 to over US \$30 billion in 2015 of which the export turnover is approximately US \$ 15 billion. The country now ranks 3rd globally by volume of production and 14th by value, thereby accounting for around 10% of world's production by volume and 1.5% by value. Internationally, it ranks 4th in terms of generic production and 17th in terms of export value of bulk actives and dosage forms. Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US, West Europe, Japan and Australia. It has shown incredible progress in terms of infrastructure development, technology base creation and a wide range of products. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing technologies.

The Department of Pharmaceuticals (DoP) has announced the Scheme for Cluster Development Programme for Pharma Sector (CDP-PS) in July 2014 to enhance quality, productivity and innovative capabilities of the SME Pharma sector in the country. By this programme, the DoP is aiming to increase the competitiveness, easy to access standard testing facilities and value addition in the domestic pharma industry especially to SMEs through creation of common world class facilities.

Factors Influencing Growth of the Pharmaceutical Industry in India

✻ India exports drugs worth US\$ 15 billion to more than 200 countries including highly regulated markets in the US, Europe, Japan and Australia

✻ Large domestic pharmaceutical companies have continued to grow, assuming leadership position in many therapies and segments in the Indian market as well as creating a strong international exports

✻ Indian players have also developed expertise in significant biologics capabilities

✻ Multinational companies have continued to invest significantly in India and are making their presence felt across most segments of the Indian pharmaceuticals market. Companies have also begun to invest in increasing their presence in tier II cities and rural areas and making medical care more accessible to a large section of the Indian population

✻ Low cost of production including low R&D costs

✻ Innovative and scientific manpower

✻ Excellent and world-class national laboratories specializing in process development and development of cost effective technologies

✻ Increasing balance of trade in Pharmaceutical sector

✻ An efficient and cost effective source for procuring generic drugs

The Indian pharmaceutical market size is expected to grow to US\$ 100 billion by 2025, driven by increasing consumer spending, rapid urbanization, and raising healthcare insurance among others. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards persistent remedies for diseases such as cardiovascular, anti-diabetes, anti-depressants, anti-cancers, etc. The Indian government has taken many steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies. In addition, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also leads to sustainability of the pharmaceutical companies.

This issue also presents a good number of articles on the cover story theme '***Cost Management in Pharmaceutical Industry***' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

PRESIDENT'S COMMUNIQUE

Forget yesterday - it has already forgotten you. Don't sweat tomorrow - you haven't even met. Instead, open your eyes and your heart to a truly precious gift - today.

- Dr. Steve Maraboli

CMA P.V. Bhattad
President
The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskar.

At the outset, I thank the members of the profession for taking part in the **National CMA Practitioners' Convention 2016**, organised by the Institute in association with Eastern India Regional Council organized on 21st February, 2016 at J.N. Bose Auditorium, CMA Bhawan, Kolkata on the theme "CMA Profession – Achieving Excellence in New Horizon". Shri Rajendra Singh, Managing Director of Sukhmani Developers (P) Ltd. was the Chief Guest at this occasion. He acknowledged the role of CMAs in cost consciousness and cost leadership in global competitive environment. There were interactive sessions by Shri R. Asokan, Advisor (Cost), Cost Audit Branch along with other CAB Officials, CMA Kunal Banerjee, Past President of the Institute and CMA B.B. Goyal, Advisor, ICWAI-MARF. Participating members got their knowledge enriched on the topics like Companies (Cost Records and Audit) Rules 2014, Cost Audit Report filing, Cost Accounting Standards and Cost Auditing & Assurance Standards. I got an opportunity to address the participants and discussed various initiatives taken by the Council of the Institute for the overall growth of the profession and Institute. Over 300 practicing members of the Institute attended the convention.

Meeting with VIPs

On 1st February 2016 I got an opportunity to meet **Shri Amit Shah** and congratulate him on his re-election to the post of President, BJP. It was a privilege to meet and greet Prime Minister Hon'ble **Shri Narendra Modi**on 13th February 2016 at Mumbai during the inauguration of 'Make In India' Week and Finance Minister Hon'ble **Shri Arun Jaitley** on 14th February 2016 at Mumbai, when they visited the MCA pavilion. Institute was one of the partners of 'Make In India' week initiative of the Government of India and participated in the celebrations at Mumbai from 13th to 19th February 2016. The CMA fraternity is duty bound to give its humble support to the Government in its endeavour of optimising costs, improving efficiency and ushering an era of accountability.

National Woman CMAs Summit

I am pleased to inform you that the SIRC of the Institute is organising National Woman's CMA Summit 2016 on 8th March 2016 at Chennai to mark the International Women's Day on a very thoughtful theme 'WOMAN - A Key Player in Socio Economic Development' covering important sessions on 'Economic Development - Role of Professionals in Start-Up' and 'Social Development - Touching lives', where contribution of Woman Icons will be shared with one and all so that a roadmap for the future role could be devised. The Summit will provide a platform for Woman CMAs to interact with other professionals and eminent speakers on the significant role being played by the Woman in the Corporate and Professional areas. I urge all the woman CMAs to attend the Summit.

International Summit 2016

I wish to inform you that the Institute is organizing the International Summit 2016 on the theme 'Finance Leadership: New Approaches to Sustainable Growth', at Delhi on 10th&11thMarch 2016. I invite you to join this important event which is being organised by the Institute of Cost Accountants of India in association with The Prince's Accounting for Sustainability (A4S) Project. Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project. Summit will provide a networking platform to the participants to interact with International delegates as well as Board Members, CFO, Financial Controller, Senior Management, CMAs in Industry, Practicing CMAs and other Professionals etc.

CMA Awards 2015

To recognise the significant contributions of 'CMAs in employment', in improving corporate governance, value creation and preservation, managing risk and control, achieving operational efficiency, promoting good CSR practices, and implementing innovative Cost and Management Accounting Practices, the Institute has instituted 'CMA Awards'. These awards are presented every year on the foundation day of the Institute. The process of this year's CMA Awards has been started. This year there will be four categories of awards viz. CMA Ratna, CMA-CFO Awards, CMA Achiever Awards &CMA-Young Achiever Awards apart from annual CMA ICON of the year award presented during the NCC. Each category will be further divided into Large, Medium and Small on the basis of turnover of the company. To recognise the contribution of Woman CMAs, there will be a category within each of the above categories. Necessary information and questionnaire are available on the website of the Institute.

Women's Day Program at New Delhi:

I am pleased to inform you that the Internal Complaint Committee (ICC) of the Institute jointly with Centre for Social Research is organising Women's Day Program at India International Centre, Lodi Estate, New Delhi on 10th Mach 2016 on the theme 'Celebrating Womanhood: Enlightenment through education and empowerment through entrepreneurship'. Necessary details are available on the website. I urge the woman CMAs of the region to join the event to celebrate the womanhood.

Institute's comments on various issues:

On behalf of the Institute, we have submitted the comments on the Report of MCA's Company Law Committee,compiled and filed by the Professional Development department and also on draft CARO 2016 within due date to MCA. In order to safeguard the interest of members of the Institute, we are geared up to submit Institute's comments, within the due date, on the Companies (Cost Records and Audit) Amendment Rules, 2016 issued by the MCA. I urge the members of the profession to come forward and submit their suggestions on the amendment rules to the Institute for compilation, as per the details given on Institute's website. Professional Developmentdepartment compiled and filed comments on the Draft DERC Composite Tariff & Accounting Regulations 2015.

Heartiest felicitation

I, on behalf of the Institute, congratulate CMA Chandra Wadhwa and CMA Rakesh Singh, Fellow Membersand Former Presidents of the Institute on achieving professional milestones. CMA Chandra Wadhwa has been nominated as Government Nominee to the Council of the Institute of Chartered Accountants of India. CMA Rakesh Singh has been appointed by the CAPA Board, as member of the Governance and Audit Committee (GAC) of Confederation of Asian and Pacific Accountants (CAPA). I wish both of them success in all their future endeavours.

Initiatives by various departments of the Institute

CAASB Initiatives

I am glad to inform members that the Cost Auditing and Assurance Standards Board

(CAASB) completed the task of developing 15 more Standards on Cost Auditing (SCAs) to be sent to Central Government by 31st March 2016 for its approval in terms of provision contained in sub-section (3) of Section 148 of the Companies Act 2013. The following SCAs after approval of the Council are being sent to Central Government:

i. SCA-110 *Standard on Cost Auditing, "Written Representations"; and*

ii. *SCA-111 Standard on Cost Auditing, "Evaluation of Misstatements identified during the Cost Audit".*

CAASB in its meeting held in February 2016 approved the following SCAs and recommended for approval of the Council before these are forwarded to the Central Government for its approval:

i. Standard on Cost Auditing, "*Analytical Procedures*";

ii. Standard on Cost Auditing, "*Using the Work of Internal Auditors*";

iii. Standard on Cost Auditing, "*Using the Work of an Auditor's Expert*";

iv. Standard on Cost Auditing, "*Communication with Those Charged with Governance*"; and

v. Standard on Cost Auditing, "*Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*"

In the same meeting CAASB also approved the following Exposure Drafts (EDs) for public comments/ suggestions through the Institute website:

i. ED for SCA- "Identifying and Assessing the Risks of Material Misstatement"; and

ii. ED for SCA- "Related Parties".

The *Exposure Draft of SCA on The Cost Auditor's Responses to Assessed Risks* along with above two EDs is available on the Institute website for public comments/ suggestions. I request all stakeholders to send the comments/ suggestions thereon to CAASB latest by 16th March 2016 so that these may be improved upon before the same are sent to Central Government for its approval. I also urge all Chairmen of Regional Councils/ Chapters to hold seminars/ workshop and Study Circle meets for making members and professionalsconversant with the requirements and advocacy of Standards on Cost Auditing (SCAs) so that proper and necessary awareness on SCAs are created among them.

CAT Initiatives

I wish to share with you the campus placement program organised exclusively for INFOSYS for CAT students at Jaipur in the month of February 2016. I am happy to inform that CAT Directorate has planned more campus placement programs for the students in Jaipur/ Madurai and Pune in the days to come. Further, the Institute is very close to get two more States in the map of CAT Course with the support of the respective State Governments. The MoU with these State Governments is likely to be signed in the days to come.

Advanced Studies Department

I wish to inform the participants of three Diploma Courses viz. Diploma in Business Valuation, Diploma in IS Audit &Control and Diploma in Internal Audit that the webinars for 2ndbatch of three courses are being conducted as per the schedule. You may please attend those webinars.

CPD Initiatives

The Institute has amended two guidelines in the interest of the profession and members of the Institute w.e.f. 1stJanuary 2016 -Guidelines for Mandatory Training for all Members of the Institute under Continuing Education Programme and Guidelines for CEP Study Circles for the Members of the Institute. These amended guidelines are available on the website of the Institute. To increase the webinars for the benefit of members, interested CMAs with expertise in allied areas may please step forward to submit their brief profile through empanelment of Technical Experts. For details and link refer to the website of the Institute under Members section.

Examination Department

The results of December 2015 examinations for Intermediate, Final,3 Diploma courses and Management Accountancy courses were declared on 21st February 2016.The pass percentage for Intermediate and Final under2012 syllabus was 28% and 22% respectively.I wish the successful candidates a very bright future and urge those students, who could not succeed this time, to work hard for next attempt.

Studies Department

I wish to inform you that the Institute is embarking upon a new syllabus (Syllabus-2016) which will come into effect from 1st August 2016. The syllabus has been framed after lot of discussions and deliberations among the members of the Training & Education Facilities Committee and other experts to ensure that matters of contemporary interest having a bearing on the cost and management accountancy profession are included. While attempt has been made to make the syllabus-2016 student friendly, all topics of academic and practical importance, which the corporate sector and the industry would like a student to know, have been included. The detailed syllabus 2016 can be viewed on Institute's website www.icmai.in.

Membership Department

I feel pleasure to welcome and congratulate all the new 183 members who have been granted Associate membership and the 42 Associate members who have been advanced to Fellowship during the month of February 2016. Members holding Certificate of Practice are kindly aware that the validity of the current CoP will be till 31st March 2016. An advisory for renewal of CoP for the year 2016-2017 has been uploaded in the member's section of the Institute's website under the link "Guidelines/Circulars" and "Forms". I would call upon all CoP holders to send their application for CoP renewal along with necessary form and payment well before 31st March 2016.

Placement Initiatives

As earlier informed that results of December 2015 term examinations have already been announced and the final qualified students must be eagerly waiting for the campus placement program to be held during April 2016. In order to enhance the confidence level of these students, 15 days Orientation Program as conducted for the June 15 students, has been scheduled from 28th February 2016. This time Hyderabad has been added as the 9th location for conducting the pre-placement orientation programme. I am confident the students would find the programme purposeful to enhance their interview skills before facing the Companies during the campus placement programme.

Other Initiatives

I wish to inform that the a **One Week Faculty Development Program** for professionals and academicians on 'Business and Financial Market Analysis' was jointly organized by the Institute, University of Calcutta-Calcutta Stock Exchange-Centre for Excellence in Financial Markets, (CUCSE-CEFM) and University of Calcutta from 22nd February 2016 to 28th February 2016. The seven days interactive, refreshing and riveting program concluded with the expectation to organize more of such sessions in near future. **Navi Mumbai Chapter** of the Institute organised Seminar on Ind AS &the Companies Act, 2013 Accountants' Perspective on 13th February, 2016 at Navi Mumbai. **NIRC of the Institute** organised Northern Regional Student Convention, at New Delhi, on 13th February 2016. **Vishakhapatnam Chapter of the Institute**organised various eventson 19th- 21st February 2016 at Vishakhapatnam to mark the Golden Jubilee celebrationsof the Chapter. I congratulate the Vishakhapatnam Chapter, for completing the glorious 50years of its untiring service to the members, students and stakeholders.

I wish prosperity and happiness to members, students and their families on the occasion of Maha Shivaratri and Holi.

With warm regards,

(CMA P.V. Bhattad)
1st March 2016

LETTERS TO EDITOR

Sir,
This is with reference to Article "Capital Recovery under levelized DCF tariff for Gas Pipeline in India". The tariff working given in Table 1 is incomplete. The working for the levelized tariff of Rs.11.84 is not given.
As per the Regulation, the tariff should take into account operating expenses, depreciation as per Companies Act and return on capital employed. If depreciation as per Companies Act and return on capital employed at 17.91% had been considered, the levelized tariff would not have been Rs.11.84. The author may like to review.

CMA E. Elango,
GM Finance, Neyveli Lignite Corporation Ltd., Neyveli

Dear Sir,
Thanks for your observation on my Article "Capital Recovery under levelized DCF tariff for Gas Pipeline".
My point wise submission to queries is as follows:
1. Tariff working in table 1 is complete, tariff amount is worked out by goal seek method where the net present value at the allowed return comes to zero. Under the DCF method depreciation is not a separate line item but recovered along with return. In fact the main objective of the article is to break the capital recovery (depreciation) and return.
2. One of the objectives of my article is to highlight that considering depreciation as per Companies Act may not be the correct approach mainly on two accounts (i) different entities are using different depreciation rate even under the Companies Act and (ii) levelizing of tariff over economic life.
I hope I have clarified your queries; however, I will be happy to answer further queries if any.

CMA Neeraj Pasricha
Reliance Industries Ltd, New Delhi

Sir,
Thank you CMA Neeraj Pasricha. I agree that Table I is complete. I understand your point.

CMA E. Elango

"If 'Make in India' has to succeed, we actually have to become a low cost manufacturing hub..."

Hon'ble Finance Minister, Shri Arun Jaitley's speech at the 57th National Cost Convention (NCC 2016)

The President of the Institute, Shri Pramod Kumar Bhattad Ji, the Vice President, Shri Thakur, Secretary, Dept of Corporate Affairs, Shri Ray, the Chairperson of the ONGC, Shri D K Saraf, and friends, let me at the very outset express my gratitude to the Institute of Cost Accountants for having invited me to your annual conference wherein relation to the Make in India campaign of the Hon'ble Prime Minister, you have kept the subject of Cost Competitiveness, as the theme of this year's convention itself. Cost Competitiveness is at the key of any kind of economic activity. I recollect, there was a time period of about 20-25 years ago when we realized that the global economy was being integrated and in third world countries which still had modest economies, we were all scared of the idea of how larger economies would actually start dominating upon those which were still either developing or not even yet developing. There was a resistance to the idea of a globally integrated economy. But then the script itself was redefined and in that redefined script it's obvious that China took the lead. China gave the world from amongst the Asian Economies the whole idea of low cost manufacturing and then going on that roadmap you had several economies from Indonesia to Thailand to Malaysia and if we come to textile industry where economies like Srilanka, Bangladesh , they started excelling in this. India of course had a track record of repeated industrial revolutions bypassing us. The first industrial revolution virtually left us untouched, we were late starters and to low cost manufacturing also, we found ourselves difficult because of our systems to adjust. But we made up by low cost and moderate cost services and over the last two decades we became an important service hub as far as the world was concerned and in this context globally, also globalization got redefined. It got redefined because ultimately everybody realized that it's consumers who have the last choice and consumers will always buy products which are of good quality and are cheaper. Consumers will hire services which are of good quality and are cheaper. And therefore both in goods and services, cost became the key. Those who had overpriced themselves as economies, found themselves completely running out of competition and therefore if we see what happened to the entire negotiations on global trade through the decade of the nineties and what's happening now, a large number of developed economies found themselves completely overpriced. Their costs are higher, their rentals are higher, their labor costs are higher, their environmental costs are higher, and on account of all these higher costs, jobs started shifting both in manufacturing and in services. And I think this is the key for us to realize in India. We have a very large population. Out of this very large population, we have an excellent human resource. The size of the Indian middle class is also expanding. The number of educated minds with trained minds with knowledge is also expanding. We have a younger profile population. We have a very large market. Therefore we have a young population, a knowledge resource and a market. We have the purchasing power as also informed minds who can dominate economic activity. Given these advantages, one of the factors that kept us behind all these years was, why are our products costlier in comparison to our competitor. And in the world of competition you actually have to beat your closest competitor. If an ordinary shirt is manufactured in Europe for 15 dollars, and in America for 18 dollars, and we do it for 8 dollars, it's not that we are ahead of Europe and America, we have to beat China and Bangladesh and Srilanka which manufacture it for 5 or 6 dollars. And that is where cost effectiveness will come in and I think India is today stationed as an economy at a state wherein manufacturing in infrastructure creation in processing our agriculture and taking it to the level of an advanced food processing, there is a lot of headspace still available, a lot of distance which we still have which we have to cover. As far as services are concerned, unquestionably, we are and have the potential to become a low cost service provider in the world. But are we only going to be satisfied with being the back office or also being the global factory? And I think it is here that the role of your profession comes in at a big way, you are trained professionals who have a keen eye for seeing that there is no overspent, you have a keen eye to see that cost can be cut and therefore in order to cut costs both at the micro level and at the larger level , there are lots of improvements and changes required in any system, cost of capital adds to costs, a poor infrastructure can add to costs, lack of proper trade facilitation can add to costs, cost of higher utilities like electricity can add to costs, and I think even within the execution of the contract, what courses to follow, what procedures to follow are all areas where you know the methodologies of how cost effective products and services can become more competitive. If 'Make in India' has to succeed, we actually have to become a low cost manufacturing hub and I think there are several global factors which collectively are suiting us. The cost of wages in China is going up and therefore we are back in competition. There are lower commodity prices, lower metal prices, lower oil prices. The world has never seen this kind of a low price regime and India as a net buyer benefits from this low price regime and therefore given these advantages and coupled with a human resource which is moderate costing. So our research and development centre in India, experts that are in India would be far more cost effective than those hired by our competitors internationally and therefore it is extremely important that at this junction we fully make use of this global situation which has been created and I am sure over the next two days of this convention you will get a great opportunity to discuss this issue and provide further light on this. Your professional training and the knowledge and experience that you inculcate is of an immense advantage to you in determining the roadmap for cost effectiveness. I am sure your experience will and the outcome of your convention will be of great use to the society and also train you further to ensure that India continues to become a cost effective manufacturing destination. My best wishes to you and your office bearers on this convention. I am sure you will have a great success in your deliberations. Thank you very much.

The speech was delivered at 57th NCC 2016 at Vigyan Bhawan in New Delhi on 30th January 2016

Glimpses of 'Make in India' Week

13th-18th February, 2016, Mumbai

CMA P V Bhattad, President of the Institute felicitating Hon'ble Shri Amit Shah, President BJP on February 1, 2016 at New Delhi.

President of the Institute, CMA PV Bhattad and Vice President, CMA Manas Kumar Thakur presenting bouquet to Ms. Aruna Sethi, Principal Adviser (Cost) on taking charge of Indian Cost Accounts Service.

Shri Amar Sable, Member of Parliament & CMA P.V. Bhattad, President of the Institute inaugurating the Regional Cost Convention by lighting the lamp.

Also seen CMA Ashish Deshmukh, Chairman, Pimpri Chinchwad Akurdi Chapter, CMA Shriram Mahankaliwar, Secretary WIRC, CMA Manas Kumar Thakur, Vice President of the Institute, CMA B M Sharma, Past President of the Institute and CMA L.D. Pawar, Treasurer WIRC

CMA P.V. Bhattad, President addressing the group of representatives from SIRC and chapters at the 'Regional Council and Chapters Co ordination Meet' organised at Vishakhapatnam on November 28, 2015.

From Right: CMA Manas Kumar Thakur, Vice President of the Institute, CMA Niranjan Mishra, Chairman, Regional Council & Chapters Co ordination Committee and CMA K. Sanyasi Rao, Chairman, SIRC.

Regional CMA Summit -2015, Visakhapatnam, November 27 and 28, 2015

'National CMA Practitioners' Convention 2016'

21 February, 2016, Kolkata

NATIONAL CMA PRACTITIONERS' CONVENTION 2016

The Institute of Cost Accountants of India in association with Eastern India Regional Council has organized National CMA Practitioners' Convention 2016 on 21st February, 2016 at J.N. Bose Auditorium, CMA Bhawan, 12 Sudder Street, Kolkata-700 016, the Headquarters of the Institute. The theme of the Convention was "CMA Profession – Achieving Excellence in New Horizon". This mega convention was well participated by a large number of ICAI member delegates from India and abroad.

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National CMA Practitioners' Convention 2016 on 21st February, 2016 at CMA Bhawan, J.N. Bose Auditorium, Kolkata, the Headquarters of The Institute of Cost Accountants of India

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959.It is the premier professional body imparting Education, training and propagating Cost and Management Accountancy in India and abroad.The Institute is presently having approximately 5,00,000 students and 68,000 members all over the globe.

The Telegraph

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PAPERS INVITED

Cover stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months.

April 2016	May 2016	June 2016	July 2016
Theme	Theme	Theme	Theme
GST in India	Strategic Cost Management in Telecom sector	Startups for Sustainable Growth	Achieving Business Excellence
Subtopics	Subtopics	Subtopics	Subtopics
• Impact of GST in Indian economy and its various sectors • GST and Indirect Tax Reforms in India • GST Model for India • GST and the MAKE-IN-INDIA Mission • Tax Mechanism - Levy and Chargeability • Case study on mode of operation of GST in India • Role of CMAs in GST	• Tariff and subsidy mechanism • Sustainability through cost effectiveness • PPP model • Infrastructure issues • FDI in telecom sector • Govt. policies and initiatives • Role of CMAs	• Impact of Startups in Indian Economy • Eco-system for nurturing Innovation and Startups • 'Make in India' through Startups • Patents & IPRs • Government initiatives • Role of CMAs • Case Study	• Bench-marking Business Performance • Business Excellence Tools • Total Quality Management • Best Practices and Innovation • World class Business Strategies • Role of CMAs • Case Studies

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Designing an ABC MODEL for API Manufacturing Unit

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The Indian pharmaceutical industry has achieved an eminent global position in Pharma sector and has been witnessing phenomenal growth in the recent years. India is fast emerging as a world leader in generic pharmaceuticals production, supplying 20 per cent of the global market for generic medicines.

In India, there are 300 large companies and over 10,000 medium and small-scale companies in the sector. About 77% of them make formulations and 23% APIs (Bulk drugs). While we are largely self sufficient in Formulations it is in APIs that the scenario is worrying. For APIs which hold the key to Formulations manufacturing we are dependent to the extent of 70% of requirements on China. Chinese bulk drug makers, with the active support of the state, have built gigantic capacities which allow them economies of scale their Indian counterparts are unable to match.. It is in the above context that GOI had declared the year 2015 as year of Bulk drugs or APIs. A bulk drug manufacturing policy is also in the anvil.

Indian API manufacturers can emerge as one of the leading exporters of APIs and intermediates, and recover lost ground to other competitors provided they are adhere to right quality and economies-of-scale. Improved capacity utilization, gradual reduction of cost and lead times & improved inventory management hold the key to sustainable API manufacturing.

Given the above scenario the importance of Cost management in API manufacture cannot be overstated.

In this article we would be examining the ways and means of designing an Activity based Costing model for a Bulk Drug (API) manufacturing unit.

Designing An Abc Model

An ABC Model is an economic map of an Organization's expenses and profitability based on its activities. Designing an ABC model is a critical stage of implementation process. It's where the structure of the system is created and intelligence is added. The system should provide the right kind of information at the right level of detail. The objectives behind design of an ABC model is to provide meaningful and timely information for

1. Strategic decision making - costs and profitability of products, customers and their segments
2. Cost improvement and control - accurate costing of activities and analysis of activities into Value adding and Non Value adding activities
3. Compliance with statutory requirements - Cost audit & transfer pricing for captive consumption & to related parties

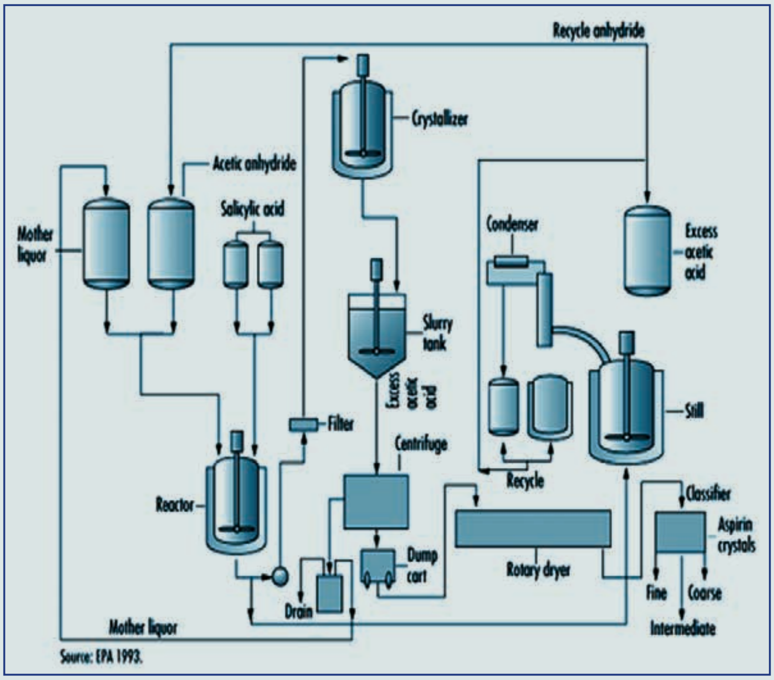
The steps involved are

A. Identifying activities
B. Restructuring the general ledger
C. Defining resource drivers
D. Selecting Activity drivers
E. Defining attributes

Identifying Activities

API manufacturing is becoming increasingly complex with multi-step processing, where the product from one step becomes a starting material for the next step (intermediates), until the finished drug product is synthesized. Bulk chemicals which are intermediates of the finished product may be transferred between organic synthesis plants for various technical, financial and legal considerations. Most intermediates and products are produced in a series of batch reactions on a campaign basis. Manufacturing processes operate for discrete periods of time, before materials, equipment and utilities are changed to prepare for a new process. Typically, a series of chemical reactions are performed in multi-purpose reactors and the products are isolated by extraction, crystallization and filtration. The finished products are usually dried, milled and blended. (Exhibit 1)

Exhibit 1 – Process Flow API Manufacture



Multi-purpose reactors are the primary processing equipment in chemical synthesis operations (see Exhibit 2).

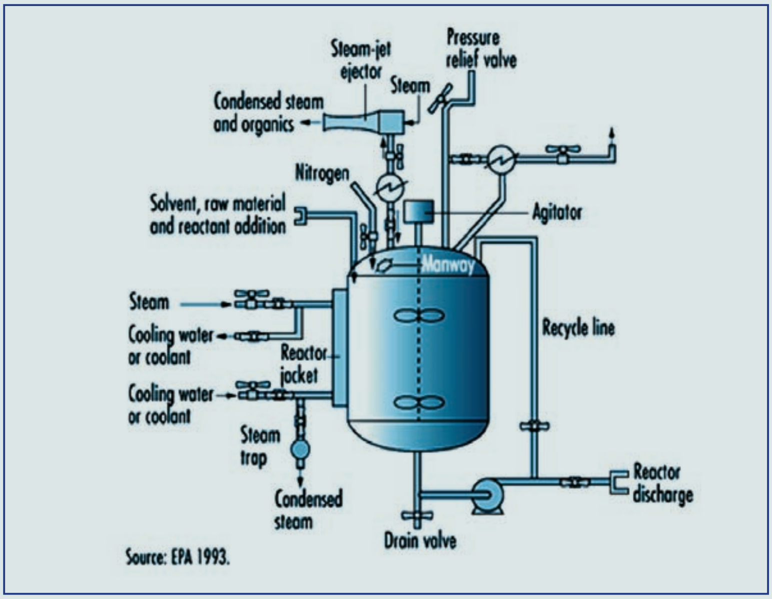


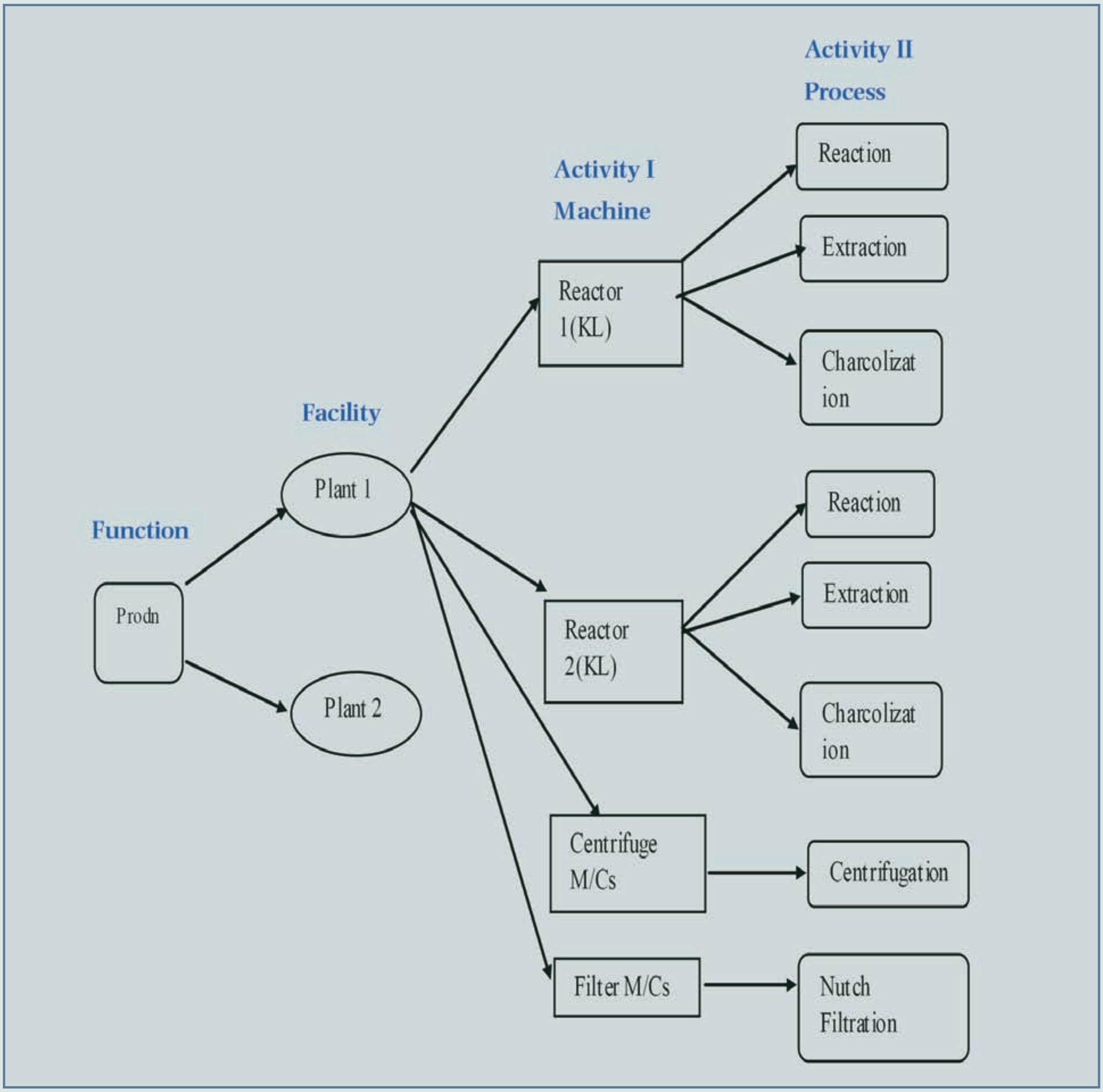
Exhibit 2 – Reactor design

When it comes to support functions Quality control, Effluent management and Utility generation and utilization are critical in an API manufacturing environment.

Keeping the above in mind an Activity dictionary needs to be created. The activities can broadly be grouped under Production, Utilities, and Plant Services with Cost centres serving as the starting point. The activities can further be given attributes like "Unit" or "Batch" level activities and costs analyzed activity type wise. The activities need to be grouped under meaningful hierarchies for analysis.

Preparation of Activity dictionary

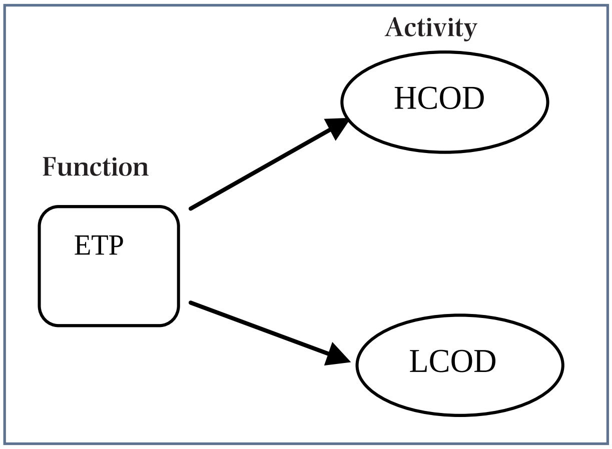
Exhibit 3 - Sample Production Activity Hierarchy



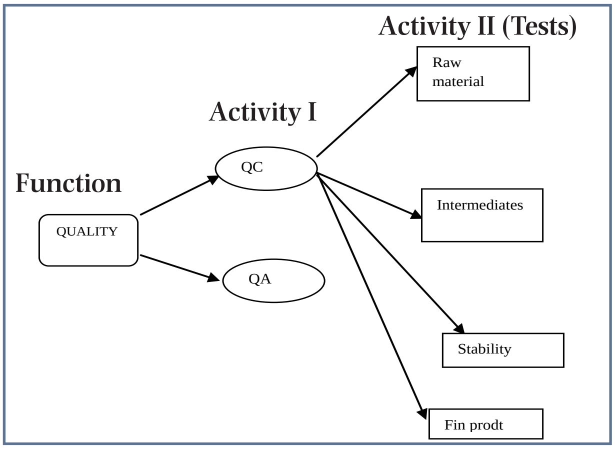
Note: Since multiple operations can be carried out on Reactors the lowest activity level is a combination of Machine & Process

Exhibit 4 - Support Functions

a. Effluent treatment activity hierarchy



b. Activity hierarchy for Quality Function



It is advisable to prepare the activity dictionary list keeping in mind

1. Existing number of Cost centres in the client's system
2. Ability of the client to furnish reliable driver information (resource drivers) to drive the expenses from Cost centres to Activities
3. Materiality- in terms of cost & time

Restructuring The General Ledger

This involves the following steps

i. Combining related accounts (GL Codes) into Cost elements & Cost element groups. The cost element and cost element groups represent hierarchy levels of the resource expenses.

ii. Decomposing expenses to department level. It needs to be ensured that all expenses (Overheads) are traced to Cost centres. The resource expenses, like salaries, wages, travel, depreciation, etc. are linked to the Cost centres in the GL Accounting System.

iii. Wherever possible we need to ensure that expenses are directly identified to Activities/products.

Defining Resource Drivers

Resource drivers are used to drive Costs from Cost centres to Activities. Resource drivers are bases of allocation of resources to activities. They represent the best single quantitative measure of the frequency and intensity of demands placed on a resource by the activities. The ABC model drives operating expenses not only to production and marketing activities, but also to activities that are not directly linked to direct conversion of raw material into finished goods. For Ex. Quality, HR, Purchase, etc.

Typical resource driver for the Production activity defined above would be

Table 1 – Resource driver (sample)

	Cost Elements	Resource drivers	ACTIVITIES		
			Reactor 1	Centrifuge m/c	Filter m/c
Plant 1(CC)	Depreciation	M/c hours (1)			
	Salaries & allowances	Man hours			
	Steam	Consumption norms (2)			
	Consumables	Direct identification/m/c hours			

Note:

1. M/C hours here can indicate either the actual m/c hours or planned m/c hours for each of the machines
2. Consumption norms for steam are based on theoretical norms for actual production on each of the machines

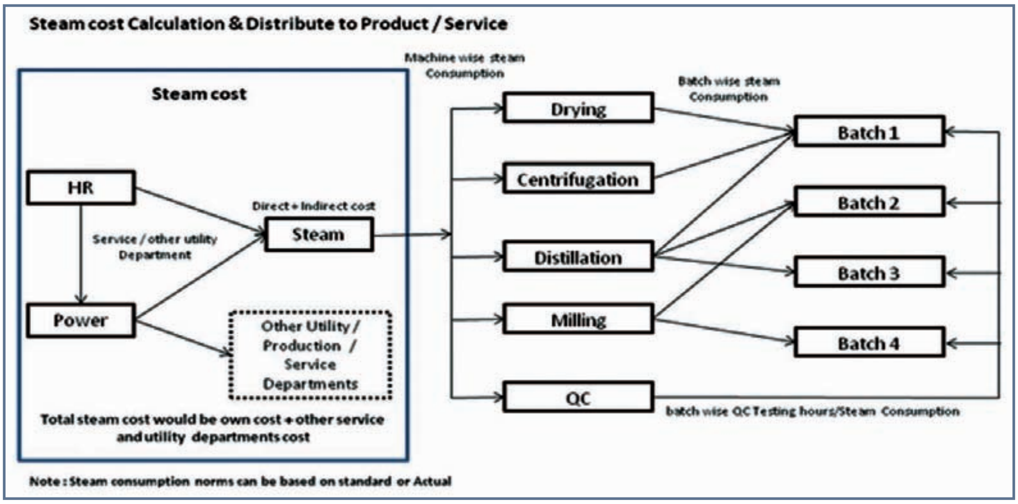
Selecting Activity Drivers

Activity drivers are used to drive the cost of activities arrived at above to other activities and to cost objects

The ABC model facilitates allocation of expenses from certain services (Hr/Accounts / utility related activities to other direct activities. For example the expenses identified to generation of Steam (utility) can be traced to reactors (production activity) based on steam consumption norms.

Once the expenses have been taken to the direct activities (production), the costs are allocated to the products / product segments based on drivers, like machine hours, man hours etc.

Exhibit 5 – Activity to Activity allocation (Steam cost)

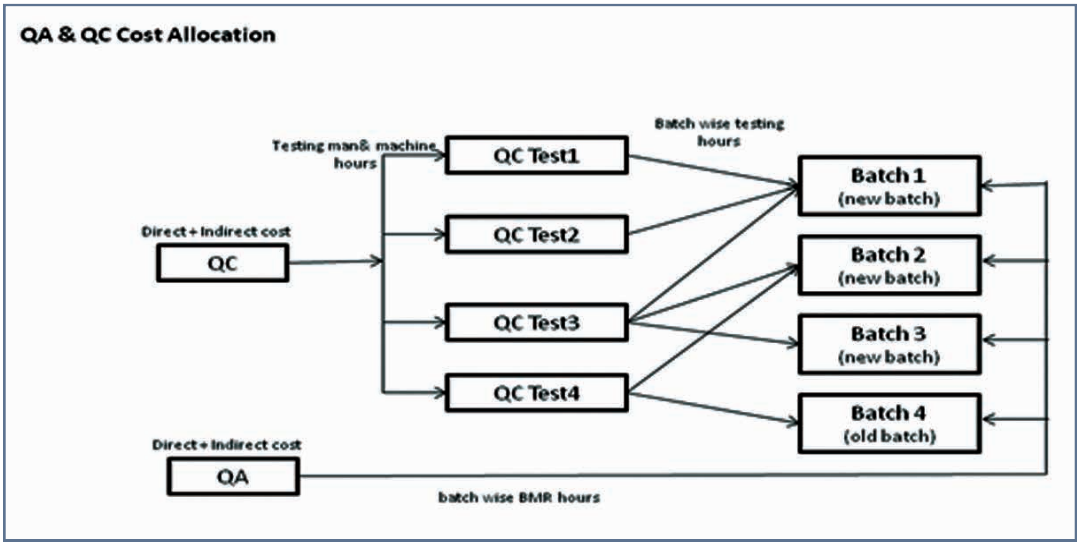


It may be observed here that Production of Steam itself is an activity the cost of which includes the costs associated with generation of steam plus a portion of support function expenses (like HR) apportioned through Activity to Activity drivers.

The costs so arrived at are further identified to Production activities again through A-A drivers and from Production (Machine process combination defined earlier) to Product batches (cost objects) through Activity to Product drivers (A-P)

Another example of A-A and A-P allocation is enclosed for Quality function

Exhibit 6 – QA & QC Cost allocation (A to A & A to P drivers)



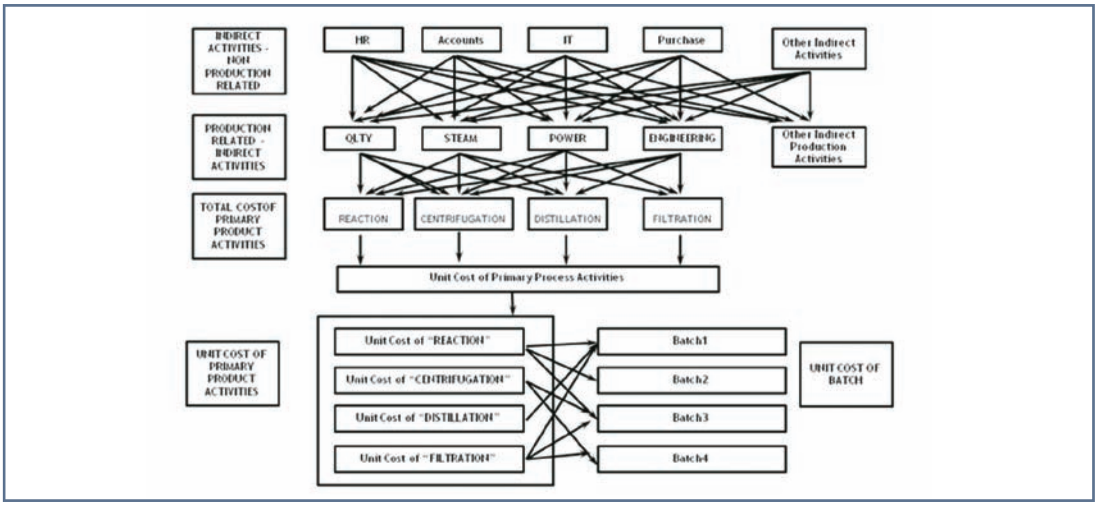
Activity to Activity drivers for Support services like Utilities & Quality assume great importance in an API set up as they account for approximately 40 % of the Total Overheads.

Table 2 -Examples of typical Activity drivers used in an API set up

Type of driver	Activity	Driver description
Activity to Activity (A – A)	HR Activity	Number of employees
	Steam /Chilled water/air/brine/nitrogen	Consumption norms
	Maintenance	Down time hours
	QC	Testing man & MC Hrs
Activity to Product (A – P)	QC Tests	Batch wise testing man & MC hrs
	Effluent treatment (HCOD)	Technical estimate of TDS PPM batch wise
	Reaction /distillation/centrifugation--	Product Batch wise MC & Man hrs
	QA (BMR documentation)	Product wise number of batches
	RM Stores	Product wise RM consumption

The multi stage allocation in the ABC model, described above is summarized

Exhibit 7 – Multi stage cost allocation model



The rules for Selecting Activity drivers are *(source: Common Cents – Peter B. B. Turney)*

- Pick activity drivers that match the type of activity
- Pick drivers that correlate well with the actual consumption of the activity
- Minimize the number of different drivers
- Pick drivers that encourage improved performance
- Don't pick drivers that require new measurements

Define Attributes

Determining attributes is the fifth step in developing an ABC model. Attributes are labels that enhance the meaning of the information in an ABC model. For example an ABC model that drives process improvement can use attributes like Value added & Non Value added to activities. This would help in identifying improvement targets. Similarly attributes like Cost drivers and performance measures facilitate judgment on the way work is carried out and the scope for improvement. Process attributes allow a functionally organized model (which is the norm in most cases)to report activities and cost by process.

Relevance of ABC Model in an API set up

1. Production OH are high in relation to Direct costs
2. Diversity in product range and number of batches and batch size
3. Products tend to use very different amounts of Overhead resources
4. Consumption of OH resources is not primarily driven by volume. Significant presence of batch & product level activities
5. Presence of significant capacity under utilization

Keys to sustaining the ABC Model

An ABC model is a manifestation of a living organization. To represent the organization over a period of time it needs to adapt (i.e. the information it reports need to be accurate in the face of rapid changes) Need to keep the model relevant when strategic and operational needs change. For example when the emphasis is more on cost reduction there is a greater need for more detailed information on activities

Need to update the model for organizational changes like addition or deletion or change in production lines, process times, e.t.c

It is critical to cost effectively automate the regular updating of ABC data and reporting of ABC information. This might involve integrating the ABC model with transaction data sources like ERP and Quality Management systems. MA

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3. *Mckinsey & Company report- Outlook on Pharma operations by David Keeling, Martin Lösch, Ulf Schrader*
4. *Common Cents – Peter B.B.Turney*

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The Institute of Cost Accountants of India congratulates CMA Rakesh Singh on his appointment by the CAPA Board, as member of the Governance and Audit Committee (GAC) of CAPA and wishes him success in all his future endeavors.

The Confederation of Asian and Pacific Accountants, (CAPA), represents national professional accounting organisations in the Asia-Pacific region. CAPA has a membership of 32 accounting organisations in 23 jurisdictions. CAPA is by far the largest regional accounting organisation and its geographical area spans half the globe. The Governance & Audit Committee (GAC) was formed by the Board to review and provide recommendations to the Board and Members on matters related to finance, audit and governance, consistent with the organisation's policies and procedures.

CMA Rakesh Singh has been the President of the Institute of Cost Accountants of India (2012-13) and is Co-Chairman, UP Chapter, ASSOCHAM. CMA Singh is a practicing Cost Accountant. He served as the Chairman of the Cost Accounting Standards Board of Institute for the period 2011-12 & 2013-14. He is currently nominated to Cost Auditing Standards Board. He has been nominee on Government Accounting Standards Board (GASAB), Nominee on the Board of International Federation of Accountants (IFAC), South Asian Federation of Accountants and National Foundation for Corporate Governance (NFCG).

Effect of CAPITAL STRUCTURE on profitability of Pharmaceutical Companies

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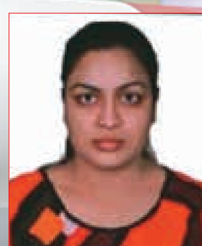

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1. Introduction

After[1] determining the amount of capitalisation, another component of financial plan is related to a decision regarding the composition or structure of capital. In other words, a finance manager has to decide about the make-up of the total amount of capitalisation. If we look and analyse the balance sheet of any business concern (particularly the company), we find that its total capital is being distributed in equity shares, preference shares and debentures or bonds. Normally, the proportionate relationship between these securities is known as capital structure. Capital structure is the mix of long- term sources and it includes owned capital, preference share capital and long term debt capital. Owned capital is known as variable dividend security, preference share capital is considered as fixed dividend security and debenture/bonds/long-term debts are knowns as fixed interest bearing securities.

Financial Manager attempts to fix the proportion/ratio among all these securities on the basis of certain assumptions and with reference to particular situation. While determining the pattern of capital structure or capital mix, a number of factors are to be considered. However, the capital structure must be one which may protect the owners' interest by assuring an optional returns continuously. The capital structure which offers guarantee for optimum returns is called optimum capital structure. But the determination of such an optimum capital structure is a formidable task in practice. That is why significant variations among industries and among different individual companies within an industry regarding capital structure are noted. A number of factors like features of individual securities, Average cost of each sources, form of control over the concern, extent of risks involved, etc., influence the capital structure decision.

1.1 Suitable patterns of capital structure

While taking a decision as what should be the pattern of capital structure, the following basic patterns must be taken in to account:

- Raising total capital entirely through the issue of equity shares only;
- Raising total through the issue of both preference shares as well as equity shares;
- Raising total capital through the issue of equity shares, preference shares and debentures or bonds (debt)

Which of these patterns would be suitable for the capital structure of a concerns, it should be decided by following certain basic principles:-

- Cost Principle
- Principle of Risk
- Principle of Control
- Principle of Flexibility
- Timing Principle

It is possible that these principles sometimes may be militant to each other. In such a situation, desired coordination in these principles may be affected by assigning the relative importance to them in accordance with the economic and industrial condition as well as company's condition. At the same time, the Financial Manager has to consider the demand and supply of capital also.

1.2 Pharmaceutical industry in India

Globally, Pharmaceutical industry in India ranks 3rd in terms of volume and 14th in terms of value[4]. According to Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceuticals industry between 2008 and September 2009 was US$21.04 billion.While the domestic market is worth US$13.8 billion as of 2013, and is expected to reach US$49 billion by 2020.

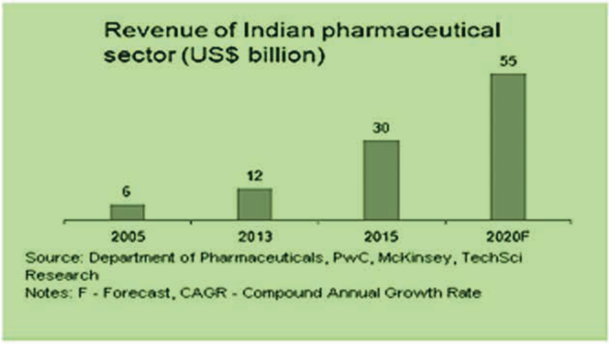
India's biopharmaceutical industry clocked a 17 percent growth with revenues of Rs.137 billion ($3 billion) in the 2009-10 financial year over the previous fiscal. Bio-pharma was the biggest contributor generating 60 percent of the industry's growth at Rs.8,829 crore, followed by bio-services at Rs.2,639 crore and bio-agri at Rs.1,936 crore.

Exports of pharmaceuticals products from India increased from US$6.23 billion in 2006-07 to US$8.7 billion in 2008-09 a combined annual growth rate of 21.25%[2]. According to PricewaterhouseCoopers (PWC) in 2010, India joined among the league of top 10 global pharmaceuticals markets in terms of sales by 2020 with value reaching US$50 billion[3]. Some of the major pharmaceutical firms including Sun Pharmaceutical, Cadila Healthcare and Piramal Enterprises[2].

1.2.1 Increasing investments in the sector

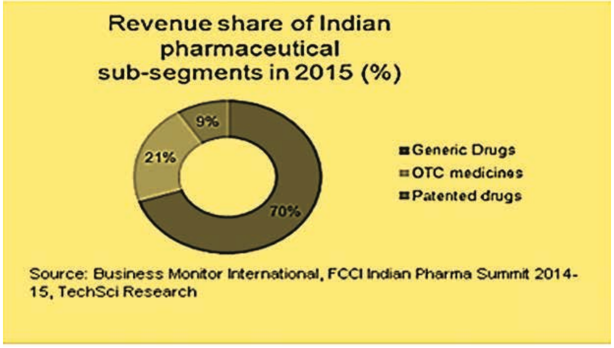
The Indian pharmaceuticals market increased at a CAGR of 17.46 per cent in 2015 from US$ 6 billion in 2005 and is expected to expand at a CAGR of 15.92 per cent to US$ 55 billion by 2020.

- By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and sixth largest market globally in absolute size.
- India's cost of production is significantly lower than that of the US and almost half of that of Europe. It gives a competitive edge to India over others.



1.2.2Generic drugs form the largest segment

- With 70 per cent of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector.
- India supply 20 per cent of global generic medicines market exports in terms of volume, making the country the largest provider of generic medicines globally and expected to expand even further in coming years
- Over the Counter (OTC) medicines and patented drugs constitute 21 per cent and 9 per cent, respectively, of total market revenues of US$ 20 billion



The very crucial problem in every business is financing the firm's Assets and every business wants optimum capital structure means which offers guarantee for optimum returns, but the determination of such an optimum capital structure is a formidable task in practice, so keeping in the mind the importance of capital structure, an attempt has been made in this study to analysis the impact of Capital Structure on Profitability of selected Pharmaceutical Companies in India by using simple linear regression model.

2.Literature review

Sudesh Kumar, Dr. Bimal Anjum and Dr. Suman Nayyar, analysed the capital structure pattern of various companies for the period of 2007-2011 along with the effect of changes in capital structure on its investment pattern over the period of time.

Irene Wei Kiong Ting and HooiHooi Lean investigated the cross sectional variation in leverage among publicly listed govt. linked companies and non govt. linked companies in Malaysia for the period from 1997-2008 by using balanced panel data with multivariate regression and found that the govt. linked companies are consistently move heavily leveraged than non govt. linked companies.

M.S. Ramaratnam and R. Jayaraman determined capital structure by taking 24 companies from Indian Pharmaceutical sector and found that financial variables like tangibility ratio, return on total assets, total depreciation to total assets and net profit margin are the major determinants of capital structure of the Indian pharmaceutical sector.

Sanjay Rajagopal tested whether the model of capital structure is portable to an emerging market by using a sample of 1110 to 1163 manufacturing firms for the period of 1998-2002 and found that traditional explanatory variables (fixed asset ratio, firm size, profitability, market-to-book ratio, non-debt tax shields, and earnings volatility) played a significant role in explaining the cross – sectional variation in financial leverage

Dr. M. Dhanabhakyam and M. Kavitha analysed the capital structure and shareholding pattern of selected companies for the period of 2002-2012 & found that the capital structure decision of the pharmaceutical companies has very little effect on its investment pattern.

Chette Srinivas Yadav, investigated the relationship between financial leverage and determinants of capital structure of 50 companies listed on the national stock exchange, Nifty index during the period 2002-2012 by using correlation and multiple regression analysis.

Dr. Manuel Fernandez, aimed to find out the capital structure mostly preferred by corporate in the UAE and the factors influencing this borrowing cost, agency cost, corporate tax and other UAE- specific factors, if any and found that there was a significant negative relationship between financial leverage and profitability of the firms; & positive relationship between size and financial leverage.

3.Statement of the problem

The very crucial problem in every business is financing the firm's Assets and every business wants optimum capital structure means which offers guarantee for optimum returns, but the determination of such an optimum capital structure is a formidable task in practice, so keeping in the mind the importance of capital structure, an attempt has been made in this study to find the relationship between the capital structure and profitability. Base on the above facts, the researchers have probed the following question: what is the relationship between capital structure and profitability of selected large scale companies in Pharmaceutical Industry?

4.Selection of Sample

Keeping the view of the scope of the study, it is decided to include Top 10 Publicly Listed pharmaceutical companies **(Sun Pharmaceutical, Lupin Ltd, Dr. Reddy's Laboratories, Cipla, Aurobindo Pharma, Cadila Healthcare, Glenmark Pharmaceuticals, GlaxoSmithKline Pharmaceuticals Ltd, Divis Laboratories and Torrent Pharmaceuticals)** in India by Market Capitalization. But owing to several constraints such as the non-availability of financial statements and other important information etc., it is compelled to eliminate one company (**GlaxoSmithKline Pharmaceuticals Ltd)** from study sample.

5.Period of study

The period 2000 – 2001 to 2014 – 2015 is selected for this study of Pharmaceutical industry in India. This 15 years period is chosen in order to have a fairly, reasonably reliable and up - to – date financial data would be available.

6.Source of data

The required data for the study have been obtained from secondary sources. The study is mainly based on secondary data which has been collected from published annual reports of the selected pharmaceutical companies and business newspapers. Various journals and periodicals on finance and industry have also been reviewed.

7.Analysis of the empirical relationship between capital structure and profitability

This part describes the empirical relationship between capital structure and profitability of the selected large scale companies in pharmaceutical industry during the study period. The results of empirical research have not been able to provide satisfactory agreement as to how profitability affects the capital structure of the firm. **Myers** suggested that firms prefer retained earnings to debt and they prefer debt rather than new equity. Classical finance theory suggests that profitable firms should havehigher debt levels than less profitable firms. Ramkumar et al. (1996) Jitendra Mahatud and L.M. Bhole (2003), Sudhansu Mohan et al. (2005), Debatrata Datta and Babita Agarwal (2009), Ramesh K.Singla (2006) Attaullah Shah (2007) Boopen et al. (2007) and BidyutJyoti and Bhattacharjee (2010) studied the impact of profitability and capital structure and found both positive and negative relationship. Thus, an attempt was made in this part to examine the relationship between debt equity and profitability of selected Indian paper industry during the study period.

There are many factors which influence the profitability of companies. This study has been conducted choosing five independent variables, namely, Operating Profit (OP), Profit after tax (PAT), Return on Capital Employed (ROCE), Return on Net worth (RONW) and Earnings per Share (EPS) and one dependent variable (Debt Equity Ratio (D/E)) to analyse the relationship between capital structure and profitability ratios of the selected pharmaceutical companies in India. Simple regression models are used to test the theoretical relationship between the debt equity and profitability ratios. The analysis is made with the help of Statistical Package of Social Sciences (SPSS) and Eviews. This study has tested the following null hypotheses related to the defined variables of profitability of the selected pharmaceutical companies in India.

Ho: There is no significant relationship between debt equity ratio and profitability of the selected pharmaceutical companies in India.

Ha: There is significant relationship between debt equity ratio and profitability of the selected pharmaceutical companies in India.

7.1 Debt equity ratio with operating profit

This ratio establishes relationship between operating cost and net sales. Operating cost means cost of goods sold plus operating expense. Operating expenses include all those expenses which have matching relationship with sales and in this context administrative expenses and selling are included mainly. To examine the relationship between debt equity ratios with operating profit of the selected pharmaceutical companies in India, following liner regression model has been applied:

$D/E = \alpha + \beta\ (OP) + e$ -------------------------- (i)

Where,

D/E - Debt equity ratio,

OP - Operating profit,

α , β - Parameters to be estimated (intercept and co-efficient respectively) and

e - Error term.

Table 2 shows the relationship between debt equity ratio and operating profit of the selected pharmaceutical companies in India. The value of R^2 (co-efficient of determination) is .73 (Divis Laboratories), which tells us that operating profit can account for 73% of the variation in debt equity ratio. We could say that there might be many factors that can explain this variation, but our model, which includes only operating profit, can explain approximately 73% of it. This means that 27% of the variation in debt equity ratio cannot be explained by operating profit alone. Therefore, there must be other variables that have an influence also. Among the selected companies (followed above mentioned interpretation with different R^2 values), this variation ranges from 1% per cent (Dr. Reddy's Laboratories) to 73% per cent (Divis Laboratories) during the study period. The p – values of Lupin Ltd and Divis Laboratories are less than to 0.05, which indicates strong evidence against the null hypothesis, so it is rejected and in case of rest of companies it is fail to reject because values are more than to 0.05.

7.2Debt equity ratio with net profit margin ratio

This ratio establishes the relationship in terms of percentage between 'net profit' and 'net sales'. To examine the relationship between debt equity ratios with net profit margin ratio of the selected pharmaceutical companies in India, following liner regression model has been applied:

$D/E = \alpha + \beta (NP) + e$ -------------------------- (ii)

Where,

D/E - Debt equity ratio,

NP - Net profit,

α , β - Parameters to be estimated (intercept and co-efficient respectively) and

e - Error term

Table 3 shows the relationship between debt equity ratio and net profit margin ratio of the selected pharmaceutical companies in India. The value of R^2 (co-efficient of determination) is .79 (Divis Laboratories), exposes that around 79% changes in debt equity ratio is influenced by 1% change in net profit margin ratio in case of Divis Laboratories. Among the selected companies (followed above mentioned interpretation with different R^2 values), this variation ranges from 0% per cent (Torrent Pharmaceuticals) to 79% per cent (Divis Laboratories) during the study period. The p – values of Lupin Ltd, Cipla, Cadila healthcare and Divis Laboratories are less than to 0.05, which indicates strong evidence against the null hypothesis, so it is rejected and in case of rest of companies it is fail to reject because values are more than to 0.05.

7.3 Debt equity with return on capital employed

To examine the relationship between debt equity ratios with return of capital employed of the selected pharmaceutical companies in India, following liner regression model has been applied:

$D/E = \alpha + \beta (ROCE) + e$ -------------------------- (iii)

Where,

D/E - Debt equity ratio,

ROCE - Return on capital employed,

α , β - Parameters to be estimated (intercept and co-efficient respectively) and

e - Error term

Table 4shows that the co-efficient of determination of return of capital employed (R^2) is .51 (Lupin Ltd), which tells us that Return on capital employed can account for 51% of the variation in debt equity ratio. We could say that there might be many factors that can explain this variation, but our model, which includes only Return on capital employed, can explain approximately 51% of it. This means that 49% of the variation in debt equity ratio cannot be explained by Return on capital employed alone. Therefore, there must be other variables that have an influence also. Among the selected companies (followed above mentioned interpretation with different R^2 values), this variation ranges from 1% per cent (Dr. Reddy's Laboratories) to 51% per cent (Lupin Ltd) during the study period. The p – values of Lupin Ltd, Aurobindo Pharma and Torrent Pharmaceuticals are less than to 0.05, which indicates strong evidence against the null hypothesis, so it is rejected and in case of rest of companies it is fail to reject because values are more than to 0.05.

7.4 Debt equity ratio with return on net worth

To examine the relationship between debt equity ratios with return on net worth of the selected pharmaceutical companies in India, following liner regression model has been applied:

$D/E = \alpha + \beta (RONW) + e$ -------------------------- (iv)

Where,

D/E - Debt equity ratio,

RONW - Return on net worth,

α , β - Parameters to be estimated (intercept and co-efficient respectively) and

e - Error term

Table 5 shows the relationship between debt equity ratio and return on net worth of the selected pharmaceutical companies in India. The value of R^2 (co-efficient of determination) is .18 (Lupin Ltd), which tells us that return on net worth employed can account for 18% of the variation in debt equity ratio. We could say that there might be many factors that can explain this variation, but our model, which includes only return on net worth, can explain approximately 18% of it. This means that 82% of the variation in debt equity ratio cannot be explained by return on net worth alone. Therefore, there must be other variables that have an influence also. Among the selected companies (followed above mentioned interpretation with different R^2 values), this variation ranges from 0% per cent (Torrent Pharmaceuticals) to 18% per cent (Lupin Ltd) during the study period.The p – values of all selected pharmaceutical in India are more than to 0.05.

7.5Debt equity ratio with Earnings per Share

To examine the relationship between debt equity ratios with Earnings per Share of the selected pharmaceutical companies in India, following liner regression model has been applied:

$D/E = \alpha + \beta (EPS) + e$ -------------------------- (v)

Where,

D/E - Debt equity ratio,

EPS - Earnings per Share,

α , β - Parameters to be estimated (intercept and co-efficient respectively) and

e - Error term

Table 5 shows the relationship between debt equity ratio

In this study, Operating Profit (OP), Profit after tax (PAT), Return on Capital Employed (ROCE), Return on Net worth (RONW) and Earnings per Share (EPS)) were used as independent variables for this purpose and covered 15 years (2000-2001 to 2014 – 2015) data. The overall analysis of impact of profitability on capital structure reveals that there is a significant relationship between debt equity ratio and operating profit of the selected pharmaceutical companies in India in case of Lupin Ltd and Divis laboratories and when we talked about relationship with net profit ratio as well as return on capital employed it could see in Lupin Ltd, Cipla, Cadila Healthcare, Divis laboratories, Aurobindo pharma and Torrent Pharmaceuticals.

and Earnings per Share of the selected pharmaceutical companies in India. The value of R^2 (co-efficient of determination) is .19 (Glenmark Pharmaceuticals), which tells us that return on Earnings per Share can account for 19% of the variation in debt equity ratio. We could say that there might be many factors that can explain this variation, but our model, which includes only Earnings per Share, can explain approximately 19% of it. This means that 81% of the variation in debt equity ratio cannot be explained by Earnings per Share alone. Therefore, there must be other variables that have an influence also. Among the selected companies (followed above mentioned interpretation with different R^2 values), this variation ranges from 1% per cent (Cipla) to 19% per cent (Glenmark Pharmaceuticals) during the study period.The p – values of all selected pharmaceutical in India are more than to 0.05.

8. Conclusion

This study analyses the impact of Capital Structure on Profitability of selected Pharmaceutical Companies in India by using simple linear regression model. The overall analysis of impact of profitability on capital structure reveals that there is a significant relationship between debt equity ratio and operating profit of the selected pharmaceutical companies in India in case of Lupin Ltd and Divis laboratories and when we talked about relationship with net profit ratio as well as return on capital employed it could see in Lupin Ltd, Cipla, Cadila Healthcare, Divis laboratories, Aurobindo pharma and Torrent Pharmaceuticals. MA

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ANNEXURE

Table 1
Selected companies for the study
Top 10 Publicly Listed pharmaceutical companies in India by Market Capitalization as of July 2015

Rank	Company	Market Capitalization 2015 (INR crores)
1	Sun Pharmaceutical	2,17,636
2	Lupin Ltd	84,193
3	Dr. Reddy's Laboratories	63,779
4	Cipla	52,081
5	Aurobindo Pharma	42,454
6	Cadila Healthcare	38,677
7	Glenmark Pharmaceuticals	29,047
8	GlaxoSmithKline Pharmaceuticals Ltd	28,587
9	Divis Laboratories	24,847
10	Torrent Pharmaceuticals	22,320

Source: Top 10 Pharma Companies in India 2015

Table 2
Debt equity with operating profit margin -Regression Analysis
(Dependent variable - Debt equity ratio)
[D/E = α + β (OP)]

S.No.	Companies	R	R^2	F	P	DW
1	Sun Pharmaceutical	.49	.24	4.295	.059	1.147
2	Lupin Ltd	.61	.38	8.094	.014	0.676
3	Dr. Reddy's Laboratories	.09	.01	0.127	.727	1.440
4	Cipla	.18	.03	0.449	.514	0.833
5	Aurobindo Pharma	.45	.20	3.309	.092	1.015
6	Cadila Healthcare	.15	.02	0.307	.589	0.971
7	Glenmark Pharmaceuticals	.07	.00	0.074	.790	0.638
8	Divis Laboratories	.85	.73	35.098	.000	1.391
9	Torrent Pharmaceuticals	.02	.00	0.008	.930	0.795

Source: Computed

Table 3
Debt equity ratio with net profit ratio - Regression Analysis
(Dependent variable - Debt equity ratio
[D/E = α +β (NP)]

S. No.	Companies	R	R^2	F	P	DW
1	Sun Pharmaceutical	.04	.00	0.024	0.880	0.826
2	Lupin Ltd	.85	.73	35.692	0.000	1.223
3	Dr. Reddy's Laboratories	.35	.12	1.890	0.192	1.263
4	Cipla	.53	.28	5.208	0.040	0.890
5	Aurobindo Pharma	.23	.05	0.739	0.405	0.805
6	Cadila Healthcare	.63	.40	8.894	0.011	1.116
7	Glenmark Pharmaceuticals	.32	.10	1.530	0.238	0.664
8	Divis Laboratories	.89	.79	50.331	0.000	1.118
9	Torrent Pharmaceuticals	.02	.00	0.006	0.938	0.834

Source: Computed

Table 4
Debt equity with return on capital employed -Regression Analysis
(Dependent variable - Debt equity ratio
[D/E = α +β (ROCE)]

S. No.	Companies	R	R^2	F	P	DW
1	Sun Pharmaceutical	0.49	0.24	4.117	0.063	0.978
2	Lupin Ltd	0.71	0.51	13.603	0.003	0.938
3	Dr. Reddy's Laboratories	0.12	0.01	0.202	0.660	1.409
4	Cipla	0.29	0.08	1.215	0.290	0.909
5	Aurobindo Pharma	0.62	0.38	8.131	0.014	1.325
6	Cadila Healthcare	0.17	0.02	0.390	0.543	0.998
7	Glenmark Pharmaceuticals	0.34	0.11	1.721	0.212	0.479
8	Divis Laboratories	0.14	0.02	0.282	0.604	0.247
9	Torrent Pharmaceuticals	0.68	0.46	11.331	0.005	0.313

Source: Computed

Table 5
Debt equity ratio with return on net worth ratio -Regression Analysis
(Dependent variable - Debt equity Ratio
[D/E = α +β (RONW)]

S. No.	Companies	R	R^2	F	P	DW
1	Sun Pharmaceutical	0.124	0.01	0.203	0.659	0.912
2	Lupin Ltd	0.429	0.18	2.930	0.111	0.517
3	Dr. Reddy's Laboratories	0.052	0.00	0.035	0.854	1.608
4	Cipla	0.005	0.00	0.000	0.987	0.814
5	Aurobindo Pharma	0.154	0.02	0.315	0.584	0.817

S. No.	Companies	R	R^2	F	P	DW
6	Cadila Healthcare	0.133	0.18	0.233	0.638	0.971
7	Glenmark Pharmaceuticals	0.396	0.15	2.425	0.143	1.145
8	Divis Laboratories	0.202	0.04	.551	0.471	0.461
9	Torrent Pharmaceuticals	0.010	0.00	.001	0.973	0.811

Source: Computed

Table 6
Debt equity ratio with earnings per share - Regression Analysis
(Dependent variable - Debt equity ratio) [D/E = α + β (EPS)]

S. No.	Companies	R	R^2	F	P	DW
1	Sun Pharmaceutical	0.18	0.03	0.434	0.522	0.785
2	Lupin Ltd	0.36	0.13	1.958	0.185	0.430
3	Dr. Reddy's Laboratories	0.11	0.01	0.177	0.681	1.649
4	Cipla	0.10	0.01	0.144	0.711	0.831
5	Aurobindo Pharma	0.07	0.00	0.081	0.781	0.839
6	Cadila Healthcare	0.39	0.15	2.426	0.143	1.071
7	Glenmark Pharmaceuticals	0.44	0.19	3.178	0.098	0.846
8	Divis Laboratories	0.00	0.00	0.000	0.994	0.315
9	Torrent Pharmaceuticals	0.20	0.04	0.556	0.469	0.791

Source: Computed

At the Helm

*Our heartiest congratulations to **CMA Milind Kulkarni**, a member of our Institute, for being elevated as Head of Finance – South Asia. He has been working with Aggreko Energy Rental India Pvt. Ltd. since 2009. Aggreko is worldwide leader in renting of power generators and temperature control equipment having its headquarter at Glasgow. Aggreko's business is spread across all continents including Asia. CMA Milind Kulkarni is leading finance function for countries following under this region viz. Singapore, India, Thailand, Malaysia, Indonesia, Bangladesh, Nepal and Myanmar.*

We wish CMA Milind Kulkarni the very best in all his future endeavours.

CMA Dr. Ashish Varma
Assistant Professor
IMT Ghaziabad, Ghaziabad

Pillai Anoop Prasad
IMT Ghaziabad

Anuj Kumar Rai
IMT Ghaziabad

SUN PHARMA AND RANBAXY SYNERGY

The Ranbaxy and Sun Pharma deal which took place in 2014 is considered for a study of thesynergy benefits Sun Pharma will get by the size of the acquisition , costing benefits, sales and distribution optimization after the merger.

Synergy arises when two actions performed jointly produce a greater result than they would, if performed individually or independently. Synergy is said to be there when the output of individual unit is less than that of the combined unit. This can be expressed as "3 + 3 = 7".

It may be noted that not all synergy is positive. There are plenty of examples where the organization have acquired new businesses to have positive synergy to produce better results but have turned bad.

About SUN PHARMA and RANBAXY

Sun Pharma is an Indian origin, specialty pharmaceutical company, established in 1983 with a portfolio of five psychiatric medications and a manufacturing facility in Vapi, Gujarat.Sun Pharma established its first research center in 1991, driving further growth for the company. It went public in 1994 and is currently listed on the Bombay Stock Exchange ("**BSE**") as well as the National Stock Exchange ("**NSE**"). Approximately 64 percent of the shareholding of Sun Pharma is still held by the promoters and promoter group. In addition to its formulations in various therapeutic areas, Sun Pharma also manufactures APIs to facilitate the manufacture of complex formulations such as anti-cancers, peptides.

In 30 years of its existence, Sun Pharma has become one of the world's most profitable pharmaceuticals manufacturers. Sun Pharma has complemented its growth by way of extensive acquisitions and joint ventures in India and abroad.

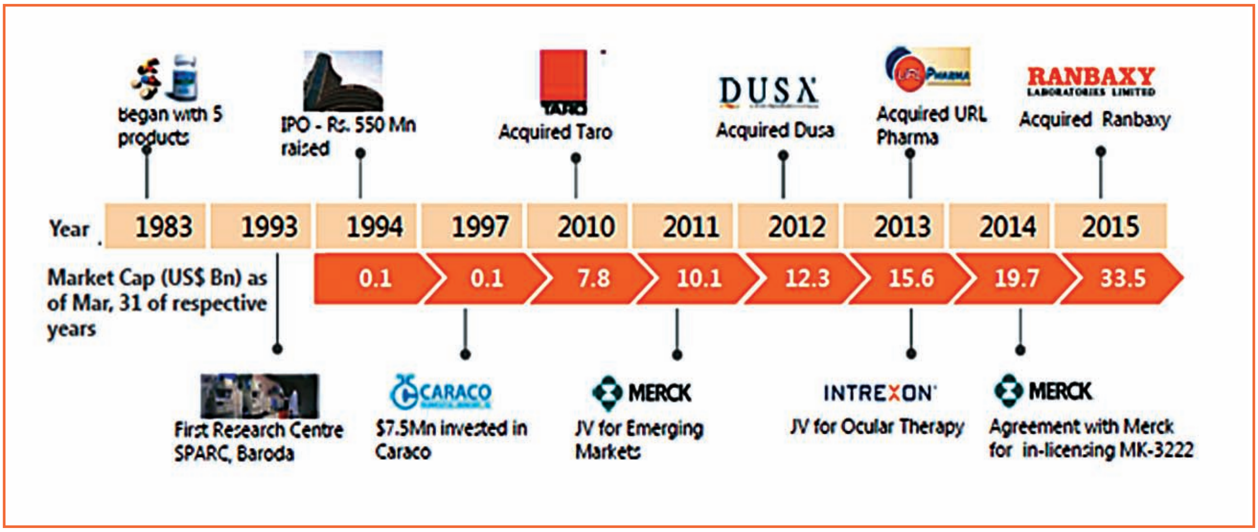


Figure 1: Sun pharma timeline showing significant Acquisition

- Acquired DadhaPharma for entry entry into oncology and gynecology.
- Acquired Lyka Organic Ltd to have a manufacturing facility for cephalexin for supply to the international market.
- In 2002-acquired MJ Pharma thus having a USFDA and UKMHRA approved plant which is currently a manufacturing base for the European generic market.
- In 1997, invested in Caraco, a Detroit-based manufacturer of generics and in 2010, completely acquired Caraco enabling its entry into the U.S generic market.
- The acquisition of majority stake in Taro Pharmaceutical Industries Limited in 2010, an established multinational generics manufacturer, increased the company's U.S presence, as well as in Israel and Canada.
- In addition to developed markets, Sun Pharma has also focused on emerging markets with its joint venture with MSD.

Established in 1961, **Ranbaxy** is an Indian company listed on the BSE, NSE and the Luxembourg stock exchange, with ground operations in 43 countries and 21 manufacturing facilities spread across 8 countries. It is engaged in development, manufacturing and marketing of pharmaceutical products and APIs. In 1988, Ranbaxy's Toansa plant achieved USFDA approval, thereby enabling it to manufacture pharmaceuticals for the US market. Ranbaxy has also engaged in acquisitions to further its growth objectives.

- The company's acquisition of Crosland Research Laboratories, Rima Pharmaceuticals etc. provided it a foothold in niche, high-value market excels in the European Union.
- The acquisition of RPG Aventis helped Ranbaxy achieve a turnover of USD 1 billion, making it the first Indian company to reach such global status.

In 2008, Daiichi entered into definitive agreements with the erstwhile promoters of Ranbaxy (the Singh family) to acquire a controlling stake in Ranbaxy. This was an off-market transaction, pursuant to which Daiichi was required to make an open offer to the public shareholders of Ranbaxy. Pursuant to the conclusion of the open offer, Daiichi acquired an additional 20 percent equity stake in Ranbaxy resulting in an aggregate shareholding of 63.92 percent in Ranbaxy.

Following the acquisition of controlling stake by Daiichi however, Ranbaxy has had a number of entanglements with the USFDA for issues related to quality-control, making it difficult to keep a clean name. Ranbaxy's plants at Dewas and Paonta Sahib were slapped with import alerts by the USFDA in 2008. In May 2013, Ranbaxy also pleaded guilty to felony charges in the US, relating to the manufacture and distribution of certain adulterated drugs made at Ranbaxy's manufacturing facilities in India and had to pay a fine of USD 500 million. Further, in September 2013, the company's Mohali facility was also banned from manufacturing pharmaceuticals which were intended to be exported to the US. This was followed by the ban on the Toansa facility in Punjab for lapses in quality control and adherence to procedure.

Merger Statistics

Merging Company	Ranbaxy
Surviving Company	Sun Pharma
Share Swap Ratio	0.8 share of Sun Pharma of face value of INR 1/- each will be allotted to the shareholders of Ranbaxy for each share of INR 5/- each held by them in Ranbaxy.
Implied value per share	INR 457 for each Ranbaxy share, representing an 18 percent premium to Ranbaxy's 30-day volume weighted average share price
Total equity value of the Transaction	USD 3.2 billion (USD 4 billion including payment to NCD holders)

The entity will have a presence in 55 countries and be supported by 40 manufacturing facilities worldwide, with a highly complementary portfolio of products for both acute and chronic treatments.

The below figure shows the impact of merger on Sunpharma, the company will have a more balance presence in all the world market with more focus on US markets as 50% of the revenue are expected from the market. Also have increased presence in the Indian and other Emerging markets

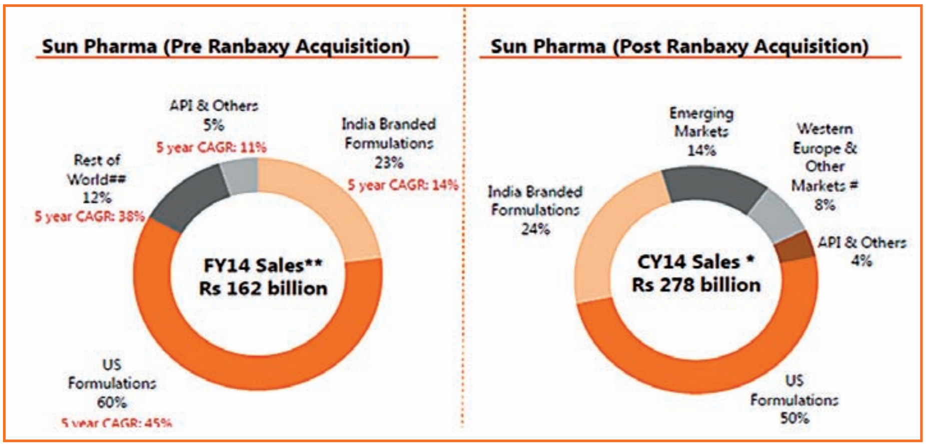


Figure 2: Sun pharma revenue and market share before and after Ranbaxy acquisition

The combined entity shall be the 5th largest generic Drug Company in the world with revenue from sales of 5.1 Billion USD.

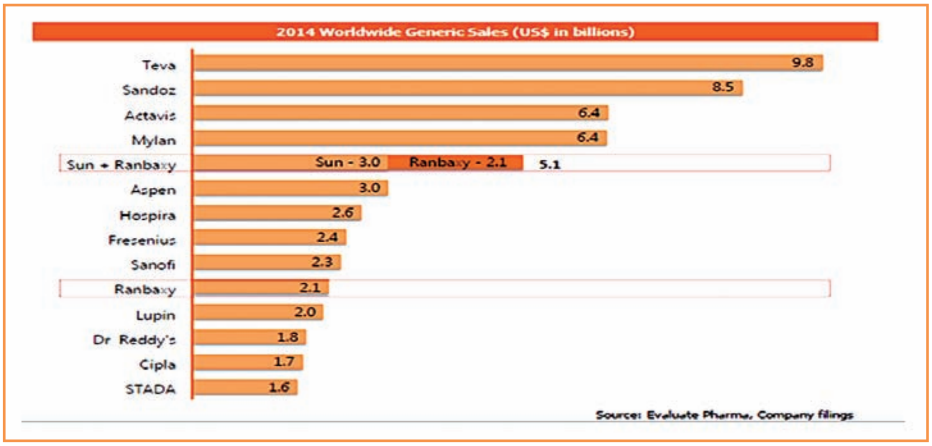


Figure 3: Worldwide sale of generic drugs company wise

Sun pharma is known for its operational efficiency and also turning the companies which it acquire into a well-managed efficient company. In terms of Gross margin from operation in the Indian market Sun pharma is leader by having a margin of more than 75% and the margins have been rising for past 5 years. The industry average for the other top 10 pharma companies is around 60% well below Sun pharma average. The Acquisition will result in slump of the margin because of Ranbaxy margin of around 55% but still the combined entity shall have a margin well above the industry average.

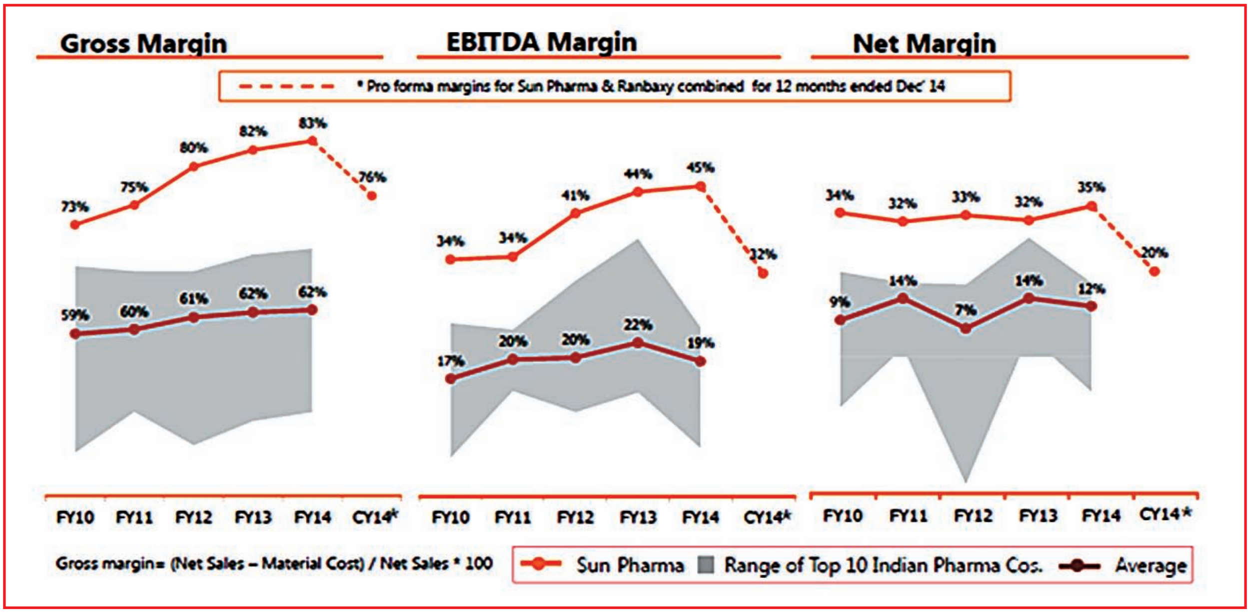


Figure 4: Operation Margin of Sun-Pharma before and after Ranbaxy Acquisition and comparison with Industry

The merger will have a significant impact on company position in the Indian market where the company shall attain the lead position by trumping Abbot. The combined unit shall have a market share of around 9.1% well above the market share of Abbott 6.2%.

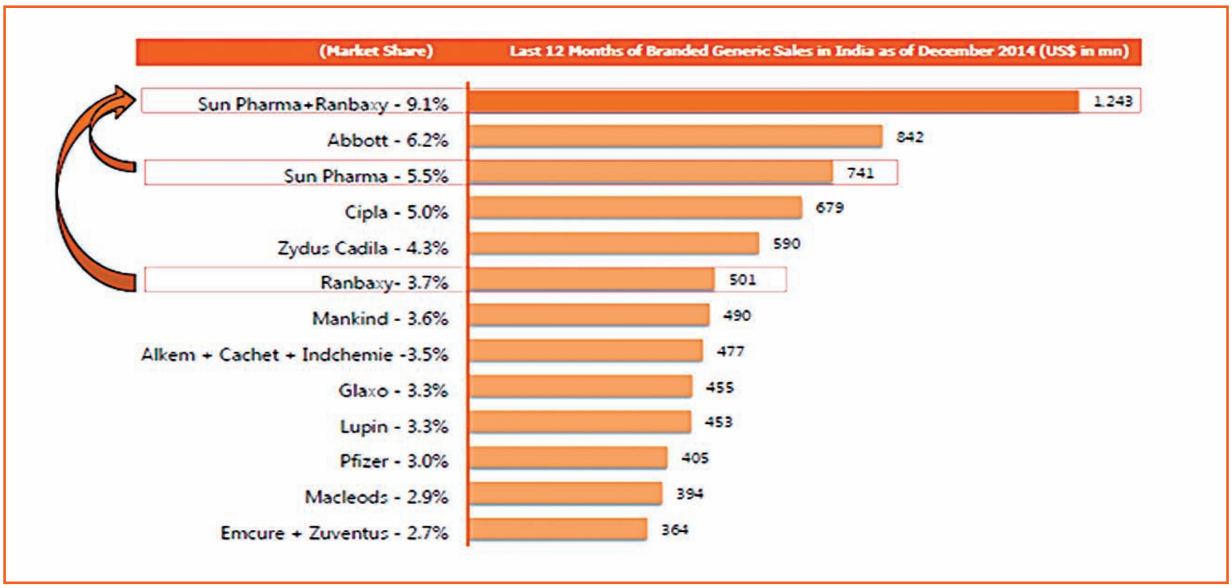
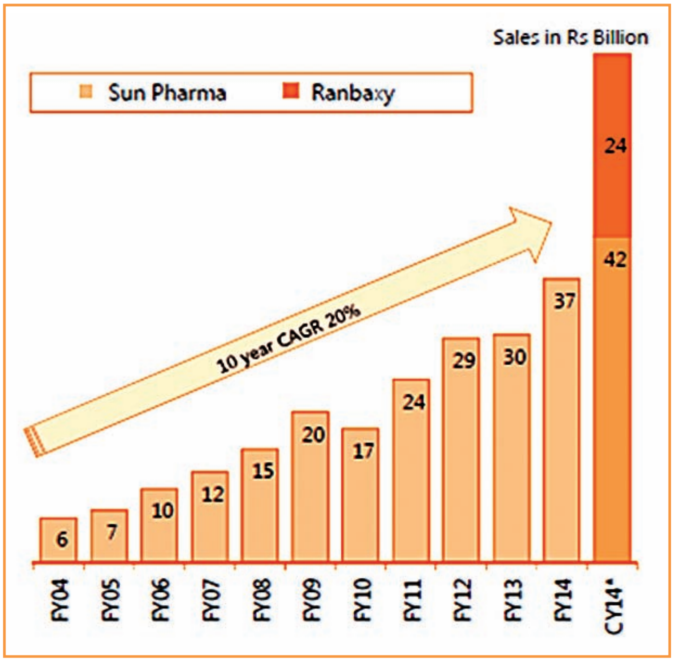


Figure 5: Market share of Pharma companies in Indian market.

Figure 6: Indian Business ramp up after acquisition of Ranbaxy



In India, the merged entity will be

- The largest pharma company in India with pro-forma revenues of US$ 1.1 billion and over

9%

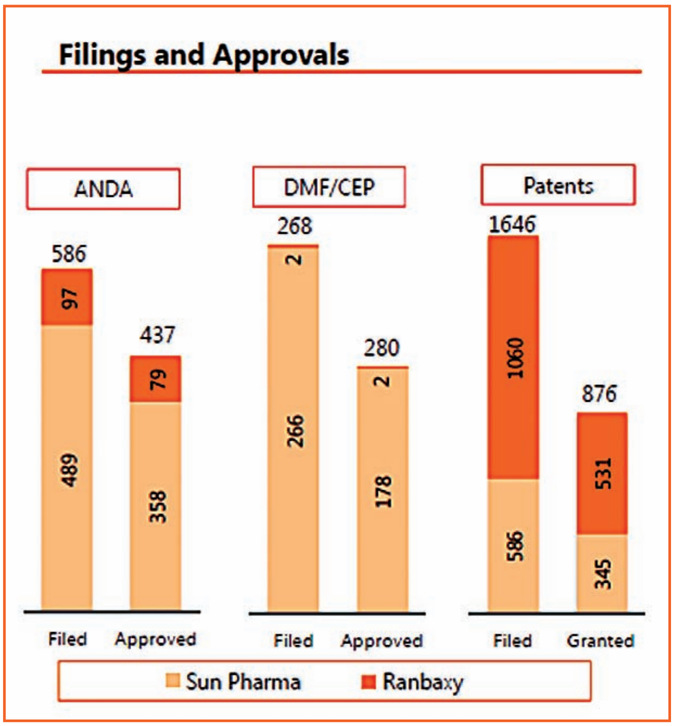
market share.

- The acquisition will also enable Sun Pharma to enhance its edge in acute care, hospitals and OTC businesses with

31 brands

among India's top 300 brands and a better distribution network

Figure 7: Increase in Filing and approvals post-merger



The merger will also ensure future benefits to sun pharma because of best R&D practice and patents that Ranbaxy holds.

- Increase in the patents count to

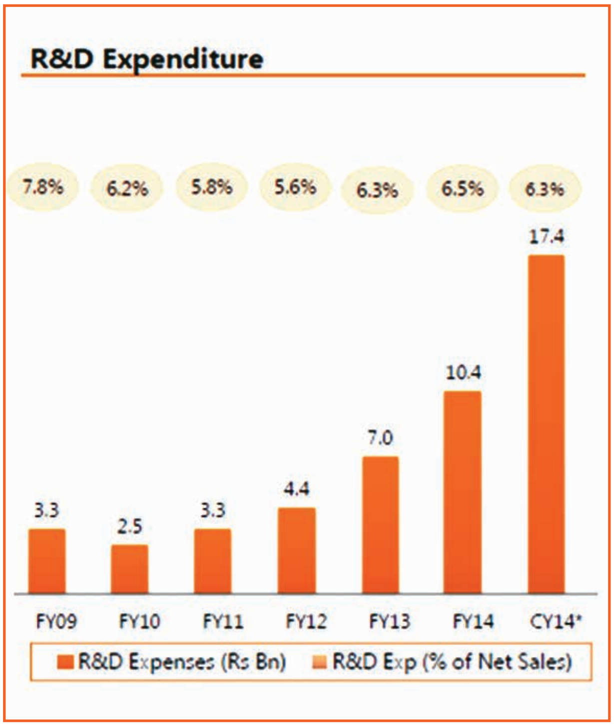
876

- Increase in ANDA numbers to

437

- There shall be substantial in crease in the R&D budget from 10.4 Billion rupees to 17.4 Bil lion rupees

Figure 8: Increase in R&D expenditure post-merger



Other benefits from the merger are as listed below:

- The merger shall provide a pro-forma in U.S. that will generate revenues of US $ 2.2 billion and the entity will have a strong potential in developing complex products through a broad portfolio of 184 ANDAs (Abbreviated New Drug Application) awaiting US FDA approval, including many High-value FTF (First to File) opportunities.

- The merger will also improve Sun Pharma's global footprint in emerging pharma markets like Russia, Romania, Brazil, Malaysia and South Africa, offering opportunities for cross-selling and better brand-building. The merged entity will have combined pro-forma revenues of US$ 0.9 billion for CY 2013 in emerging pharma markets.

- Pro-forma EBITDA of the merged entity for CY 2013 is estimated at US$ 1.2 billion.

- Synergy benefits of US$ 250 million are expected to be realized by the third year following the closure of the deal, driven by a combination of revenue, procurement and supply chain efficiencies and other cost synergies.

- Post-deal closure, Daiichi Sankyo (the majority shareholder of Ranbaxy) will become the second largest shareholder of Sun Pharma with a 9% stake.

- Daiichi Sankyo has also agreed to indemnify the merged entity for costs and expenses incurred in Ranbaxy's recent settlement with the US Department of Justice in regards to its Toansa facility in India. MA

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Risk Management in Pharmaceutical Industry

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Human life is fraught with innumerable risks. Risk is omnipresent in day today life. Every individual, flora and fauna as well as non-living entities like company, firm etc., existing on this universe are regularly exposed to varied risks and no one can escape the same. However, success of a person/entity as compared to his/its contemporaries depends on in his/its ability to effectively manage the risks. Having said that, it is pertinent to understand the meaning of risk.

What does risk mean ?

As per BusinessDictionary.com, risk means "A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action".

As per Wikipedia "Risk is the potential of gaining or losing something of value. Values (such as physical health, social status, emotional well-being or financial wealth) can be gained or lost when taking risk resulting from a given action or inaction, foreseen or unforeseen. Risk can also be defined as the intentional interaction with uncertainty. Uncertainty is a potential, unpredictable, unmeasurable and uncontrollable outcome; risk is a consequence of action taken in spite of uncertainty".

To put in simple terms, risk is the consequence of some internal or external uncertainties which can result in loss, damage, injury, liability or any other negative consequence to the person who is exposed to. Some kind of risks can be avoided through pre-emptive actions such as insurance. However certain kinds of risks cannot be avoided i.e., shortage of key raw material can jeopardise the entire business despite best efforts of the organisation to avert such an eventuality.

Significance of Risk Management

As per Wikipedia, Risk management is the identification, assessment, and prioritization of risks (defined in ISO 31000 as *the effect of uncertainty on objectives*) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/ or impact of unfortunate events or to maximize the realization of opportunities. Risk management's objective is to assure uncertainty does not deflect the endeavor from the business goals.

Thus the very purpose of risk management is to properly identify, understand, evaluate and prioritise the risks so that underlying uncertainties can be properly monitored, controlled and impact of the same can be minimised to manageable levels. While doing so, organisational resources and focus should be channelised in such a manner that potential to earn higher returns is not foregone.

Normally risk and return move hand in hand i.e., higher the risk, higher the returns and lower the risk, lower the returns. Every entity would like to take calculated risks based on its risk appetite. No organisation can afford to avoid the risks altogether as the opportunity to earn higher returns is attached thereto. The objective of every organisation is to maximise the shareholder wealth and this objective can be attained only by identifying and managing the risks in a scientific manner so that opportunity to earn higher returns is not missed. No person with business acumen can afford to avoid the opportunity to earn higher returns especially in the era of cut-throat competition.

Risk management is the holistic approach which in order to be effective, has to be in-built in all the business processes. It has to be part and parcel of every business process so that risk management is simultaneously carried out while performing other business processes. In other words, risk management has to be embedded in all the business processes rather than being carried out as a separate activity. This will ensure that adequate risk weightage is assigned to every business decision at the very nascent stage. Every person working in the organisation (from top to bottom) will have to be treated as a risk manager and should be fully aware of the risks as applicable to his job. He shall also be responsible for effective management of the same.

Risks in Pharmaceutical Industry

As any other industry, pharmaceutical industry is exposed to risks galore i.e., competition, regulatory, human-resource, default, patent infringement etc. Pharmaceutical companies engaged in international operations are exposed to currency, country risks as well. Due to increase in life style diseases, there is a huge potential for pharmaceutical companies to grow at a great pace. Hence, effective management of risks is a definite stepping stone for long-term success.

In this article, an attempt has been made to understand the risk management practices followed by few leading pharmaceutical companies. This analysis is purely based on disclosures in Annual Reports of these companies for the financial year 2014-15.

As per Wikipedia, top ten listed pharmaceutical companies in India based on market capitalisation are as under :

Top 10 Publicly Listed pharmaceutical companies in India by Market Capitalization as of July 2015

Rank	Company	Market Capitalization 2015 (INR crores)
1	Sun Pharmaceutical	2,17,636
2	Lupin Ltd	84,193
3	Dr. Reddy's Laboratories	63,779
4	Cipla	52,081
5	Aurobindo Pharma	42,454
6	Cadila Healthcare	38,677
7	Glenmark Pharmaceuticals	29,047
8	GlaxoSmithKline Pharmaceuticals Ltd	28,587
9	Divis Laboratories	24,847
10	Torrent Pharmaceuticals	22,320

Source : Wikipedia.

In this article we will try to understand the risk management practices in Cipla, Sun Pharma, Lupin Ltd., Dr Reddy's Laboratories & Aurobindo Pharma.

Extracts of Annual Reports of each of these companies for the year 2014-15 is given in **ANNEXURE-1**.

CIPLA LTD

Directors' Report of Cipla Ltd. has identified regulatory risk (intense scrutiny by various regulatory authorities, both Indian and international) as one of the significant risks. It also exudes confidence about the effectiveness of company's risk management mechanism to track all such risks and initiate appropriate action.

The report also speaks about the challenges posed by administered price mechanism. Due to fixation of prices of certain drugs by the regulator, company is facing the risk of falling prices. This risk, according to report is ongoing due to fixation of prices of more and more drugs by the regulator. The report also speaks about some pending cases pertaining to charging of excess price which according to report is not significant to threaten the existence of the company.

The report also speaks about geo-political risk as a result of company's operations in a number of markets. The report also speaks about the identification of risks inherent in all the manufacturing processes and measures taken to tackle such risks. The report also identifies compliance risk as one of the significant risks and the systems in place to handle this risk.

The company has duly constituted the Risk Management Committee in accordance with Clause 49 of the listing agreement which is entrusted with the responsibility of monitoring and reviewing the risk management plan on continual basis.

SUN PHARMA

Directors' Report of Sun Pharma speaks about three aspects of risk management i.e., development and implementation of Enterprise Risk Management Framework by the company, review and approval of Risk Management Policy by the Board and constitution of Risk Management Committee by the Board.

As per the report, Enterprise Risk Management Framework helps the company in monitoring, mitigating and reporting the key risks (risks which impair the company's ability to meet strategic objectives).

Risk Management Committee is entrusted with the responsibility of overseeing various strategic, operational and financial risks which the company is exposed to. It also has to oversee the adequacy of mitigation plans to address all such risks. The terms of reference of the committee inter-alia include :

- to formulate and recommend to the Board a Risk Management Plan/Policy,
- to implement, monitor and review the Risk Management Plan for the Company as approved by the Board,
- to monitor the Risk Management Policy of the Company from time to time,
- to recommend and implement necessary procedures for risk assessment and minimisation, and
- to discharge such other functions and such powers based on directions of the Board.

However, the report is silent about the functioning of Enterprise Risk Management Framework.

LUPIN LTD

Chief Financial Officer's letter addressed to the shareholders speaks about the various risks which the company is exposed to i.e., competition, financial and geo-political. It also speaks about the long term investments by the company in business intelligence, financial reporting, analysis and forecasting systems which helped the company in remaining buoyant. This letter also speaks about wild foreign exchange fluctuations during the year 2014-15 which Company managed due to effective hedging strategy.

As stated in Directors' Report, Lupin Ltd. has been accredited as 'Firm of the Year' in the pharmaceutical sector at the India Risk Management awards towards best Risk Management practices. Report also speaks about constitution of Risk Management Committee and engagement of services of Ernst & Young LLP to assist the company in effective implementation of Risk Management framework in a formal manner. As per report, the committee has laid down the procedures to inform the Board about risk assessment and minimization procedures.

The report also speaks about engagement of a professional firm for framing, implementing and monitoring the risk management plan of the company. It appears from the Directors' Report that this assignment is yet to be completed by such professional firm.

DR. REDDY'S

Dr. Reddy's has a comprehensive risk management system in place. Risk Management System is termed as enterprise-wide risk management (ERM) system. ERM encompasses :-

- Dedicated ERM team,

- Management level committee termed as 'Finance Investment and Risk Management Council' (FIRM Council),
- Risk Management Committee of the Board of Directors.

All of the above hierarchy levels operate under a charter and have clearly laid down roles and responsibilities.

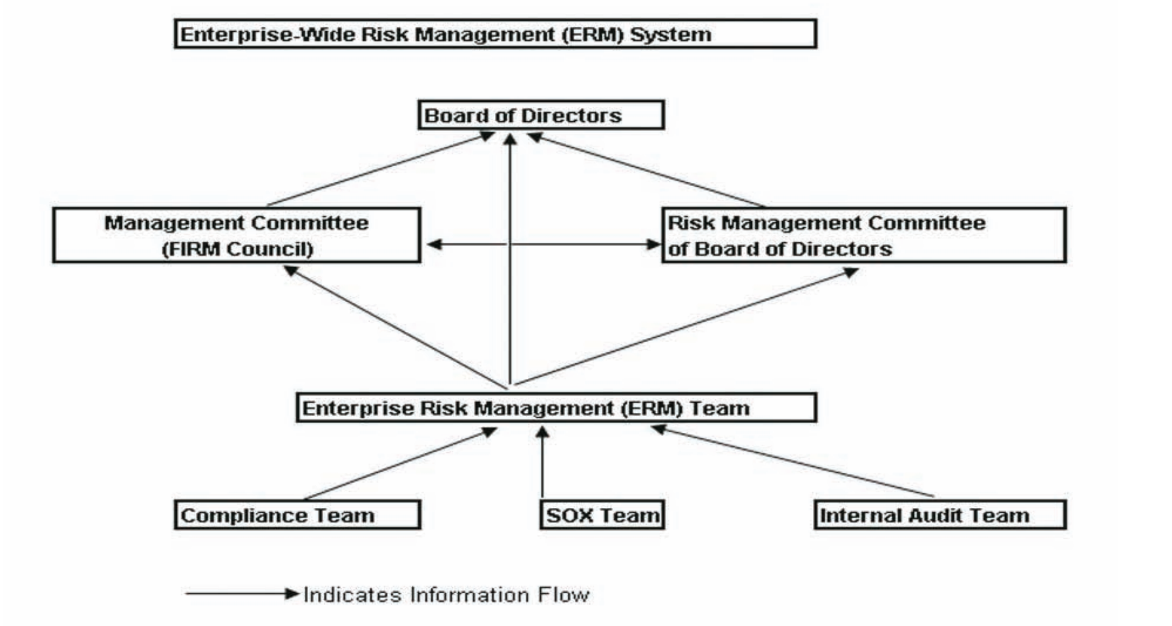
ERM team is responsible for risk identification (at business unit or function level) and highlighting the risk to right stakeholders, risk aggregation, risk prioritization and mitigation at the organizational level. The ERM team collaborates with the Compliance, SOX and Internal Audit teams on compliance, financial reporting and process aspects for identifying and mitigating risks, respectively. Mitigation is periodically reviewed, and the progress on key risks are discussed at the Company's management-level and Board-level Risk Committees.

The FIRM Council and/or the management, periodically reviews specific policies or charters for Fraud Risk Management, Compliance and Internal Audit.

The Risk Management Committee's primary functions are to:

- Discuss with senior management the Company's Enterprise Risk Management (ERM) and provide oversight as may be needed. It reviews the risk management framework.
- Ensure that it is apprised of the more significant risks along with the action, management is taking and how it is ensuring effective ERM.
- Review risk disclosure statements in any public documents or disclosures, where applicable.

Bird's eye view of company's ERM system can be depicted by means of following chart :



Obviously company has given lot of importance to "Financial Risk Management". This is evident from the fact that there is a separate note (Note 2.36) on "Financial Risk Management" as a part of company's financial statements. Company has listed out various risks under this section i.e., market risk, credit risk and liquidity risk. It also speaks about various components under each of these main headings along with the measures taken by the company for mitigation of the same.

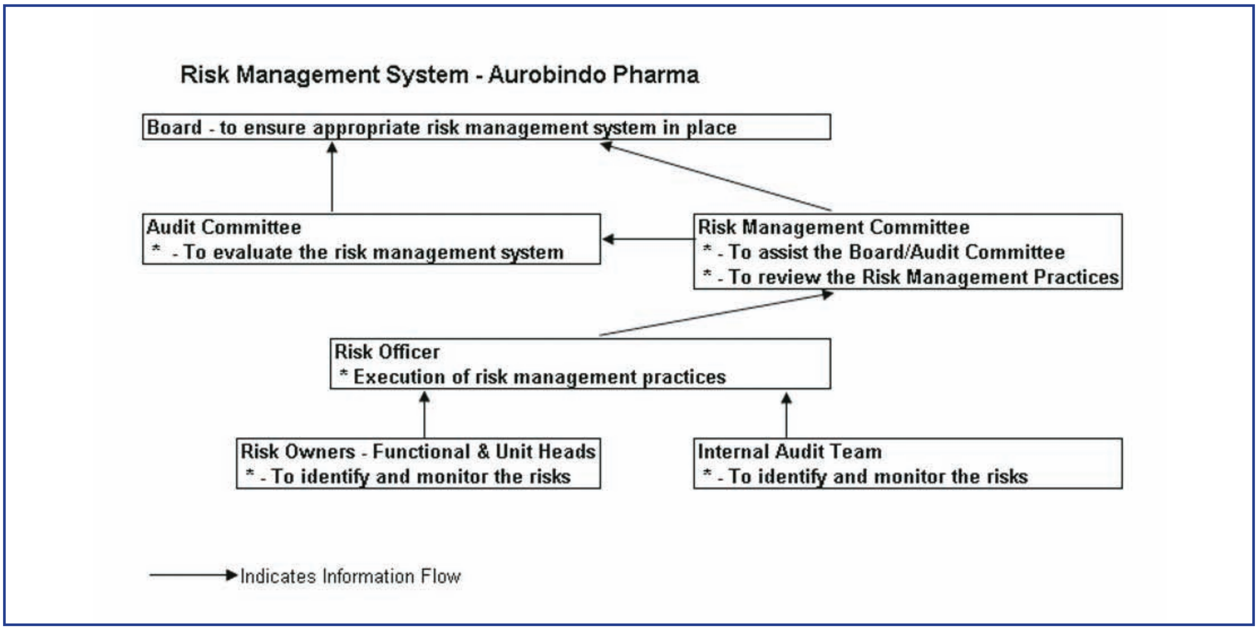
As seen from the above analysis, Dr. REDDY'S has given lot of importance to Risk Management process which is very essential in today's dynamic and complex business environment.

AUROBINDO PHARMA

Management Discussion and Analysis section of the Annual Report speaks about the holistic approach adopted by the company in managing the risks. The company has prepared and implemented a set of guidelines for Environment, Health & Safety (EHS) Risk Assessment. The report speaks about the 'Guidelines for EHS risk assessment' prepared and implemented by EHS team.

The report also speaks about various measures initiated by the company to increase the employee awareness and knowledge about EHS.

The risk management framework of the company operates at various levels across the organisation i.e., Board of Directors, Audit Committee, Risk Management Committee (RMC), Risk Officer (RO) and Risk Owners (functional and unit heads). The roles and responsibilities of each of the above hierarchy levels as regards risk management can be understood from the chart below :



Obviously Aurobindo has aligned the risk management in each and every business process. Risk management practice has been in built in all the business plans so that objective decision can be taken as regards underlying risks. As per Annual Report, Aurobindo adopts bottom-up approach for the identification of potential risks for each function and uses techniques such as structured interviews, face- to-face meetings, video/telephonic conferencing, brain storming sessions, risk questionnaires etc. Risk registers are updated with existing and emerging risks.

The company has broadly classified the risks into five categories i.e., strategic risks, operational risks, compliance risks, financial & reporting risks and Information Technology risks. The company has also taken pain to list out most of the business risks as well as measures taken by the company to mitigate all these risks. As per company, some of the key existing and emerging business risks are :

- Economic & geopolitical risks
- Competition risks
- Regulatory & compliance risks
- Pricing risks
- Patent protection risks
- Market risks
- People risks
- Raw-material import risks
- Information technology (IT) risks

As seen from the above, Aurobindo Pharma has put in place comprehensive, well-balanced, efficient and effective risk management system. The system is designed in such a way to identify and mitigate the risks at all the levels from top to bottom. Moreover, bottom-up approach of the company will help in not only identifying the potential risks at the nascent stage but also help in mitigating such risks by drawing immediate attention of top management.

Conclusion

As seen from the above analysis, pharmaceutical companies have laid lot of emphasis on risk identification, measurement and mitigation. Most of the companies have comprehensive and effective risk management framework in place so as to ensure that risk management is embedded in all the business plans, business processes and business decisions. This will ensure that the companies are well placed to face the future uncertainties with ease. Proper risk management helps the companies in taking calculated risks and enhancing the shareholder value. An organisation to be a going concern, needs self-sustainable business model coupled with comprehensive risk management system.

References

Annual Reports of respective companies for the financial year 2014-15.

ANNEXURE - 1 (EXTRACTS OF ANNUAL REPORTS)

1. CIPLA LTD

Directors' Report

Threats, Risks, Concerns

The pharmaceutical industry has always been under intense scrutiny by various regulatory authorities, both Indian and international. This trend continues resulting in regulatory standards being upgraded all the time. The Company continues to track all these changes, increase vigilance, and strives to maintain the highest quality standards.

It is close to two years since the new pricing regulation was enacted in the Indian market. Over the last one year, the Company took various steps to mitigate the initial impact of the decline in prices. Since the pricing regulatory authorities are reviewing the existing pricing mechanism and are considering expanding the scope, the threat of future decline in price remains.

Cipla has some pending legal cases related to alleged overcharging in respect of certain drugs under the Drugs (Prices Control) Order, 1995. The aggregate amount of the demand notices received is about Rs. 1,768.51 crore (inclusive of interest). The Company has been legally advised that based on several High Court decisions and considering the totality of facts and circumstances that these demand notices may not be enforceable. However, any unfavourable outcome in these proceedings could have an adverse impact on the Company.

Cipla operates in a number of markets where geo-political risks exist. No significant or material orders have been passed by the Regulators or Courts or Tribunals which may impact the going concern status of the Company and its future operations.

Hazards and risks associated with site activities are identified across all manufacturing locations and risk control and mitigation measures are continuously implemented. Online systems are in place to monitor applicable legal compliance.

Risk Management

As required under Clause 49 of the Listing Agreement, the Company has constituted a Risk Management Committee comprising of executive directors under the Chairmanship of Mr. Subhanu Saxena. There are no risks which in the opinion of the Board threaten the existence of your Company. However, some of the risks which may pose challenges are set out in the Management Discussion and Analysis which forms part of this Report.

Risk Management Committee

The Risk Management Committee was constituted by the Board of Directors on 29th September 2014 adhering to the requirements of Clause 49 of the Listing Agreement. The Committee's prime responsibility is to monitor and review the risk management plan and to discharge such other functions as may be delegated to the Committee by the Board from time to time.

2. SUN PHARMA

Board's Report

Risk Management

The Company has developed & implemented an integrated Enterprise Risk Management Framework through which it identifies monitors, mitigates & reports key risks that impacts its ability to meet the strategic objectives. During the year, the Board of Directors have constituted a Risk Management Committee which is entrusted with the responsibility of overseeing various strategic, operational and financial risks that the organization faces, along with the adequacy of mitigation plans to address such risks. A Risk Management Policy was also reviewed and approved by the Board.

The Company also has a Risk Management Committee and the details are mentioned in the Corporate Governance Report.

Risk Management Committee

The Board constituted the Risk Management Committee on 27th September, 2014 comprising of Mr. Dilip Shanghvi, Mr. Sudhir V. Valia and Mr. Uday Baldota, CFO. The Chairman of the Committee is Mr. Dilip Shanghvi. The constitution of the Committee also meets the requirements of Clause 49 (VI) of the Listing Agreement. The terms of reference of the Committee inter alia include: to formulate and recommend to the Board a Risk Management Plan/Policy, to implement, monitor and review the risk management plan for the

Company, to recommend and implement procedures for risk assessment and minimization, to monitor the Risk Management Policy of the Company from time to time, to discharge such other functions and exercise such other powers as may be delegated/ directed by the Board of Directors from time to time.

3.LUPIN LTD

Chief Financial Officer's Letter - Financial Review

Risks, Concerns & Threats

Managing risk, be it competitive, financial or geo-political risks and navigating through an increasingly unpredictable and volatile economic environment globally has been the most business critical task for the financial services group within Lupin. Our continued investments in business intelligence, financial reporting, analysis and forecasting systems has helped us identify such risks and come up with measures that have ensured business continuity and sustainability, while creating incremental value for shareholders and protecting company assets and intellectually property at the same time.

Lupin is a net exporter with over 70% of our revenues coming from exports to other markets and as such FY 2015 was a specially challenging year given foreign exchange fluctuations and volatility in oil prices, which have a direct bearing on input costs for us as an API and formulations manufacturer. Our hedging strategy for the short, mid and the long-term through forward exchange contracts helped minimize exchange volatility risk. Our efforts at continuously de-risking global procurement; our ability to increase market shares for generics in key markets such as the US and our ability to service key customers globally not only helped us tackle these risks but enabled us to consolidate and build on our leadership credentials and sustain our growth momentum.

We are disciplined, we are responsible and we are committed to ensuring and delivering an increasingly "fail-safe" business; Ensuring that growth is not only protected but delivered by design.

Directors's Report

Risk Management

In terms of Clause 49(VI) of the Listing Agreement, the Board constituted a Risk Management Committee. The details of the Committee and its terms of reference are set out in the Corporate Governance Report. Ernst & Young LLP were appointed to assist the Company in implementing the Risk Management framework in a formal manner.

We are pleased to inform you that your Company has been awarded 'Firm of the Year' in the pharmaceutical sector at the India Risk Management awards by ICICI Lombard and CNBC - TV18.

Corporate Governance Report

Risk Management Committee:

In terms of Clause 49(VI) of the Listing Agreement, the Board constituted a Risk Management Committee comprising Dr. Kamal K. Sharma, Vice Chairman, Ms. Vinita Gupta, Chief Executive Officer, Mr. Nilesh Gupta, Managing Director, Mr. Ramesh Swaminathan, Chief Financial Officer and Mr. Sunil Makharia, President - Finance. The Committee has laid down procedures to inform to the Board about the risk assessment and minimization procedures. The Board has engaged services of a professional firm for framing, implementing and monitoring the risk management plan of the Company. The said Firm shall review the existing risk management process; determine risk management structure; including roles and responsibilities; risk rating criteria for assessing the impact; and likelihood of risks and effectiveness of mitigation plans. It shall document the risk prioritization results and obtain the Management's assessments on 'Risks That Matter' and support for assessment of mitigation readiness vis-à-vis 'Risks That Matter'.

4. DR. REDDY'S

Risk Management

The Company has in place an enterprise-wide risk management (ERM) system. An independent Risk Management Committee of the Board oversees and reviews the risk management framework, assessment of risks, their management and minimization procedures. The Committee reports its findings and observations to the Board. A section on risk management practices of the Company under the ERM framework forms a part of the chapter on 'Management discussion and Analysis' in this annual report.

Enterprise-Wide Risk Management (ERM)

Dr. Reddy's ERM function operates with the following objectives:

Proactively identify and highlight risks to the right stakeholders;

Facilitate discussions around risk prioritization and mitigation;

Provide a framework to assess risk capacity and appetite; develop systems to warn when the appetite is getting breached; and

Provide an analysis of residual risk.

The Company's business units and functions are the primary source for risk identification. The ERM team also regularly monitors external trends on liabilities as well as risks reported by peers.

Risk Identification And Mitigation At The Business Unit Or Function Level

The ERM team focuses on identification of key business, operational and strategic risks, which is carried out through structured interviews, surveys, on-call discussions or incidents. The ERM team collaborates with the Compliance, SOX and Internal Audit teams on compliance, financial reporting and process aspects for identifying and mitigating risks, respectively. Mitigation is periodically reviewed, and the progress on key risks are discussed at the Company's management-level and Board-level Risk Committees.

Risk Aggregation, Prioritization And Mitigation At The Organizational Level

Risks are aggregated at the unit/function and organization level and categorized by risk groups. The Company's response framework categorizes them into (i) Preventable, (ii) Strategic and (iii) External risks. The Finance, Investment and Risk Management Council (or FIRM Council), is the Company's management committee that helps the ERM function to prioritize organization-wide risks, review and steer mitigation efforts in line with the Company's risk capacity and appetite. The FIRM council also oversees financial risk management and capital allocation decisions.

Reviewing The Status Of Mitigation And Residual Risks

The Head of Dr. Reddy's ERM team provides periodic updates to the FIRM Council and the Risk Committee of the Board of Directors. These include: (i) quarterly updates on the progress of mitigation of key risks, and (ii) specific initiatives carried out on risks during the year.

During FY2015, the ERM team facilitated mitigation for certain geo-political and country risks, on forex and devaluation of currencies, on transfer risk and on people security. The team enhanced its key risk indicator tracking capabilities, developed a loss-data tracker and constructed a key learning's summary for the year.

On financial risk management, the team helped in developing a framework to enable making capital allocation decisions. It also assisted management in documentation and review of internal financial controls as required by the Companies Act, 2013.

Risk Management Committee

The Risk Management Committee of the Board entirely comprises of Independent Directors. Its primary functions are to:

- Discuss with senior management the Company's Enterprise Risk Management (ERM) and provide oversight as may be needed.
- Ensure that it is apprised of the more significant risks along with the action, management is taking and how it is ensuring effective ERM.
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The Chairman is a permanent invitee to all Risk Management Committee meetings. The CFO acts as Secretary of the Committee. The Committee met thrice during the year: on 12 May 2014, 28 October 2014 and 28 January 2015.

BOARD'S REPORT

Business Risk Management

The Company has a Risk Management Committee of the Board, consisting entirely of Independent Directors. The details of the Committee and its terms of reference are set out in the Corporate Governance section, which forms a part of the Board's report.

The Audit and Risk Management Committees review the key elements of the Company's business, finance, operations and compliance risk(s) and respective mitigation strategies. The Risk Management Committee reviews key strategic, business and operational risks, while issues around Ethics & Fraud, Internal Control over Financial Reporting (ICOFR), as well as Process risks and their mitigation are reviewed by the Audit Committee.

The Company has a management level committee – 'Finance Investment and Risk Management Council' (FIRM Council) which operates under a charter and focusses on risks associated with the Company's business and investments. The FIRM Council and/or the management, periodically reviews specific policies or charters for Fraud Risk Management, Compliance and Internal Audit.

The Enterprise-wide Risk Management (ERM) function helps the management and the Board to periodically prioritize, review and measure risks against a pre-determined risk appetite and to suitably respond, depending on whether the risks are internal, strategic or external. Significant risks are prioritized on likelihood and severity, and their mitigation is reviewed regularly.

During FY2015, focus areas of the management and the Board included progress on strategy execution, quality and regulatory, geo-political, compliance and patent infringement risk exposures, while process safety and health continued to remain a priority for the Company.

NOTES TO FINANCIAL STATEMENTS

2.36: Financial Risk Management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee are responsible for overseeing Company's financial risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk-sensitive financial instruments including foreign currency receivables and payables and long term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, British pounds sterling, Roubles and Euros) and foreign currency borrowings (in U.S. dollars, Euros and Roubles). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's financial performance gets adversely impacted. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, option contracts and swap contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecasted transactions and recognized assets and liabilities.

Interest rate risk

As of 31 March 2015, the Company had foreign currency loans of Rs. 26,366 carrying a floating interest rate of LIBOR plus 7.5 - 125 bps whereas as of 31 March 2014, the Company had foreign currency loans of Rs. 17,219 carrying a floating interest rate of LIBOR plus

20-179 bps and Rs. 846 carrying a floating interest rate of Moscow Prime Offered Rate plus 60 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. An increase or decrease of 10% in the floating interest rate component applicable to its loans and borrowings would affect the Company's net profit by approximately Rs. 4 and Rs. 10 for the year ended 31st March 2015 and 31st March2014, respectively.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

5. AUROBINDO PHARMA

Environment, Health & Safety (EHS) Risk Assessment

We have prepared and implemented a set of guidelines for EHS risk assessment. These set of instructions provide methodologies to be followed to perform risk assessment of all activities, rank and prioritize them, identify and define risk controls, and help ensure that the controls are working effectively to ensure risk remains within acceptable limits.

The EHS team of your Company prepared and implemented 'Guidelines for EHS risk assessment'. This framework provides methodologies to be followed to:

a. perform risk assessment of all activities of Aurobindo;

b. rank and prioritize activities;

c. identify and define risk controls;

d. ensure that the controls are working effectively to maintain risk within acceptable levels.

Several training programs were initiated to increase employee awareness and knowledge.

Chemical exposure risk assessment was initiated to determine hazardous effects of chemical exposure. The risk assessment has been completed for 129 materials.

Risk Management Committee

Risk Management Committee of the Company consists of the following Directors namely Mr. M. Sitarama Murty, Mr. N. Govindarajan and Mr. P. Sarath Chandra Reddy. The Company has established a separate department to monitor the enterprise risk and its management.

The Committee had formulated a risk management policy for dealing with different kinds of risks which it faces in day-to-day operations of the Company. Risk management policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal financial control systems and procedures to combat the risk. The risk management procedure is reviewed by the Audit Committee and Board of Directors on regular basis at the time of review of quarterly financial results of the Company. A report on the risk and their management is enclosed as a separate section forming part of this report.

Management of Risks (As part of Management Discussion & Analysis)

Overview

Risk management at Aurobindo is an enterprise-wide function and a holistic approach has been adopted based on COSO Enterprise Risk Management (ERM) Framework. The framework encompasses practices relating to identification, assessment, monitoring and mitigation of various risks towards achievement of business objectives.

The ERM at Aurobindo is aimed at dealing with uncertainty and to minimize adverse risk impact on business objectives and enables the Company to leverage business opportunities effectively. Aurobindo relentlessly endeavours not only to minimize risks but convert them into business opportunities that allow it to maximize returns for shareholders from diverse situations.

Aurobindo has aligned risk management process with every part of the critical business processes to ensure that the processes are designed & operated effectively towards the achievement of business objectives. Risks are identified & assessed across all key business functions in a holistic manner rather than in silos. Aurobindo's core values and ethics also provide the platform for the Company's risk management practices.

Broad Categories

The following broad categories of risks to the business objectives have been considered in the risk management framework:

Strategic risks: Risks emerging out of the choices Aurobindo makes on markets, product & process development, resources, business growth & revenue model, acquisitions, investment model, business sustainability which can impact the Company's competitive advantage in medium and long term.

Operational risks: Inherent risks to business operations such as production capacities, quality assurance, customer demands, material availability, human safety and skilled manpower. Operational risks are assessed primarily in terms of process design and its effectiveness.

Compliance risks: Risks arising due to adverse developments in regulatory environment and statutory provisions that potentially impact the Company's business objectives and may lead to loss of reputation.

Financial & reporting risks: Identifying risks in business unit plans to achieve their financial performance targets of revenue and profit goals and also the Company as a whole. These risks could have potential impact on the Company's financial statements and transmission of timely and accurate financial information to stakeholders.

Information technology (IT) risks: These risks could have potential impact on information assets and processing systems.

Risk Governance Structure

The risk management framework operates at various levels across the Company i.e. Board of Directors, Audit Committee, Risk Management Committee (RMC), Risk Officer (RO), functional and unit heads whose key roles and responsibilities for risk management process are as given below:

Board:

Ultimately responsible for ensuring that appropriate risk management system is in place;

Audit Committee:

Responsible for evaluation of risk management system;

Risk Management Committee:

Assist the Board/Audit Committee in fulfilling its oversight responsibilities with respect to risk management. The RMC reviews risk management practices and actions implemented by risk owners regarding risk mitigation and monitoring;

Risk Officer (RO):

Facilitate and coordinate the execution of risk management practices with respect to risk identification, impact assessment and mitigation. The RO submits periodic risk reports to RMC for its review
and closely interacts with risk owners and internal audit teams for risk identification, monitoring and mitigation of risks;

Functional & Unit Heads:

Assume the role of risk owners entrusted with the responsibility for identification and monitoring of risks which are discussed and deliberated at various review meetings and actions are drawn according the need for effective business performance and operational excellence.

Risk Identification & Assessment

It is the process of determining risks across all key functions and business unit levels that could potentially prevent the Company from achieving its objectives. Periodically, on examining the business plan, strategic & function specific initiatives are considered for identification of potential risks. Internal audits and periodic assessment of various business processes also help in risk identification of both operational and enterprise wide risks. Aurobindo adopts bottom-up approach for the identification of potential risks for each function and the techniques are structured interviews, face- to-face meetings, video/telephonic conferencing, brain storming sessions, risk questionnaires etc. Risk registers are updated with existing and emerging risks.

Risk assessment is carried out considering probability of risk occurrence and its significance to the business. The Company identifies & evaluates several risk factors and draws out appropriate mitigation plans. Risk owners are identified and progress of mitigation actions are monitored and reviewed periodically. The Company believes in constant monitoring and decision-making to balance risks & rewards to translate them into optimal solutions between revenue generating initiatives and risks taken.

Summary of Business Risks At Aurobindo

Some of the key existing and emerging risks affecting Aurobindo's business are listed below:

Economic & geopolitical risks

Economic and political instability resulting from changes in foreign policies & political leadership in countries such as USA, Europe and Rest of the World (ROW) where Aurobindo has business presence could adversely affect the Company's operations and revenues.

International sales constitute about 86% of the

Company's total revenue and the rest 14% being domestic sales;

As a de-risking strategy, the Company is focusing on territory expansions, partnerships, globalization & further penetration through joint ventures and subsidiaries in potential markets. The Company is developing a broad portfolio of products through non-infringing processes to become a significant player in the generics arena.

Competition risks

Aurobindo's products face intense competition from other pharmaceutical companies in India and abroad and introduction of new products by competitors may impair the Company's competitive advantage and lead to erosion of revenues.

Instability in any one economy will not have a major influence on the Company. Overall, the healthcare industry is not price elastic and is hence, reasonably insulated from recession.

Regulatory & compliance risks

The pharmaceutical industry is constantly being challenged by critical compliance risks viz. to comply with rigorous regulatory requirements and compliance is evolving from an isolated departmental initiative to an enterprise level risk management challenge. Some of the competitors, especially multinational pharmaceutical companies, have greater experience in clinical testing and human clinical trials of products and in obtaining regulatory approvals. This could render Aurobindo's technology and products non-competitive or restrict the Company's ability to introduce new products thereby adversely impacting business.

Aurobindo has a full-fledged EHS (Environmental, Health, and Safety) team which is continuously addressing the issues of environmental safeguards by conducting periodical safety audits and training programs.

Pricing risks

Some of Aurobindo's products are subject to price controls or other pressures on pricing. The price controls limit the financial benefits of growth in the life sciences market and the introduction of new products.

Aurobindo is able to cope with pricing pressures and focus on quality assurance to minimize the possibilities of commoditization. The in-house R&D is striving to develop cost effective products by redefining the production process/facility.

Patent protection risks

Aurobindo's success depends on the Company's ability in future to obtain patents, protect trade secrets and other proprietary information and operate without infringing on the intellectual property rights of other pharma companies. Aurobindo's inability to obtain timely ANDA approval, thus missing out on early launch opportunities and litigation outcomes could affect product launch date.

Aurobindo takes adequate care to respect trade secrets, know-how and other proprietary information and ensure that the employees, vendors and suppliers sign confidentiality agreements.

Market risks

Aurobindo is significantly dependent on US market for its business. Failure to develop profitable operations in that market could adversely affect the Company's business, operations and financial condition. This scenario poses the risk of concentration and dependence on one market. In order to reduce the concentration risk, the Company has been spreading its business (Formulations and API) into European, Japanese and emerging markets.

Proper capacity management is a challenge and the Company has taken the initiative for undertaking continuous capacity expansions and regular monitoring of on-going capital projects for their timely completion.

Currency fluctuation risks

Aurobindo has high financial obligations towards import payments and ECB repayments. In an era of depreciating rupee against USD, huge borrowings and imports will lead to high exposure of currency risks. There is no hedging of currencies. This could have an impact on the Company's financial position.

Aurobindo is predominately an export oriented company. Over 86% of the Company's revenue is from exports. At the same time, the Company is having sizable imports/working capital in foreign currency and long-term ECB to fund the export oriented projects. As such, the Company's growing exports and its proceeds provide the natural hedge to the imports and working capital in the foreign exchange fluctuations. The forex position is reviewed on a monthly basis by the borrowing committee and quarterly by the Board of Directors/Audit Committee. Based on the decision of the borrowing committee, the treasury team would ensure the execution of transactions for forward cover.

People risks

Aurobindo's success depends largely upon an effective HR strategy that includes recruitment, succession planning and retention of competent managerial personnel. The HR strategy is linked and aligned to overall business plan and growth of the Company. Labour unrest could have an adverse impact on the Company's operations. The industry is human capital intensive with a high rate of attrition and this could have an impact on the Company's operations.

Aurobindo has been fine tuning its HR strategy in order to meet business requirement and future growth. Second-in-command in each key function and decentralised management style has developed a much stronger organization culture.

Raw-material import risks

Aurobindo's dependency on China market for import of raw-material is high and this may lead to risk of import disruptions, short supplies and production bottlenecks due to unforeseen changes in government regulations & economic policies of China.

While the Company's dependence is substantial on China for raw- material, efforts are being made to create newer second sources of supplies. Continuous tracking is done by the procurement team on the market trends & dynamics for keeping adequate inventory levels.

Information technology (IT) risks

Achievement of business objectives for Aurobindo depends on the existence of a robust IT strategy that includes adequate IT infrastructure, data confidentiality, integrity and availability at all times as well as ensuring compliance with Information Technology Act. Occurrence of any unforeseen threats to IT systems could have adverse impact on data availability and continuity of operations in the Company.

The IT team at Aurobindo conducts periodic review and evaluation of IT process and in case of any process gaps and concerns, appropriate corrective measures are taken continuously. MA

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Material Cost Analysis in Pharmaceutical

Traditional Costing Vs. Activity Based Costing

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Cost information is necessary for decision making in every manufacturing and service organizations. Managers use relevant cost information for operational and strategic decisions. For example, cost information is used in determining the selling price, for measuring product profitability and in determining product mix. As managerial decisions are concerned with future events, cost information plays an important role in planning and control functions. Manufacturing and service organization face ever - increasing competition in today's global market place. Companies must react quickly manufacture, rendering high quality services, with low cost products and services to be successful in this new environment.

Nowadays accurate costing information is crucial for businesses to maintain a competitive advantage over its competitors. However, traditional volume-based costing system is subject to many criticisms due to fail to provide timely, reliable and accurate costing information for managers to make strategic decisions (Gunasekaran 1998; Ruhanita et al., 2006).To make proper decisions, top managers must have accurate and up-dated costing information. Traditional costing systems as discussed above based on volume-based allocation of overheads have lost relevance in a manufacturing and service environment that has seen a sharp increase in overhead and a subsequent decline in direct labour. Conventional cost systems have been severely criticised by experts since the late 1980s. One

Companies:

Activity Based Costing (ABC) brings a new dimension in pharmaceutical companies Cost of Goods Sold (COGS) estimation. Where, individual raw material and procedural costs are grouped to provide accurate cost estimate per activity. Pharmaceutical companies focus on competition and that affects on basic supply-and-demand dynamics. In this industry, generic drugs probably reduce the cost, which is evident in established pharmaceutical firms; hence, the higher efficiency is essential to scale in market share for every company. This is possible through ABC as it can help in the planning process and effective promotion of the process of budgetary management. This paper attempt to analyses and compares the material cost analysis through Traditional Cost Method (TCM) and ABC and suggest that which method is appropriate and feasible in effective material management.

of the major drawbacks of these systems is that they employ inappropriate measures for assigning indirect or overhead costs, leading to distorted product costs. Critics have therefore argued for better cost systems that reflect cost information more accurately. Activity-based costing system (ABC) was developed to overcome the deficiencies found in conventional cost systems.

Activity Based Costing (ABC)

The concept of ABC was developed in the ***manufacturing sector*** of the United States during the 1970s and 1980s. During this time, the ***Consortium for Advanced Management-International***, now known simply as CAM-I, provided a formative role for studying and formalizing the principles that have become more formally known as Activity-Based Costing. ***Robin Cooper*** and ***Robert S. Kaplan***, proponents of the ***Balanced Scorecard***, brought notice to these concepts in a number of articles published in Harvard Business Review beginning in 1988. Cooper and Kaplan described ABC as an approach to solve the problems of traditional ***cost management systems***.

ABC is introduced for calculation of cost price of product or services. ABC is one of the new costing methods with an increasing application throughout the world. These methods, in calculating the cost price, apply complexity, variety, product mix and specific features. A distinct feature of this method is the ability to diagnose exact costs and to present the non-financial information to improve the performance and efficiency of activities.

In implementing ABC system for manufacturing and service organizations there is a need to understand relationships among resources, activities, and products or services. Resources are allocated on activities, and products or services are a result of activities. Many of the resources consumed for performing business operation can be traced to individual products or services through identified as direct materials or direct labor costs. Most overhead costs relate only indirectly to final products or services. A costing system identifies costs with activities that consume resources and assigns resource costs to cost objects such as products, services, or intermediate cost pools based on activities performed for the cost objects and incorporates causal relationships between cost objects and activities as well as between activities and resources. Thus ABC is not just about allocating overheads, but it is all about managing and controlling activities and consumption of resources that incur cost (Turney 1996 and Cooper and Kaplan 1998).Thus, recognizing the causal relationships among resources, activities, and cost objects such as products or customers, it allows one to identify inefficient or unnecessary activities and opportunities for cost reduction or profit enhancement.

The main goal of ABC system is to provide relevant and timely information to management. This information supports better management of companies' resources in products or provision of services, and improves competitiveness in terms of costs, quality and profitability. Although the importance of accurate cost data has gradually become recognized by the pharmaceutical companies. The pharmaceutical industry can use ABC technique to help them remain profitable, eliminate unnecessary costs and change of execute plan of action. The growing demands for high-quality, low-cost products led pharmaceutical companies to adopt ABC.

3. Review of Literature

ABC is a new approach to cost analysis that was first presented in a formal structure by Robert Kaplan, Robin Cooper and Thomas Johnson in 1987 (Agbejule, 2000). Activity-based costing is defined as a costing methodology that measures the cost and performance of activities, resources and cost objects. Kaplan (1988) observed that many companies used single cost systems to meet three diverse needs, namely, inventory valuation and financial reporting, product/service/customer costing and providing 'operational feedback to frontline employees' in the manufacturing.

Drury (2000)[1] today's companies typically have a wide variety and complexity of products and services, high overhead costs compared to direct labor, an overabundance of data and substantial non product costs (e.g. distribution channels) that can dramatically affect true product cost.

Innes (1994)[2] stated that the nature of overhead cost has changed from costs which were predominantly influenced by volume-related factors to a composition determined largely by non-volume-related factors.

Lere (2000)[3] emphasized that in order to comprehend the potential power of Activity-based costing (ABC) cost data in pricing, it is important to comprehend how Activity-based costing (ABC) cost data is different in contrast to the traditional method.

O. Al-Araidaha, A. Momania, N. AlBashabsheha, N. Mandahawib, R. H. Fouad (April 2012)[4] focuses on the model utilizes ABC to identify activities and assign cost of resources products according to the actual consumption of 2each product from recourses. ABC helps management arrive at the true cost of a product to avoid under or over costing.

4. Objectives Of The Study

The primary objective of the study is to analyse and compare the material cost through Traditional Cost Method (TCM) and ABC. Hence, the specific objectives are:

To study the role of ABC system in material cost analysis of Pharmaceutical companies.

To identify the main activities and cost drivers of Pharmaceutical companies.

To compute and compare material cost through TCM and ABC method in select Pharmaceutical company.

5. Hypothesis Of The Study

The following hypothesis is formulated to ascertain the objectives.

Ho_1: There is no significant difference between material cost computed by TCM and ABC.

6. Data Sources and Methodology

The present study is a case method of research. Data required for the study was collected from financial reports, inventory control manual, procurement manual, audit reports, financial press and website of the company. Aurobindi pharmaceutical company is undertaken as sample for the study. Data analysis is done through growth ratios and Traditional Cost Method (TCM) and ABC. On the other hand study employed t- Test for test significant difference of material cost computed through TCM and ABC. The time period of the study is 6 years from 2005-2006 to 2010-11.

7. ABC Implimitation In Pharmaceutical Company

Pharmaceutical companies operate in conditions of high volatility environment. The present trend of changes is leading to an increase of competitiveness of the pharmaceutical companies, an increase of products needs, as well as a rise of expectations of patients and payers. Pharmaceutical companies use cost accounting to estimate the unit cost of products they provide. Such information helps establish a realistic budget; price, identify inefficiencies and project the effect that changes in demand would have on resource requirement. Situation on global markets, which is changing dynamically, the field of pharmaceutical companies included, makes managers to be forced to constantly seek new and effective methods and management tools. Basic knowledge of the management should be provided by cost information. Information obtained on the basis of traditional cost accounting is full cost accounting and variable cost accountings are now insufficient models. It is therefore ABC is important to apply as can help to provide useful information about the type and amount of resources used and reduction possibilities in production.

ABC systems in pharmaceutical companies focus on activities that require to producing products which consume resources by activities. Using ABC system, overhead costs are traced to pharma products by identifying the resources, activities and their cost objects of pharma products. An ABC system can be viewed in two different ways, they are: 1) The cost assignment view provides information about resources, activities and cost objects, and 2) The process view provides operational (often non-financial) information about cost drivers, activities and performance.

8. ABC Steps

ABC clearly shows the distinct system from traditional costing system effect of differences in activities and changes in products or services costs. Since the 1980s many firms adapted and implemented ABC system and achieved major benefits are: improved performance, improved profitability measures, accuracy in cost information and most useful measure for top level management in decision making and executing strategy to reduce competitiveness. Hence, pharmaceutical companies have found while implementing that ABC is a powerful tool in measuring operating of the company. Whereby for successful implementation of this method, there is a need to perform five steps; they are:

Step 1: Identify Resources

The first and foremost step in implementing ABC is a research for all the aspects of business organization. Every Pharmaceutical company requires resources are: People, equipment and technology, space, supplies, sales and marketing labor and capital and these are measured by hours, units, or money are all resource costs. Resources represent the expenditures of an organization. ABC links these costs to products, customers, or services.

Step 2 Identify activities

After understanding about the process of implementing ABC system in pharmaceutical companies, selecting the business activities must be paid attention of the business; these activities will be center to the allocated costs. ABC system identifies the number of activities to obtain more accurate costs are likely to be involved to perform business operations.

Step 3: Identify Cost Objects

Cost objects represents in Pharmaceutical Companies as manufacturing of tablets and syrups, Marketing, Research and Development of new drugs. When a cost occurs that evolve to the particular cost object, that cost should be traced directly to the end of object, the common example of this is the direct labor and direct material. ABC provides profitability by one or more cost object and profitability is utilized to identify money losing customers, to validate separate divisions or business units, or to measure the performance of individual projects, jobs, or contracts.

Step 4: Determine Resource Drivers

Resource Drivers establish the link between the expenditures of an organization and the activities performed within the organization. Once activities are identified and described, the next task is determining how much consume resources to perform each activity. This requires identification of the resources being consumed by each activity. Activities consume resources such as labor, materials, energy, and capital.

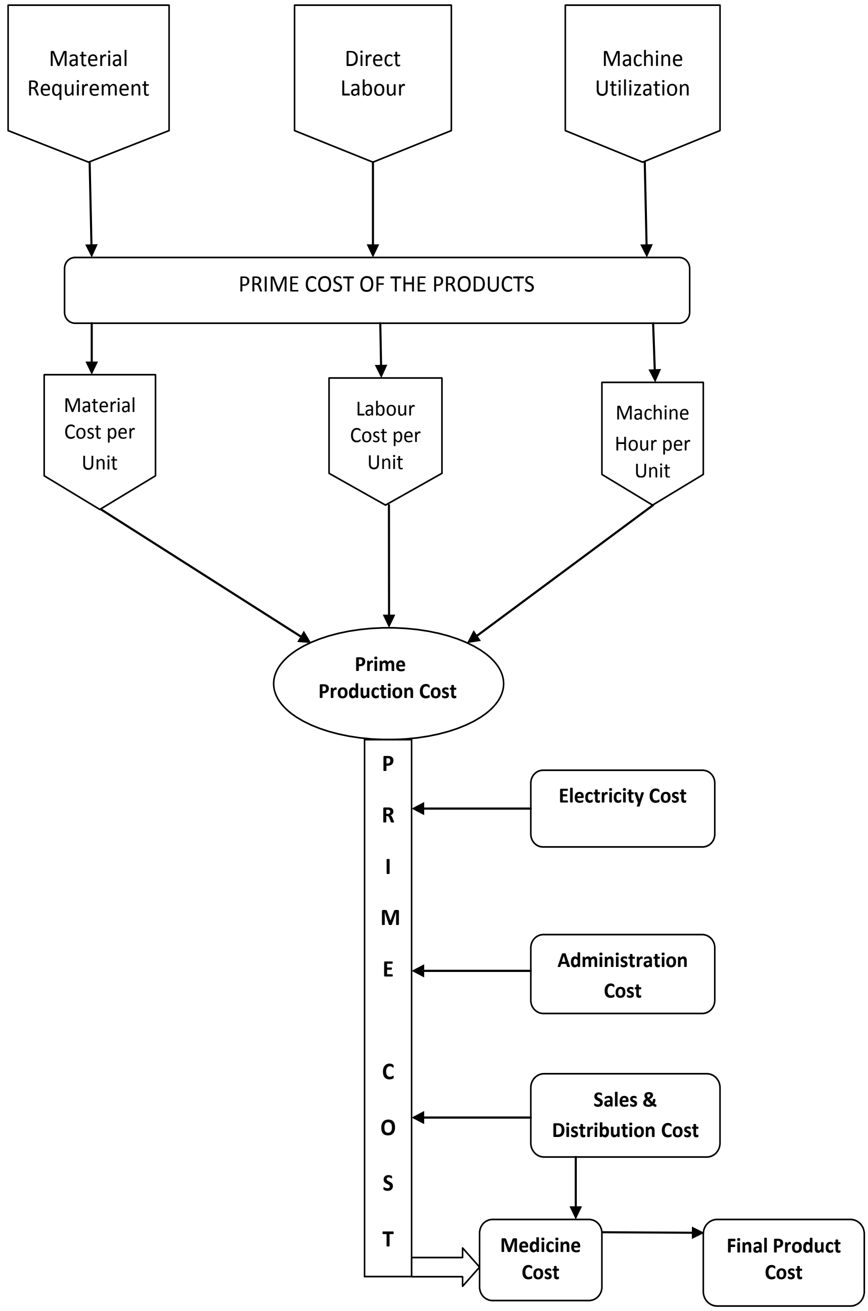
Step 5: Determine Cost Drivers

Determination of Cost Drivers completes is the last stage of the ABC model. Cost Drivers trace, or link, the cost of performing certain activities to cost objects. In order to assign the costs attached to each activity cost center to products or other cost objects, a cost driver must be selected for each activity center (Cooper and Kaplan 1998 and Drury 2000). Cost drivers used at this stage are called activity cost drivers.

9. ABC Method in Pharmaceutical Companies

Using ABC techniques in pharmaceutical companies can be certain of creating a comprehensive and very revealing map of activity costs. ABC cost maps tend to be much more indicative of where actual costs are being accrued to produce final products to customers. ABC system represents how cost flow meet cost objects and establish the relation through activities and other activities cost to cost objects. ABC method in Pharmaceutical companies presented through figure (See figure 1).

Figure 1: ABC implementation in Pharmaceutical Companies



Source: Research Work

8. Activities and Cost Drivers in Pharmaceutical Business

ABC primarily identifies the activities and cost objects in pharmaceutical companies to analysis the cost. ABC should provide a good explanation of costs in each activity cost pool. Second, a cost driver should be easily measurable, the data should be relatively easy to obtain and be identifiable with products (Maher 1997 and Drury 2000). ABC system designers can choose from three types of activity cost drivers for implementing: i) transaction,

ii) duration, and iii) intensity (or direct charging) (Cooper and Kaplan 1998). According to ABC analysis we found activities and cost objects in pharmaceutical companies represented through table (See table 1).

Table 1: Activity Cost Pools and Cost Drivers

Activity Cost Pools (Group of activities)	**Cost Drivers**
Raw material/Inventory	Number of Kilograms/tons
Set up costs	Number of Production runs
Inspection Cost	Inspection Number of Products/Inspection Number of hours
Machine Cost	Machine hours
Purchasing materials	Number of Purchase orders
Unloading Material	Number of receiving orders
Moving Materials	Distance moved
Paying suppliers	Number of invoices
Developing New products cost (drugs)/Research & Developing Cost	Number of hours spent on drugs
Testing Products	Number of hours
Employees Cost/Remuneration	Number of Employees
Rent	Number of Square feet occupied Area/Space
Receiving	Number of Goods received
Dispatch costs	Number of customer orders delivered
Packing Cost	Number of Packing orders
Facilities to customers	Number of Mails/Number of Telephone Calls
Power	Number of units
Advertisement Cost	Number of Products
Selling and Distribution cost	Number of Products

Source: Research Work

9. Profile of Aurobindi Pharmaceutical Company

Aurobindo Pharma Limited, headquartered at Hyderabad, India, the company consisting a robust product portfolio spread over six major therapeutic or product areas encompassing antibiotics, anti-retroviral, CVS, CNS, gastroenterological, and anti-allergic, these are supported by an outstanding Research & Development set-up. Aurobindo Pharma Limited has been ranked as world top 9th generics supplier as per IMS total prescriptions dispensed for the 12 months ending September 2014. It is a global pharmaceutical company producing oral and injectable generic formulations and active pharmaceutical ingredients with several large manufacturing facilities approved by leading regulatory agencies such as US FDA, UK MHRA, Japan PMDA, Health Canada, MCC South Africa and ANVISA Brazil. The Company has completed 28 years of experience and products supplied worldwide across more than 150 countries people and has recorded revenues of almost USD 2 billion in 2014-15.

The company obtained leadership positions in the businesses and actively employed distinguished for technical excellence, expertise in quality assurance, compliance with regulatory standards, and be recognized for cost competitiveness and customer focus. The Company is building a large portfolio of differentiated and niche products to add value to customers and ensure robust value creation for shareholders. The brand value of the company is merely customer and delivering products on promises. The company success based on the performance of each individual employee and as a team of work and made the research through manufacturing right up to marketing and deliveries as per the demand.

10. Material Cost Analysis of Aurobindi Pharmaceutical Company Under TCM

Traditional cost method emphasize material cost valuation merely based on actual cost recorded in financial reports, and neglect the huge investment and expenses in an organization's manufacturing or service functions. The Traditional Cost Method (TCM) cannot accurately assign the costs of non-volume-related overhead activities cost to objects. Assigning overhead costs by using only volume as a basis can supply management an incorrect picture of how costs are established. Similarly, pharmaceutical products cost can be distorted if the non-volume related overhead costs are a significant proportion of total overhead costs. Material cost analysis of Aurobindi Pharma Limited through TCM presented in table 2. It is evident from the table that the material cost has followed a mixed trend over the study period. It is due to the fluctuation in the quantity of production as per the move of the demand curve in the market, which is reflected and glare by the purchases and opening stock. It is also found that the material cost is found to decline in the study period except in 2007-08 and 2010-11.

Table 2: Material Consumption Activity Cost of Aurobindi Pharma Limited from 2005-06 to 2010-11

Raw Material Consumption Cost	Financial Years (₹ in Millions)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Raw material consumed						
Opening stock	1,492.1	1,691.7	2,533.6	3,167.8	3,529.5	3,972.1
		(13.37%)	(49.76%)	(25.03%)	(11.41%)	(12.54%)
Add: Purchases	9,073.5	12,325.3	13,676.9	15,771.1	17,817.0	22,802.7
		(35.83%)	(10.96%)	(15.31%)	(12.97%)	(27.98%)
	10,565.6	14,017.0	16,210.5	18,938.9	21,346.5	26,774.8
		(32.66%)	(15.64%)	(16.83%)	(12.71%)	(25.42%)
Less: Closing stock	1,691.7	2,533.6	3,167.8	3,529.5	3,972.1	5,482.2
		(49.76%)	(25.03%)	(11.41%)	(12.54%)	(38.01%)
Cost of raw material consumed	8,873.9	11,483.4	13,042.7	15,409.4	17,374.4	21,292.6
		(29.40%)	(13.57%)	(18.14%)	(12.75%)	(22.55%)
Add: Packing materials consumed	253.0	440.3	711.9	1,006.9	1,403.1	1,993.7
		(74.03%)	(61.68%)	(41.43%)	(39.34%)	(42.09%)
TOTAL	9,126.9	11923.7	13,754.6	16,416.3	18,777.5	23,286.3
		(30.64%)	(15.35%)	(19.35%)	(14.38%)	(24.01%)

Source: Financial Reports

11. Material Cost Analysis Aurobindi Pharmaceutical Company Under ABC

In ABC system, costs are reported by activity. The reassignment of resource costs to individual activities contributes to the creation of an ABC database for the organization. The focus on activity and activity cost analysis by ABC provides a novel perspective on cost incurrence within an organization (Cokins 1999). ABC analysis is a business term used to define an *inventory* categorization technique often used in *materials management*. It is also known as Selective Inventory Control. ABC analysis provides a mechanism for identifying items which will have a significant impact on overall inventory cost whilst also providing a mechanism for identifying different categories of stock that will require different management and controls. When carrying out an ABC analysis, inventory items are valued (item cost multiplied by quantity issued/ consumed in particular period) with the results then ranked. Under ABC system material cost analysis of company is presented through Table 3 and Table 4. It is evident from the analysis that the material cost is properly analysed under ABC with the help of cost drivers, size and pool rate over the types of products. It can be observed that the material cost is found to grow year by year marginally. This trend is unlike the trend demonstrated by TCM. Hence, it can be inferred that the mere application of ABC can accurately ascertain the cost and set-off the inflated profits by TCM.

Table 3: Types of Material and Cost Driver Size of Aurobindi Pharma Limited from 2005-06 to 2010-11

Name of material	Unit of measurement	Financial Years (Material in Tones)					
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
6APA	Tones	4616.96	3775.522 (-18.22%)	1709.488 (-54.72%)	1,873.42 (9.58%)	2,197 (17.27%)	1,940 (-11.69%)
7 ACA	Tones	256.32	272.967 (6.49%)	271.659 (-0.47%)	282.67 (4.05%)	283 (0.11%)	372 (31.44%)
Pencillin G Potassium/ ADCA	Bou's/Tones	809.989	1368.736 (68.98%)	1926.04 (40.71%)	1,671.04 (-13.23%)	392 (-76.54%)	380 (-3.06%)
Beta - Thymidine	Tones	80.544	140.664 (74.64%)	103.951 (-0.18%)	158.4 (52.37%)	190 (19.94%)	238 (25.26%)
GCLE/Ceftriaxone Sodium	Tones	794.562	1037 (30.51%)	88.818 (-91.43%)	89.97 (1.29%)	151 (67.83%)	170 (12.58%)
PHPG Base	Tones	72.2	114.159 (58.11%)	858.001 (651.59%)	1,043.01 (21.56%)	1,418 (35.95%)	1,194 (-15.79%)
PG Base/Amino Carbinol	Tones	400.965	292.085 (-27.15%)	567.9 (94.42%)	524.7 (-7.60%)	78 (-85.13%)	77 (-1.28%)
Others	Tone	608.909	603.201 (-0.93%)	0 (-99.96%)	0 --	0 --	0 --
Total		7640.449	7604.334 (-0.47%)	5525.857 (-27.33%)	5,643.21 (2.12%)	4,709 (-16.55%)	4,371 (-7.17%)

Source: Research Work

Table 4: Material Cost Analysis under ABC of Aurobindi Pharma Limited from2005-06 to 2010-11

Financial Years	Material Activity Cost (₹ in Millions)	Cost Driver Size	Pool Rate	Types of Product	Cost Driver Size for Product	Activity Cost for Product
2005-06	9126.9	7640.449	1.1945	Bulk Drugs and Drugs Intermediate	1526.6	1823.6763
				Tablets & Capsules	3154	3767.453
				Injectibles	464.6	554.964
				Syrapus	474	566.193
				Total	5619.2	6712.2863
2006-07	11923.7	7604.33	1.568	Bulk Drugs and Drugs Intermediate	863.7	1354.2816
				Tablets & Capsules	1769.5	2774.576
				Injectibles	1555.0304	2438.2876
				Syrapus	504.9508	791.762
				Total	4693.1812	7358.9072
2007-08	13,754.60	5525.857	2.4891	Bulk Drugs and Drugs Intermediate	870.6	2167.0104
				Tablets & Capsules	3320.8	8265.80328
				Injectibles	186.5362	462.7963
				Syrapus	460.467	1146.1484
				Total	4838.4032	12041.75838
2008-09	16416.3	5643.21	2.909	Bulk Drugs and Drugs Intermediate	903.3	2627.732
				Tablets & Capsules	401.98	1169.359
				Injectibles	3443.4795	10017.0818
				Syrapus	758.9953	2207.9173
				Total	5507.7548	16022.0901
2009-10	18777.5	4709	3.9875	Bulk Drugs and Drugs Intermediate	841.1	3353.95
				Tablets & Capsules	620.75	2475.2406
				Injectibles	2952.0736	11771.3934
				Syrapus	113.5594	452.8181
				Total	4527.483	18053.4021
2010-11	23286.3	4371	5.3274	Bulk Drugs and Drugs	1225.4	6528.19596
				Intermediate		
				Tablets & Capsules	1360.24	7246.5425
				Injectibles	917.2	4886.2912
				Syrapus	468.53	2496.0467
				Total	3971.37	21157.07636

Source: Research Work

12. Comparison of Material Cost – TCM V/S ABC

It is a common assumption that the ABC is a refined method of costing when compared to TCM in ascertaining the cost of material. Material cost comparison of Aurobindi Pharma Limited through TCM and ABC are presented through the Table 5. It is evident that the material cost ascertained through ABC is marginally lower than the cost under TCM.

Table 5: Material Consumption Activity Cost under TCM v/s ABC

Financial Years	Material Cost under TCM (₹ in Millions)	Material Cost under ABC (₹ in Millions)
2005-06	9,126.90	6,712.29
2006-07	11,923.70 (30.64%)	7,358.91 (9.63%)
2007-08	13,754.60 (15.35%)	12,041.76 (63.63%)
2008-09	16,416.30 (19.35%)	16,022.09 (33.05%)
2009-10	18,777.50 (14.38%)	18,053.40 (12.67%)
2010-11	23,286.30 (24.01%)	21,157.08 (17.19%)

Source: Research Work

13. Hypotheses Testing

Material Cost comparison and significant difference in cost between the TCM and ABC is examined through t-Test and the results of the test presented through the Table 6.

Table 6: T-Test Results

t-Test: Two-Sample Assuming Equal Variances		
	Variable 1	*Variable 2*
Mean	15547.55	13557.58674
Variance	25729452.02	34323575.36
Observations	6	6
Pooled Variance	30026513.69	
Hypothesized Mean Difference	0	
df	10	
t Stat	0.629003744	
P(T<=t) one-tail	0.271723516	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	0.543447031	
t Critical two-tail	2.228138842	

Source: Research Work

The result of material cost analysed through TCM and ABC is examined by t-Test at 6 degrees of freedom and 5% level of significance. It is found that the one –tail value is 0.271723516 and two-tail value is 0.543447031, which are less than the t –Critical values of one –tail, 1.812461102 and two-tail 2.228138842, therefore the null hypothesis is accepted and concluded that there is no significant difference between the material cost of company computed by TCM and ABC methods.

14. Conclusion

It is very glare from the analysis that the material cost computed by TCM and ABC are distinguishable to the possible extent. As ABC is a method that can consider micro issues, like drivers, consumption size and standard pool rate, it has presented different cost information when compared to cost under TCM. Seeing that competition in the marketplace increasing and manufacturing systems become more complex, ascertaining accurate product cost has become desirable thing. The problems with pharma companies place much emphasis on valuing inventory through traditional cost methods that cannot help in real analysis and better decision making. Not only that, direct materials and direct labor costs are not major in pharmaceutical firms and it is hard to calculate standard costs in that setting, hence, pharmaceutical firms do need to know accurate costs for product profitability analysis through ABC. MA

***Note:** The names of the companies have been purposefully changed by the Author*

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ENTERPRISE RISK MANAGEMENT

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Backdrop

Why and how the need for Enterprise Risk Management (ERM) became an important issue throughout the world? The following few points give some indication.

- Financial crisis in the beginning of the century affected the business environment throughout the world and provided strong encouragement to politician and regulators to develop an effective monitoring mechanism for enhanced corporate governance and risk management techniques (e.g. in the USA, Sarbanes-Oxly Act in 2002, Dodd-Frank Wall Street Reform, and Consumer Protection Act in 2010.
- In many countries, the regulators introduced measures to revamp internal control system (ICS) to reduce, among others, risk of operations and enhance compliance with general principles of management and accounting system. To evaluate the role of corporate boards in implementing the ERM mechanism, one has therefore to examine the interaction between the ERM and ICS.
- The Committee of Sponsoring Organisations of the Treadway Commission (COSCO)* issued in 1999 its first report on ERM which was subsequently modified in 2004 and 2014. It provides a detailed approach to implement ERM in a company.
- Professional bodies also highly recommend that all companies should develop their own policies and a framework for ERM that will enable the top management to keep a watch over different types of risks undertaken by a firm at different levels and the companies are also able to develop a comprehensive risk disclosure report.
- In India, the Companies Act 2013 requires, in the context of preparation and presentation of Financial Statements, development and implementation

of a risk management policy for a listed company by its Board of Directors.

- ERM is a relatively new management technique and differs across companies and industries. It incorporates adequate financial internal controls as one of its essential components.

The remainder of the paper is organized as follows: Section 2 identifies the issues at hand followed by a brief discussion on ERM and its objectives in section 3. Sections 4 and 5 are devoted on highlighting the dimensions of risks and COSCO's integrated ERM framework, respectively. The next four sections are on challenges for implementation, development of an ERM model, structured approach to implementation and disclosure format, respectively. Finally, sections 10 and 11 delve developments in India and potential research areas.

The Issues Involved

ERM encompasses many important issues. In view of constraint of volume, we identify the following only:

- What is ERM and what are its objectives?
- What are the different types of risk and what motivates companies to take them? Can there be an integrated framework in risk management?
- What attributes are required to be considered for developing an ERM model? What are their relevance?
- Are there strategic, operational and people-oriented challenges? If so, how to overcome them to follow a structured approach to implementation.
- How to develop a disclosure framework?
- Are the developments in India in this respect in line with international trends?
- What are the interrelationships between internal financial controls, ERM and corporate governance for maximizing value of the firm?
- What are potential areas of research in ERM?

The above issues are briefly discussed in the paragraphs that follow.

ERM and its Objectives

There can be no business worth the name where every thing can be predicted to gain from the view point of the firm. Thus, business and risk are two sides of the same coin. This corresponds with the age-old proverb "no risk, no gain". In financial literature, risk is referred to as 'variability of income (profit)' – the higher the variability, the greater is the risk and vice versa. Because of complexities of business the world over, increasing competition, awareness of the customers, lifting of economic boundaries even by emerging economies, availability of advanced technology, to mention a few, both opportunities and risks have increased manifold. Risk, if not properly managed, decreases value of the firm while opportunities have the potential to enhance value. Today's stakeholders are more informed and demanding. So, the traditional way of managing risks and opportunities requires to be sharpened and systematized to enhance the value of the stakeholders. All enterprises now face uncertainties and the challenge for management is to manage them in their respective perspectives. It is no longer an isolated approach. ERM requires management to assess, manage and monitor risk on an enterprise-wide basis, a holistic approach. It is thus referred to as a 'port-folio view' of risk management.

Margaret Rose (www.searchclo.techtarget.com) defines ERM as "the process of planning, organising, leading, and controlling the activities of an organisation in order to minimize the effects of risk on an organisation's capital and earnings. Enterprise risk management expands the process to include not just risks associated with accidental losses, but also financial, strategic, operational, and other risks." Thus, ERM reflects certain fundamental aspects, such as the following:

- It is an ongoing process and should flow through an enterprise.
- It is applied in strategy setting and implementation.
- It is effected by people at every level of the organisation.
- It is applied across the enterprise – at every level and unit and hence a 'port-folio' view of risk is involved.
- It is designed to identify potential events which will involve challenges and opportunities for appropriate management since challenges will tend to erode value and opportunities will enhance organizational value.
- Geared to achieve objectives of the firm – that is, value maximization of the firm.

Thus, ERM is very broad in nature and captures key concepts fundamental to how an enterprise must manage risks. It focuses directly on achievement of objectives of the firm.

We now refer to the objectives of ERM as follows:

The main objective of ERM is to enhance value of the firm by developing a co- ordinated and integrated approach to deal with risks across the entire business. COSCO emphasizes stakeholder value maximization by managing risks across the entire firm.

Under the COSCO framework, ERM is likely to help achieving the above objectives when management goes through the following four systematic ways:

- Strategic management (to be aligned with enterprise mission).

- Effective and efficient operations for optimum use of resources.
- Compliance with applicable management, accounting and financial principles & systems, laws and regulations, and
- Reliable and high quality reporting.

Strategic management has to capture, among others, enterprise risk assessment, control and monitoring. In general, each of the above has its impact on the operational results of the enterprise to enhance and sustain value through a more effective corporate governance.

Earlier, we have referred to the concerns of the professional bodies in improving the potentials of risk management to achieve company's goals and objectives. According to the Institute of Internal Auditors (IIA), the goal of ERM is to create, protect, and enhance shareholder value by managing uncertainties that surround the achievement of the organisation's objectives.

Dimensions of Risks

It is difficult to sketch the various dimensions of risk arising out of business. Any attempt to do that will no doubt be a courageous one because it involves so many facets each of which, if not properly managed, may have an unfavourable impact on the organization. Nevertheless, an illustrative list may be attempted as follows:

- ***Operating risk:*** Risk arising out of basic operations of the firm. Impact on cash flows of the firm may be a popular indicator to assess.
- ***Financial risk:*** Risk arising out of financing by fixed cost capital.
- ***Technological risk:*** Lack of foresight for new technology and process development; information processing, inability for employee empowerment, etc.
- ***Environmental risk:*** Inability to take care of polluting activities, stressful relations with public and the regulators, new laws and regulations for compliance.
- ***Market risk:*** Fierce competition, inferior quality of product, poor after-sales service, etc.
- ***New Project risk:*** Taking up new projects that may not be successful for various reasons; projects outside the national boundary will entail greater degree of risk (relatively new environment, new culture, new laws and regulations, transparency, etc.).
- ***Integrity risk:*** May be due to erosion of values among the managers and employees in general that cause damage and reputation.
- ***Political/economic risk:*** Economic policy may change even with or without any change in party in power in a democracy. Such changes may lead to both opportunities and risks.

It is difficult to classify risks in specific groups as attempted above because of overlapping impact of many of them. For example, operating cash flow (operating risk) may be affected due to bad quality of products (engineering risks) or out-dated technology (technological risks). Similarly, the fruits of a successful new project (new project risk) may contribute to profitability, growth and expansion. Nevertheless, a rational classification of various risks will pinpoint risk management approach and disclosure thereof.

COSCO's ERM-Integrated Framework (1999, 2004 & 2014)

In response to a need for principles-based guidance to help entities design and implement effective enterprise-wide approaches to risk management, COSCO issued the Enterprise Risk Management – An Integrated Framework in 2004. This framework defines essential enterprise risk-management components, discusses key ERM principles and concepts, suggests a common ERM language, and provides clear direction and guidance for ERM. The guidance introduces an enterprise-wide approach to risk management as well as concepts, such as risk appetite, risk tolerance, portfolio view. The eight (modified) components of risks, as suggested in the Integrated Framework, are as follows.

- ***Internal environment:*** The question is: Are we prepared to take initiatives to identify sources of risks? It covers the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
- ***Objective setting:*** Objectives must exist before management can identify potential events affecting their achievement. The chosen objectives must support and align with the entity's mission and are consistent with its risk appetite.
- ***Event identification:*** Both internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management's strategy or objective-setting processes.
- ***Risk assessment:*** Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed.
- ***Risk response:*** That is, how to avoid, accept, reduce, or share risk. A set of actions needs to be developed

to align risks with the entity's risk tolerance and risk appetite.

- *Control activities:* Policies and procedures to be established and implemented to ensure effective control.
- ***Information and communication:*** Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.
- ***Monitoring:*** The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

The above framework is now being used by organizations around the world to design and implement effective ERM processes (www.cosco.org/-erm.htm).

A thought-paper detailing a five-step judgment process that board members and others can use to overcome common pitfalls and mitigate effects of judgment bias has been issued based on KPMG's professional judgment framework.

The above enables individuals to identify where and when the quality of judgment tends to be threatened by predictable, systematic judgment traps and biases.

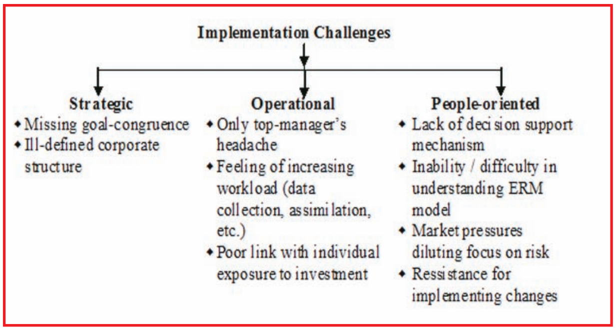
In October 2014, The Board of the Committee of Sponsoring Organizations of the Treadway Commission announced a project to update the COSCO 2004 Framework. The purpose is to enhance an organizations ability to manage risk, consider how much risk to accept, and improve understanding of opportunities as it strives to increase and preserve stakeholder value (www.cosco.org/ermupdate.htm).

Implementation challenges

Why is implementation of ERM the biggest challenge in almost all organisations? The reason is that ERM calls for a change in the way risk is to be perceived and managed. The critical issues are:

- ERM objectives are not aligned to corporate objectives.
- Insufficient commitment from the top management.
- Inadequate conceptualization of the ERM model.
- Poor decision support.
- Cultural mismatch because ERM stands for change management.

In the diagram below, the implementation challenges are looked from three angles: strategic, operational and people-oriented.



Therefore, there should be a systematic approach for implementation as suggested in section 8.

Developing an ERM Model

One of the biggest challenges on the ERM journey is designing an appropriate model. It is important to point out that ERM models are still evolving and require time and experience to build the most appropriate one. It should be customized to fit an organisation. What are the key aspects, that should be considered while developing a model? The table below gives an indication in this direction.

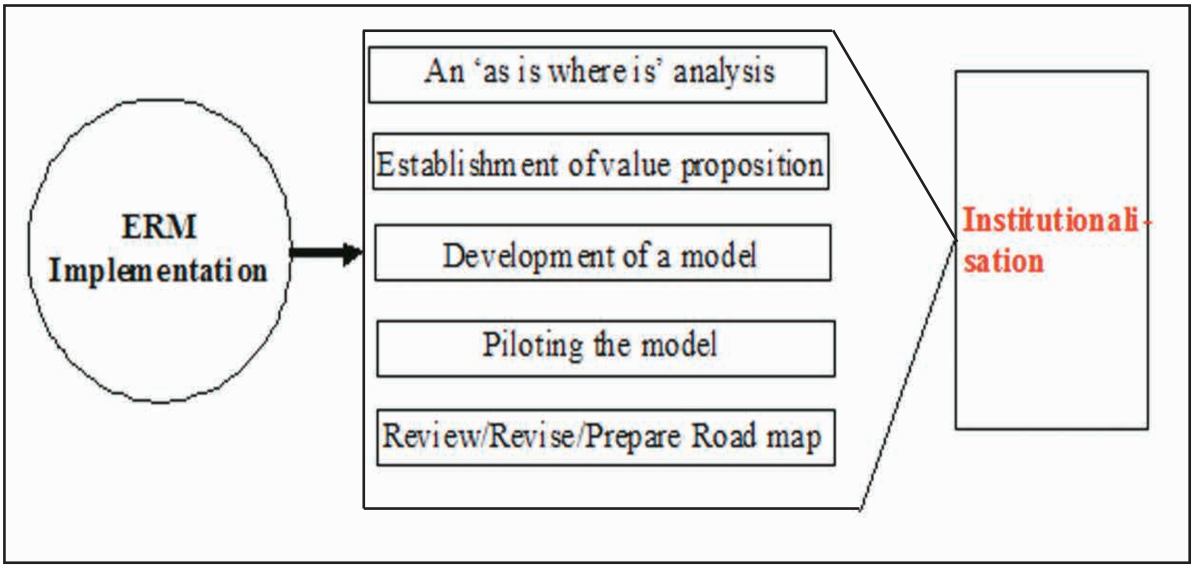
Attributes and their Relevance for a Desirable ERM Model

Model Attributes	*Relevance*
Robustness	• Ability to stand the test of time • Consistent performance • Scalability across multiple domains
Suitability	• Match complexity of operation • Address key exposures adequately
Required changes	• Minimum changes • Easy to implement
Cultural fit	• Acceptable to people

Structured approach to implementation

The merits of moving from an individual risk exposure model to an integrated risk model does not require any special emphasis because they are well established. But the biggest stumbling block is to translate the plans into reality. Infosys suggested (www.infosys.com) an implementation model designed on risk management experiences in insurance companies. Historically, both insurance and aviation industries gave emphasis on risk management approaches in view of the nature of their business. In recent years, external factors have contributed to heightened interest by almost all organisations. Industry and government regulatory bodies as well as investors have begun to scrutinize organisation's risk management policies and procedures. Accordingly, in an increasing number of industries, boards of directors are required to review and report on the adequacy of risk-management processes in the organisations they administer. Thus, a structured approach to ERM implementation is aimed at to contribute to these requirements. The model is given below.

ERM Implementation Model



Source: Adapted from www.infosys.com

'As-is where is' analysis refers to study of prevailing approach to risk management. This will cover risk appetite of the management and its philosophy. What is the existing threshold of risk tolerance? Does the management goes for aggressive risk taking for enhancing managerial incentives based on enterprise profits? In short, 'As-is' analysis will focus on risk appetite, methodology, tools, internal and external environment, risk exposer and impact. Cultural aspects will also be key issues.

The value proposition refers to business and financial advantages that the firm intends to draw from the revised/estimated approach to risk management. The impact on operating cash flow is an important consideration.

Model building (see previous section) and piloting the model is the next step. Running the pilot study to prove the concept/model before implementation is essential. The experience of piloting will pave the way for review/revision and ultimately setting the road map for full-blown implementation.

As shown in the diagram, the model ends with institualisation. It may entail different steps for successful implementation. These include systems and technology, communication, governance model, re-sourcing, etc. for documentation at the appropriate levels. Last but not the least, reporting at various levels should facilitate full flow of information for decision making and review.

Disclosure Format Development

This is an important task before us and should be carried out rationally for meaningful reporting to all stakeholders of the firm. The format should encompass various aspects of risks across the firm. It should not be vague but should be specific and reliable. ERM involves a large number of reporting requirements for monitoring and decision making. Flexibility for dynamic report creation is imperative. It should satisfy the needs of risk managers, operations managers, shareholders and others. A robust reporting tool is essential for handling all challenges. For the operations and risk-managers continuous monitoring is required. Based on feedback, managers have to take both corrective and preventative actions. Statistical Quality Control (SQC) may be applied by the firm in deciding whether to investigate a particular variance. The ER control chart will be of great help for monitoring and control.

There may be three different opinions regarding the format – (i) included in the MDA section, (ii) incorporated in the financial report as a separate section, or (i) prepared independently and attached to the financial report. In order to provide credibility to the ERM report, the CEO or the Chief Internal Control Manager should sign it. Each of the three alternatives has merits and shortcomings. The alternatives are arranged from easy to accept to more difficult one, from (i) to (ii) and then to (iii). Management should evaluate pros and cons of each and over time select and follow the most appropriate one for the benefits of the stakeholders.

Developments in India

We now turn to developments in India. **Section 134** of the Companies Act, 2013, talks about the requirements to be fulfilled in respect of Financial Statements of the company for the concerned financial year. **Sub-section (3)(n)** states that –

there shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which, among others, shall include:

> a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which, in the opinion of the Board, may threaten the existence of the company.

Sub-section (5)(e) and **(f)** of the Act specifies the nature of Directors' Responsibility Statement, in case of a listed company, and states, inter alia, that:

(e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating efficiently;

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Sub-section (5)(e) also explains the term "internal financial controls". It "means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including **adherence to company's policies**, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."

A careful reading of sub-sections (3) and (5) suggests that internal controls are essential as tools for enhancing effectiveness of ERM. To reinforce internal financial controls, the Companies Act, 2013 provides, inter alia, two supporting provisions – constitution of a National Financial Reporting Authority (NFRA) in section 132 to provide for matters relating to accounting standards and monitor and enforce the compliance thereof, and conduct of internal audit (section 138) of functions and activities of the companies.

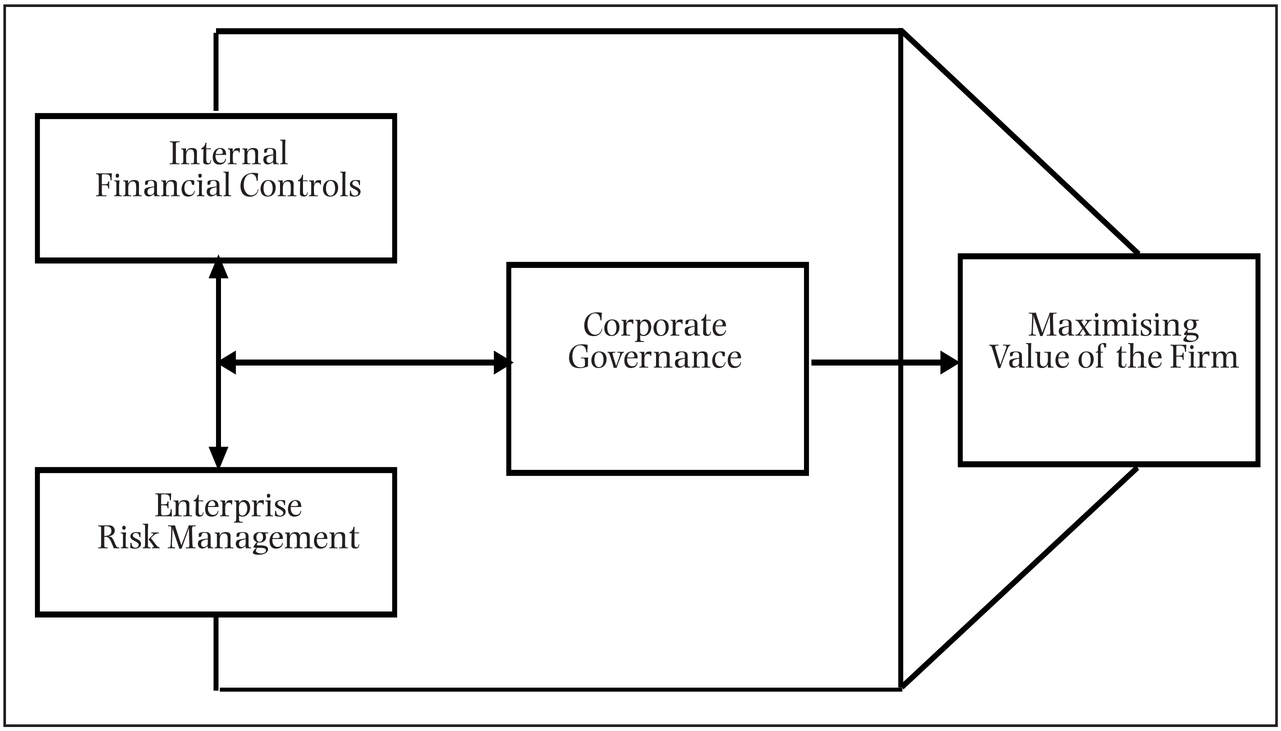
We welcome the above-mentioned developments aimed at better risk management through tighter internal controls and consequently increasing the effectiveness of corporate governance. But are these developments internationally competitive to enhance competitive advantage of India in the world economy?

According to KPMC's paper on *The Evolving Role of Internal Auditor: Value Creation and Preservation from an Internal Audit Perspective* (www.kpmg.com), internal audit broadens its view now. With an ERM focus, internal audit can move beyond its monitoring role to help influence and improve how risks are managed. The Institute of Internal Auditors' (IAA) Position Paper (www.institute of internal auditors erm) issued in January 2009 (and subsequently revised) makes the position clear in the following words:

> Internal auditing is an independent, objective assurance and consulting activity. Its core role with regard to ERM is to provide objective assurance to the board on the effectiveness of risk management. Indeed, research has shown that board directors and internal auditors agree that the two most important ways that internal auditing provides value to the organization are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively.

Thus, the recent legal provisions brought in the Companies Act look to be in line with international trend. In essence, a stricter enforcement of internal financial controls will facilitate ERM and consequently improve corporate governance. Accordingly, risk management framework must be backed by strong internal control systems, as already stated. The more efficient ERM will promote improved corporate governance. An improvement in corporate governance will tend to enhance the value of the firm with corresponding benefits to all the stakeholders. This interrelationship between internal financial controls, ERM, corporate governance and their impact on value of the firm can be explained better through the following diagram.

Financial Controls – ERM – Corporate Governance – Value Maximization Nexus



Research Issues

There will be many potential areas of research (for publication, minor/major projects, and/or ph.d. topic) in ERM. Let us venture to suggest only a few of them as follows:

Current state of ERM: updates of trends and opportunities

- A study of the evolution of risk management in some western countries and their impact on corporate governance.
- Developing a general framework of ERM for Indian companies for enhancing their competitive advantage.
- Development of a Risk Disclosure Format with special reference to India.
- Are the recent developments in India in line with international trends.
- Is there any interrelationship between financial internal controls, ERM and corporate governance? Does an efficient administration of each contribute to the value maximization of the firm? MA

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*COSCO, formed in 1985, is dedicated to providing thought-leadership through the development of comprehensive frameworks and guidance for enterprise risk management, internal control, and fraud development of an ERM model, structured approach to implementation and disclosure format, respectively. Finally, sections 10 and 11 delve developments in India and potential research areas.

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Constitutional Provisions regulating Business Activities and Tax Regime

In today's world, business activities (inclusive of professional, occupational, trading, or commercial activities) have no longer remained merely adding value to some input or providing service with the intention of earning profits and gains therefrom. Now, these activities are to be performed within a vast regulatory framework. Since the laws to be followed are enormous and the nature of compliances to be made is complex, these are bound to create a lot of confusion and debate. Hence, it has become necessary for those engaged in such activities, not only to know about the relevant laws they have to comply, but also to assess, whether these are being rightly framed, properly applied and judiciously interpreted. Likewise, they have to pay various types of taxes and duties levied by multiple Governments, the validity of which, they may like to ascertain. The document which can be referred to assess any law, taxes or duties on these yardsticks is the Constitution of India, the master of all laws of the land.

Being a guiding document, Constitution is the source from which emanates the laws related to any activity in general and the Business activities in particular. It clearly spells out as to which government, viz. the Union or a State Government, can make laws on which subject and levy which type of taxes and duties. If it appears that any act or rules made thereunder or any notification, circular or order issued by any government authority or any judicial pronouncement interpreting any of these, or any tax or duty levied by any government has, in any manner, contravened the principles laid down in the Constitution, the Business can seek redressal from the proper judicial forum. Even a slight deviation from these principles, in any of the above, will make it liable to be treated '*Ultra Vires*' (beyond the powers) and consequently being declared 'Null

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& Void' by the higher judiciary.

However, since Constitution of India is one of the most comprehensive documents in the legal world, containing provisions related to almost all facets of the activities of State dealt in a democratic country like India, it has been endeavour of the author in this article, to compile provisions therefrom which regulate the Business Activities and the Tax Regime. These may be discussed in the following sections -

To Do Business Is A Fundamental Right

Part III of the Constitution bestows upon every citizen of India, certain rights which are fundamental in nature and cannot be denied except on the grounds also provided in the Constitution. Any law which contains any provision taking away or abridging any of the rights conferred by this Part of the Constitution, shall be void to the extent of contravention of such provisions (Article 13).

Right to do business is one of the fundamental rights contained in Article 19 of the Constitution under the head **'Right to Freedom'.** It provides that all citizens shall have the right to freedom of (a) speech and expression, (b) assemble peaceably and without arms, (c) form associations or unions, (d) move freely throughout the territory of India, (e) reside and settle in any part thereof and (g) **practise any profession, or to carry on any occupation, trade or business.**

However, reasonable restrictions may be imposed by law on exercise of these rights under given circumstances. In M. H. Devendrappa v. The Karnataka State Small Industries Dev. Cor. [1998 (1) SCALE 616], Hon'ble Supreme Court, while examining provisions of Article 19 (1) (a) & (c), held that an employee making serious allegations against his colleagues, giving public statements against the head of the organization and conducting in a manner detrimental to its internal discipline is liable to disciplinary action as the individual freedom is to be balanced with the proper functioning of the organization.

A synopsis of the provisions contained in the Constitution of India regarding rights of the citizens of nation to practise any profession and to carry on any occupation, trade or business, the extent to which restrictions can be imposed on these activities and powers of the Union and the State Governments to levy taxes or duties thereon.

Provisions related to Business elaborated

Regarding the right to carry on business activities, mentioned hereinabove, the position may be summarised as under –

i. Every citizen of India is entitled to practise any profession, or to carry on any occupation, trade or business of his or her choice.

ii. Reasonable restrictions can be imposed on this right in the interests of general public.

In Mrs. Sejal Rikeeh Dalal v. Stock Exchange, Bombay, [(1990) 69 Comp. Cas.709], Hon'ble Bombay High Court upheld the right to deny membership of a Stock Exchange being not in violation of Article 19 (1) (g) of the Constitution. A professional or trade body is entitled to regulate its membership so as to ensure that no unsuitable person is admitted to membership and such restrictions may be necessary in public interest.

iii. Rules can be made for possessing certain qualifications necessary for practising any profession or carrying on any occupation, trade or business. In, Dr. Hansraj L. Chulani Vs. Bar Council of Maharashtra & Goa (SC) [1996, SCALE (3) 354, CA No.6876 of 1996], Hon'ble Supreme Court upheld the validity of rules framed by the Bar Council to restrict a medical practitioner, also holding a degree of law, to engage in one profession only at one time, as it was not violative of the provisions of Article 19 (1) (g).

vi. Common citizens may be restricted, either completely or partially, to enter in to any trade, business, industry or service, which may be kept reserved for the State or any corporation controlled by it. Such restrictions are normally imposed in the matters related to national security like manufacturing of defence equipment or of public policy like distribution of liquor etc.

Right to remedies for enforcement of this right

Every citizen has a right to move the Supreme Court for enforcement of fundamental rights and this right cannot be suspended except as otherwise provided by the Constitution. The Supreme Court has power to issue directions or orders or writs (including writs in the nature of *habeas corpus, mandamus, prohibition, quo warranto* and *certiorari*, whichever may be appropriate), for the enforcement of a fundamental right (Article 32).

There is an interesting case on this issue, showing supremacy of Constitutional provisions. In Asit Kumar Kar v. State of West Bengal & Others [JT 2009 (1) SC 654, WP (Civil) No.110 of 2008], the appellant filed a Writ Petition before the Supreme Court under Article 32, against the orders passed by the Supreme Court itself, for cancellation of certain Licenses without hearing the concerned licensees. The Hon'ble Supreme Court recalled its own directions stating that it is a basic principle of natural justice that no adverse orders should be passed against a party without hearing him.

Moreover, since the law declared by the Apex Court is binding on all the courts within the territory of India, pursuant to the provisions contained in Article 141, the Supreme Court, in U.P. Pollution Control Board v. Kanoria Industrial Ltd. [2001 (1) SCALE 381, SLP (Civil) No.12654 of 1998] ordered refund of Water Cess charged by the Board holding that the law declared by it is not only binding to the parties before it but also to all.

Further, Article 226 empowers every High Court to issue directions, orders or writs to any person, authority or government, for the enforcement of fundamental rights and for any other purpose, throughout the territories of its jurisdiction or in relation to the territories within which the cause of action for exercise of such power arises.

Apart from the fundamental rights, Part XII of the Constitution gives one more right to the citizens which may affect Business –

Right to Property

No person shall be deprived of his property except by authority of law (Article 300A).

Exceptions to the above Rights

In spite of the inconsistency with the provisions of Article 19, any law providing for the following shall remain valid

(a) Acquisition by the State of any estate or any rights therein.

(b) Taking over of the management of any property by the State for a limited period either in public interest or to secure proper management thereof.

(c) Amalgamation of two or more corporations either in public interest or to secure the proper management thereof.

(*d*) Extinguishment or modification of any rights of managing directors, directors or managers of corporations, or voting rights of shareholders thereof.

(*e*) Extinguishment or modification of any rights accruing by virtue of any agreement, lease or licence for any mineral or mineral oil.

However, such portion of land, which is held by a person under his personal cultivation and is within the ceiling limit applicable to him, or any building or structure standing thereon or appurtenant thereto, cannot be acquired without payment of compensation at a rate which is not less than the market value thereof (Article 31A).

Jurisdiction To Make Laws And Levy Taxes And Duties

Part XI of the Constitution contains clear provisions regarding jurisdiction of the Union and the State Governments to make laws and levy taxes and duties. Accordingly, as specified in the Seventh Schedule thereto, Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I, referred to as the "Union List", Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II, referred to as the "State List" and both Parliament and the Legislature of any State have power to make laws with respect to any of the matters enumerated in List III, referred to as the "Concurrent List" (Article 246).

In case, there is any inconsistency between the laws made by Parliament and those made by Legislature of States on any subject included in the 'Concurrent List', the law made by the former shall prevail (Article 254).

For the purpose of viewing the issues related to Business activities from these lists at a glance, relevant entries have been compiled in a tabular form as given below-

Chart showing jurisdiction of Union and the State Governments to make Laws regarding matters related to Profession, Occupation, Trade or Business and levy Taxes and Duties at a glance

(Compiled from the Seventh Schedule to the Constitution of India)

Sl. No	Subject	List I - Union List		List II - State List		List III - Concurrent List	
		Entry No.	Matter	Entry No.	Matter	Entry No.	Matter
A	Industries						
1	**Industries for defence**	7	Industries necessary for defence				
2	**Other Industries**	52	Industries, control of which by the Union, is declared to be in public interest	24	Industries subject to the provisions of entries 7 and 52 of List I		
3	**Inflammable substances**	53	Mineral oil, petroleum and other substances, declared to be dangerously inflammable.				
4	**Mines and minerals**	54	Regulation of mines and mineral development to the extent, declared to be in public interest	23	Regulation of mines and mineral development subject to the provisions of List I.		
5	**Labour and safety in mines and oilfields**	55	Regulation of labour and safety in mines and oilfields				
6	**Salt**	58	Manufacture, supply and distribution of salt				
7	**Intoxicating liquors**			8	Manufacture, possession, transport, purchase and sale of intoxicating liquors.		
8	**Opium and drugs**	59	Cultivation, manufacture and sale of opium for export			19	Drugs & poisons, subject to the provisions of entry 59 of List I
9	**Industrial Disputes**	61	Industrial disputes concerning union employees			22	Trade unions; industrial and labour disputes
10	**Labour Welfare**					24	Welfare of labour including conditions of work, provident funds, workmen's compensation, old age pension, maternity benefits

11	**Gas**			25	Gas		
12	**Factories**					36	Factories.
13	**Boilers**					37	Boilers.
14	**Electricity**					38	Electricity.
B	**Transport and Communication**						
1	**Railways**	22	Railways				
2	**National Highways**	23	Highways declared to be national highways.				
3	**Inland Waterways**	24	Shipping and navigation on inland waterways, declared to be national waterways, as regards mechanically propelled vessels.			32	Shipping and navigation on inland waterways as regards mechanically propelled vessels and carriage of passengers and goods thereon (subject to the provisions of List I).
4	**Maritime shipping**	25	Maritime shipping and navigation.				
5	**Safety of shipping and aircraft**	26	Lighthouses, beacons and safety of shipping and aircraft.				
6	**Ports**	27	Ports declared to be major ports.			31	Ports other than major ports.
7	**Air Traffic**	29	Airways, aircraft, aerodromes, air traffic, aeronautical education & training.				
8	**Carriage by Rail, Sea or Air**	30	Carriage of passengers and goods by railway, sea or air, or by national waterways in mechanically propelled vessels.	13	Roads, bridges, ferries and other means of communication not specified in List I; municipal tramways, ropeways, inland waterways (subject to the provisions of List I and List III), vehicles other than mechanically propelled vehicles.	35	Mechanically propelled vehicles (including principles on which taxes are to be levied thereon).
9	**Communication**	31	Posts, telephones, wireless, broadcasting etc.				

C	**Commercial and Economic Services**						
1	**Banking**	45	Banking				
2	**Bills of exchange etc.**	46	Bills of exchange, cheques, promissory notes and other like instruments				
3	**Insurance**	47	Insurance				
4	**Stock exchanges**	48	Stock exchanges and futures markets				
5	**Intellectual Property Rights**	49	Patents, inventions & designs; copyright; trademarks.				
6	**Money-lending**			30	Money-lending		
7	**Inns**			31	Inns		
8	**Entertainment**	60	Sanctioning of cinematograph films.	33	Theatres, dramatic performances, cinema (subject to the provisions of entry 60 of List I); sports, entertainments and amusements.		
9	**Contracts**					7	Contracts, including partnership, agency, carriage and other special forms of contracts (excluding those related to agricultural land).
10	**Actionable wrongs**					8	Actionable wrongs.
11	**Bankruptcy**					9	Bankruptcy and insolvency.
12	**Monopolies and combines**					21	Commercial and industrial monopolies and combines
D	**Trade & Business**						
1	**Foreign Trade**	41	Trade and commerce with foreign countries.				
2	**Domestic Trade**	42	Inter-State trade and commerce.	26	Trade and commerce within the State subject to the provisions of entry 33 of List III.		

3	**Production and Trading of Goods**			27	Production, supply and distribution of goods subject to the provisions of entry 33 of List III.	33	Trade and commerce in and production, supply and distribution of – (a) products of any industry, control of which by the Union, is declared to be in public interest and imported goods of the same kind (b) foodstuffs (c) cattle fodder (d) raw cotton and seed (e) raw jute
4	**Corporations**	43	Incorporation, regulation and winding up of trading corporations	32	Incorporation, regulation and winding up of non- trading corporations, unincorporated trading associations, co-operative and other societies.		
5	**Corporations with objects not confined to one State**	44	Incorporation, regulation and winding up of all type of corporations, with objects not confined to one State				
6	**Weights and measures**	50	Establishment of standards of weight and measures.			33A.	Weights and measures except establishment of standards.
7	**Quality of goods**	51	Establishment of standards of quality for goods to be exported out of India or transported from one State to another.				
8	**Markets**			28	Markets and fairs.		
9	**Adulteration**					18	Adulteration of goods
10	**Price control**					34	Price control.
E	**Other vocational activities**						
1	**Agriculture**			14	Agriculture agricultural education and research, protection against pests and prevention of plant diseases.		

2	**Animals**			15	Protection and improvement of stock, prevention of animal diseases and veterinary training and practice.		
3	**Land and Property**			18	Rights in or over land, land tenures (including landlord-tenant relation and collection of rents), transfer of agricultural land; land improvement, agricultural loans, colonization.	6	Transfer of property other than agricultural land, registration of deeds and documents.
4	**Trusts**					10	Trusts
5	**Lotteries etc.**	40	Lotteries organised by Government	34	Betting and gambling.		
6	**Fishing**	57	Fishing and fisheries beyond territorial waters.	21	Fisheries.		
7	**Professions**					26	Legal, medical and other professions.
8	**Newspapers etc.**					39	Newspapers, books and printing presses
F	**Levy of Taxes and Duties**						
1	**Land revenue**			45	Land revenue, land records, survey for revenue purposes		
2	**Taxes on income**	82	Taxes on income other than agricultural income.	46	Taxes on agricultural income.		
3	**Duties of customs**	83	Duties of customs				
4	**Duties of excise**	84	Duties of excise on goods manufactured or produced in India except alcoholic liquors for human consumption and narcotics	51	Duties of excise and countervailing duties on alcoholic liquors for human consumption and narcotics manufactured or produced in the State (excluding medicinal/toilet preparations containing alcohol or narcotics)		

5	**Corporation tax**	85	Corporation tax.				
6	**Taxes on assets and capital**	86	Taxes on capital value of assets (excluding agricultural land) and capital of companies.	61	Capitation taxes.		
7	**Taxes on mineral rights**			50	Taxes on mineral rights subject to any limitations imposed by Parliament.		
8	**Taxes on lands and buildings.**			49	Taxes on lands and buildings.	8	Taxes on lands and buildings.
9	**Estate duty**	87	Estate duty in respect of property other than agricultural land	48	Estate duty in respect of agricultural land.	9	Estate duty
10	**Duties on succession**	88	Duties on succession to property other than agricultural land.	47	Duties on succession to agricultural land.	10	Duties on succession
11	**Taxes on carriage**	89	Terminal taxes on goods or passengers carried by railway, sea or air	56	Taxes on goods and passengers carried by road or on inland waterways.	11	Taxes on carriage
12	**Taxes on vehicles**			57	Taxes on vehicles for use on roads subject to the provisions of entry 35 of List III.	12	Taxes on vehicles
13	**Taxes on animals and boats**			58	Taxes on animals and boats.		
14	**Taxes on transactions in stock exchanges**	90	Taxes (other than stamp duties) on transactions in stock exchanges and futures markets.				
15	**Stamp duty**	91	Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.	63	Rates of stamp duty in respect of documents other than those specified in List I.	44	Stamp duties other than duties or fees collected by means of judicial stamps, (excluding rates of stamp duty).

16	**Taxes on newspapers and advertisements**	92	Taxes on sale or purchase of newspapers and on advertisements published therein.	55	Taxes on advertisements other than in newspapers and by radio or television.		
17	**Taxes on sale or purchase of goods**	92A	Taxes on sale or purchase of goods (other than newspapers) taking place in the course of inter-State trade or commerce	54	Taxes on sale or purchase of goods (other than newspapers) subject to the provisions of entry 92A of List I.		
18	**Taxes on consignments of goods**	92B	Taxes on consignment of goods (whether to self or to any other person) taking place in the course of inter-State trade or commerce				
19	**Taxes on entry of goods**			52	Taxes on entry of goods into a local area for consumption, use or sale therein.		
20	**Taxes on services**	92C	Taxes on services				
21	**Taxes on electricity**			53	Taxes on consumption or sale of electricity.		
22	**Tolls**			59	Tolls		
23	**Taxes on professions etc.**			60	Taxes on professions, trades and employments.		
24	**Taxes on luxuries**			62	Taxes on luxuries (including entertainments, amusements, betting and gambling).		
25	**Fees**	96	Fees in respect of any of the matters in this List other than fees taken in any court.	66	Fees in respect of any of the matters in this List other than fees taken in any court.	47	Fees in respect of any of the matters in this List other than fees taken in any court.
G	**Misc. Matters**						
1	**Charitable and Religious Institutions**					28	Charitable institutions, religious endowments.

2	**Acquisition of property.**					42	Acquisition and requisitioning of property.
3	**Recovery**					43	Recovery in a State of claims in respect of taxes, public demands, arrears of land revenue arising outside that State.
4	**Inquiries, surveys and statistics**	94	Inquiries, surveys and statistics for the purpose of any of the matters in this List.			45	Inquiries and statistics for the purposes of any of the matters specified in List II or List III.
5	**Residual Matters**	97	Any other matter not enumerated or tax not mentioned in List II or List III				

The above allocation of powers between Union and the State Governments is quite clear and whenever there is any controversy regarding interpretation of the relevant provisions, the judiciary plays its role in setting the same at rest. In State of Andhra Pradesh v. National Thermal Power Corporation Ltd. (SC) [2002 (4) SCALE 7, Appeal (Civil) No. 3112 of 1990], Hon'ble Supreme Court, while interpreting entries 53 & 54 in List II to the Seventh Schedule, held that the situs (place where some event takes place) of sale cannot be artificially fixed either by a State legislature or judge-made-law, it can only be fixed by Parliament by enacting a law as provided in the Constitution.

Further, Article 265 clearly provides that **no tax shall be levied or collected except by authority of law**. Accordingly, in those cases, where some government levied a tax for which, on being challenged in the Court, it was found not entitled to, the levy was set aside by the Court. In Krishi Upaj Mandi Samiti v. Orient Paper & Industries Ltd. (SC) [1994 (4) SCALE 914], Hon'ble Supreme Court held that the State cannot levy any tax unless it is permitted to do so under the relevant constitutional provisions. However, a fee being in the nature of *'quid pro quo'* (something in return) can be levied for a service rendered by it.

Distribution Of Revenues Between Union And The States

Part XII of the Constitution deals with the distribution of revenues between Union and the States. These provisions become relevant for Business when a question arises regarding jurisdiction of the concerned Government to levy or collect some tax or duty. The gist of relevant provisions is being reproduced here in a tabular form -

Sl.No.	Nature of Levy	Article	Levied by	Collected by	Appropriated between
1.	Stamp duties and duties of excise on medicinal and toilet preparations mentioned in the Union List	268	Government of India	In the Union Territories, by Government of India In States, by the concerned State	Proceeds of any such duty leviable within any State shall be assigned to that State.
2.	Taxes on services	268A	Government of India	Government of India and the States in accordance with law formulated by Parliament	
3.	Taxes on sale or purchase of goods (other than newspapers) and on consignment of goods taking place in the course of inter-State trade or commerce	269	Government of India	Government of India	Shall be assigned to States
4.	All other taxes and duties referred to in the Union List, surcharge on taxes and duties referred to in Article 271 and any cess levied for specific purposes under any law made by Parliament	270	Government of India	Government of India	Shall be distributed between Union and the States in the prescribed manner

Other important provisions related to levy of duties and taxes are as follows –

1. Parliament may, at any time, increase any of the taxes or duties referred to in Article 269 and 270, by a surcharge, for the purposes of the Union (Article 271).

2. Before introducing any bill in Parliament, meant for any of the following, recommendation of the President of India is necessary (Article 274) –

a) imposing or varying any tax or duty in which States are interested, or

b) varying the meaning of "agricultural income" as defined for the purposes of Indian income-tax, or

c) affecting the principles on which moneys may be distributable to States under any of the foregoing provisions, or

d) imposing any surcharge for the purposes of the Union as mentioned hereinabove.

Taxes on professions, trades, callings and employments

Though levying tax on income (other than agricultural income) is in the exclusive jurisdiction of the Union under Article 246, the Legislature of a State may make laws relating to taxes, for the benefit of the State or a local authority therein, in respect of professions, trades, callings and employments, subject to a maximum of Rs.2500/- per annum (Article 276).

Restrictions on imposition of tax by State Governments (Article 286)

No law of a State shall impose a tax on the sale or purchase of goods taking place outside the State or in the course of import into, or export out of, the territory of India.

Further, Parliament may, by law, specify restrictions and conditions regarding the system of levy, rates and other incidents of tax on sale or purchase of goods –

(i) declared by Parliament to be of special importance in inter-State trade or commerce.

(ii) which is of the nature referred to in sub-clause b, c & d of Article 366 (29A), namely a tax on the

- transfer of property in goods involved in the execution of a works contract;
- delivery of goods on hire purchase or any system of payment by instalments;
- transfer of the right to use any goods for valuable consideration;

Power of Government to carry on trade etc.

Following provisions govern the carrying on of trade etc. by Government –

1. Executive power of the Union and of each State shall extend to carrying on of any trade or business, acquisition, holding and disposal of property and making of contracts for any purpose (Article 298).

2. All contracts made in the exercise of executive power of the Union or of a State shall be expressed to be made by the President, or by the Governor of the State, as the case may be, and shall be executed on his behalf by such person/s and in such manner as he may direct or authorise. However, the President, or Governor or the person/s acting on behalf of any of them, shall not be personally liable in respect of any contract so executed (Article 299).

3. The Government of India may sue or be sued by the name of the Union of India and that of a State by the name of the State (Article 300).

However, when an instrumentality of State engages in any trade, business, industry or service, it is bound to fulfil its contractual obligations like any other entity. In ABL International Ltd. v. Export Credit Guarantee Corporation of India Ltd. & Others, [109 (2004) DLT 415 (SC), 2003 (10) SCALE 815, Civil Appeal No. 5409 of 1998], the Hon'ble Supreme Court held that when an instrumentality of State acts contrary to public interest unfairly, unjustly and unreasonably in its contractual or statutory obligations, it really acts contrary to the constitutional guarantee found in Article 14 of the Constitution.

Trade, Commerce and Intercourse within the territory of India

Part XIII of the Constitution contains the following provisions on the subject –

1.Trade, commerce and intercourse throughout the territory of India shall be free, subject to the provisions of this Part (Article 301).

2. Parliament may impose such restrictions on the freedom of trade, commerce or intercourse between one State and another or within any part of the territory of India as may be required in the public interest (Article 302).

3. Neither Parliament nor the Legislature of a State shall have power to make any law, giving preference to one State over another, or making any discrimination between one State and another, by virtue of any entry relating to trade and commerce in any of the Lists in the Seventh Schedule. However, Parliament may make such law, by containing a declaration therein that it is necessary to do so for the purpose of dealing with a

situation arising from scarcity of goods in any part of the territory of India (Article 303).

4. The Legislature of a State may, by law, impose (Article 304) —

(a) any tax on goods imported from other States or the Union Territories, to which similar goods manufactured or produced in that State are subject, in a manner that there is no discrimination between the two.

In Shree Mahavir Oil Mills v. State of Jammu & Kashmir (SC), [1996 (8) SCALE 595], it was held by Hon'ble Supreme Court that subject to the limited exception on some justifiable reasons like grant of incentives, subsidies and exemption to new industries of a specified type (like Small Scale Industry) for a short period, there cannot be any discrimination in the matter of taxing the goods manufactured within a State and those imported out of it, in view of the provisions contained in Article 304.

(b) such reasonable restrictions on the freedom of trade, commerce or intercourse with or within that State as may be required in the public interest. However, such a Bill may be moved in the Legislature of a State only with the previous sanction of the President.

Local Self Governments

Other than the Union and the State Governments, there are Local self-Governments also, the Business may have to deal with. Part IX of the Constitution empowers State Legislature, to authorise by law, to a Panchayat and Part IXA to a Municipality, to levy and collect such taxes, duties, tolls and fees, in accordance with such procedure and subject to such limits as may be specified (Article 243H & 243X).

From the above, it is evident that our Constitution provides ample protection to Business Activities by way of recognizing it as a fundamental right of the citizens to get involved in these activities freely. Though, restrictions may be imposed on it, but only under the specified circumstances, by the appropriate authority, to the extent provided and in the manner laid down in the Constitution.

Due to force of these Constitutional provisions, Judiciary may even compel the State, to honour its commitments made with the Business. In S.V.A. Steel Re-Rolling Mills Ltd. v. State of Kerala & Others (SC) [Civil Appeal No.10103-10106 of 2010, date of Judgement 6-02-2014], the petitioner had set up certain units relying on the promise of the State Government to provide 100% electricity but the continuous power supply was not given. When High Court did not provide any relief to the appellant, the Supreme Court allowed his appeal and held that the State is bound to honour its promise. MA

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Obituary

The Institute and its members deeply mourn the demise of CMA Tapan Kr. Banerjee who left for his heavenly abode on October 30, 2015. He was associated with The Electro Medical & Allied Industries Ltd, a company based in Kolkata, as Manager (F&A) and CS since 1995. May his family have the courage and strength to overcome the loss.

EASTERN INDIA REGIONAL COUNCIL

Bhubaneswar Chapter of Cost Accountants

On January 24, 2016 the Chapter organized an Investor Awareness Programme under the aegis of Investor Education And Protection Fund (IEPF) to mark the celebration of Corporate Laws Week and the seminar had been organized by the chapter based on the theme 'Corporate Governance-Roles & Responsibilities of Directors & Auditors under the Companies Act, 2013'. CS J.B. Das, former Company Secretary & General Manager (Personnel & Administration), Odisha Mining Corporation Ltd, Bhubaneswar and a Practicing Company Secretary addressed on the topic 'Roles and Responsibilities of Directors under Companies Act, 2013' and CS Saroj Kr Ray, Senior Partner of M/s Saroj Kr Ray & Associates, Company Secretaries, Bhubaneswar addressed on the topic 'Roles and Responsibilities of Auditors under Companies Act, 2013'.

The Chapter observed the 67th Republic Day at its premises. CMA Basant Kumar Pattnaik, past chairman & one of the founder members of the chapter being the chief guest unfurled the National Flag and advised the students about their roles and responsibilities to build a vibrant India.

Durgapur Chapter of Cost Accountants

On December 20, 2015 the chapter organised its golden jubilee seminar on the theme 'Indian Economy: Emerging Global Growth Engine' inaugurated by Shri Somdev Das, ED in-charge, Durgapur Steel Plant. Shri Alok k Chatterjee was the key note speaker and Swami Suprasannananda ji Maharaj of Belur Math was the guest of honour. The seminar had two technical sessions and the first session was based on the theme 'Indian Economy: Emerging Global Growth Engine – Role of CMAs'. The speaker of the session was CMA Sudipti Banerjea, chaired by CMA Niranjan Mishra, Council Member.

The topic for second technical session was 'GST, an emerging need – Indian growth Engine'. The speaker of the session was Shri Khalid Aizaz Anwar, Joint Commissioner – Commercial Tax, West Bengal. The session was chaired by CMA Debasis Sinha, Director Mines and Regulatory affairs and Company Secretary, The Durgapur Projects Limited. The valedictory session was chaired by CMA Amal Kumar Das, past president of the Institute.

South Odisha Chapter of Cost Accountants

The Chapter conducted a career counseling programme at Binayak Residential College of Bhawanipatna under Kalahandi District with a huge gathering of students.

Career counseling had been organized by the chapter on January 23, 2016. CMA Shiba Prasad Padhi, Chairman, EIRC the main speaker discussed about the curriculum, the important knowledge pillars, skill sets, and different trainings offered. His counseling was very enchanting and inspiring to the students. Shri Basant Kumar Sahu, Director of Basant Academy talked about his association with the chapter. CMA Ch. Venkata Ramana, Member, EIRC emphasized about the course, examinations and professional opportunities to the students. He reiterated that relentless hard work and dedication with subject learning would surely provide positive results to the students. CMA B.B. Nayak, chairman of the chapter introduced the guests to the gathering of students and CMA N.C. Kar, treasurer of the chapter explained about the development of the Institute after the incorporation of syllabus 2012.

The chapter celebrated the 67th Republic Day on January 26, 2016 unfurled by CMA Ch. Venkata Ramana, Member, EIRC in the presence of CMA B. B. Nayak, chairman of the chapter at its premises. All the members, management committee members, faculties, students and office staff participated in the event.

NORTHERN INDIA REGIONAL COUNCIL

The Region organized a seminar on 'Cyber Security, Risk Management & Forensic Audit-Costing Perspective' on February 6, 2016 at CMA Bhawan. Chairman, NIRC CMA S.K. Bhatt welcomed guest speakers, Shri Neeraj Aarora, Computer Forensic Expert & International Arbitrator (Advocate of Supreme Court), Shri Amolak Singh, Partner Iprecision Consulting, Shri Govind Malasi, Partner Iprecision Consulting who shared their knowledge on the above topic. CMA Sanjay Gupta council member was also present in the seminar. On February 7, 2016 the region organized a seminar on 'BPO Business Overview – Opportunities for CMAs'. Vice Chairman NIRC CMA Ravi Kr. Sahni welcomed guest speaker CMA Vikas Verma, Manager Operation (Accenture) who shared the knowledge on the above theme.

Lucknow Chapter of Cost Accountants

On January 12, 2016, the chapter organized an 'Inaugural Function' for the new session (Jan-June 2016) which started from January 13, 2016. Chief Guest Prof. Arvind Mohan, O.S.D. - Cum Director IMS discussed the key features of the professional degree provided by the Institute and CMA Anjana Chadha, Chairperson detailed on CMA career and syllabus of the concerned.

They also awarded trophy to all the meritorious students of Institute who cleared the exam of June 2015. On January 26, 2016, the flag hoisting ceremony had been organized and performed by CMA Deepak Kaul, CMA Anjana Chadha, chairperson, CMA Pawan Kumar Tiwari, vice chairman, Dharmendra Singh Saluja, secretary, CMA Amit Yadav, treasurer, and members.

Kota Chapter of Cost Accountants

The Chapter organised a CMA career awareness programme at New Nehru Sr. Secondary School, Bundi. Chairman of the chapter, CMA M.B. Sonkhiya, Executive Member CMA Satyawan Sharma, Finance Manager, Adani Wilmar Shri Ved Prakash Saxena, who clarified the practical aspects and requirement of CMA professionals in industry and Director, AIM Coaching Classes Shri Ankit Modi were present in programme.

Naya Nangal Chapter of Cost Accountants

The Region and the chapter in association with Income Tax Department-TDS Wing and Bhakhra Beas Management Board(BBMB) organized an awareness work shop on Tax Deducted at Source (TDS/TCS) at Training Center BBMB. The basic idea of holding such workshop is to clear the doubts of the assessee in relation to TDS/TCS. Shri Hussan Lal, Dy. Chief Engineers, BBMB and S Trilochan Singh, Dy. Chief Eng., DAM safety welcomed the team of Income Tax department and the Institute and appreciated their efforts. Mrs. Meenakshi Vohra, Jt Commissioner of Income Tax –TDS Wing informed that Income tax department has been organizing number of such workshops at different places in its jurisdiction with a target to make the assessees aware about the provisions of the TDS/TCS. Shri Chetan P.S Rao, Addl Commissioner of Income Tax TDS explained how TDS would help the assessee to reduce his burden of tax at the end of the year and does not affect its liquidity while paying tax on its annual income. Shri Vivek Vardhan, Astt. Commissioner Income Tax TDS elaborated presentation on TDS/TCS and explained each and every provision of the Income Tax Act 1961 regarding TDS/TCS. CMA Ravi Sahani, Vice Chairman, NIRC informed the participants about CMA professions and its importance to the society at large. CMA Rakesh Bhalla, former Chairman NIRC also participated in the workshop and interacted with the delegates on TDS/TCS and explained how this would help the government to plan its expenses and budgets for overall growth of the country. Apart from BBMB employees, employees of National Fertilizer, Punjab Alkalies, Members, Income Tax Bar Association Ropar, practicing CMAs and chartered accountants and academicians from local colleges participated in the seminar and got their doubts cleared.

SOUTHERN INDIA REGIONAL COUNCIL

Tiruchirapalli Chapter of Cost Accountants

The Chapter celebrated the 67th Republic Day and Sri A. Venkataraman, former founder chairman of the chapter hoisted the National Flag. Followed by the Republic Day Function, a professional development programme had been organized. Ms. Alkamani delivered the lecture on 'How to get results you want'. The speaker emphasized the need for involvement and positive attitude towards the goal achievement.

Madurai Chapter of Cost Accountants

The chapter inaugurated the oral coaching classes for the first half year 2016 organized by the Institute on January 23, 2016 inaugurated by chief guest, CMA Dr. A. Mayil Murugan, secretary, SIRC. Dr. V. Chinniah, HOD of School of Management Studies, Madurai Kamaraj University, Madurai, CMA Viswanathan, President & Secretary of Sundaram Industries, Madurai, CMA J. Balasubramanian, PD Committee Chairman, Madurai delivered the felicitation speech and the programme had been well-organized by CMA S. Kumararajan, chairman of the chapter.

Bangalore Chapter of Cost Accountants

On December 6, 2015 the chapter conducted Dr H R Subramanya Memorial Lecture on Role of Internal Controls in Ethical Conduct of Business by CMA B R Nagaraja, General Manager (Retd), M/s. Simens Ltd. with the welcome address by CMA Geetha. S,chairperson of the chapter followed by introduction of Chief Guest by CMA N. Raveendranath Kaushik, Chairman, Professional Development. CMA Y H Anegundi, Regional Council Member, SIRC and Nominee of the Chapter, CMA G N Venkataraman, past president of the Institute and CMA B R Prabhakar, past chairman, SIRC deliberated on Dr. H R Subramanya, past President of our Institute, and his contribution to Cost and Management Accountancy profession and thereafter CMA B R Nagaraja spoke on Role of Controls in Ethical Conduct of Business.

Training Programme was conducted by the chapter for the officials/executives of Karnataka State PSUs on Understanding of Financial Statement and Annual Reports, Corporate Governance and Statutory Compliance from December 19, 2015 till December 28, 2015 at its premises.

A Professional Development Meet was held by the chapter on January 2, 2016.

CMA N.R. Kaushik, Chairman, PD introduced the Guest Speaker CMA V. Guruprasad, Head – Finance & Accounts, M/s. Net Connect Pvt. Ltd who delivered speech on 'Money Laundering Act'.

A Practitioner's Meet had been organized on January 22, 2016. CMA P. Raju Iyer, Council Member and Chairman, Cost Auditing Standards Board of the Institute being the chief guest delivered lecture on Standard on Cost Auditing (SCA). A team of TASK Force submitted Exposure Draft – Standard on

Cost Auditing – Sca – 'Related Parties'. CMA A.V. Jayarama, Chairman, Practitioners' Forum, gave the vote of thanks. A Training Programme had been conducted by the chapter on cost reduction, cost control, supply chain management and understanding of financial management and financial risk management for the officials of Karnataka State Public Sector (State PSUs) from 27 January 2016 till 30 January 2016.

Trivandrum Chapter of Cost Accountants

The chapter celebrated the 67th Republic Day on January 26, 2016. CMA R Sudhakaran, Chairman of the chapter hoisted the National Flag followed by National Anthem.

Coimbatore Chapter of Cost Accountants

The Chapter conducted a professional development programme on the theme 'Internal Audit - Response to the Changing Governance Landscape' on November 6, 2015. Dr. S.A. Gopalakrishnan was the Chief Guest and CA Govind M Joshi was the speaker. They shared their expert knowledge on the concerned theme with the members.

A joint PDP was organized by the chapter with local ACA & ACS Chapters on December 10, 2015 on 'Latest Company Incorporation Procedure under Companies Act, 2013 – Form INC 29 & Other Forms'. Shri N. Ramanathan ICLS, Registrar of Companies & Shri. V. E. Josekutty ICLS, Deputy Registrar of Companies, Coimbatore enlightened the members on the usage of the new forms.

The chapter signed MOU for Foundation Course Satellite Centre with V.L.B. Janakiammal College of Arts & Science, Coimbatore on November 13, 2015 for conducting foundation course. An orientation programme about the CMA course had been conducted by the Chairperson, CMA Meena Ramji at Dr. G.R. Damodaran College of Science, Coimbatore on December 7, 2015.

A Career Awareness Program was also conducted at NGP College of Arts & Science, Coimbatore on December 29, 2015. Council Member CMA Papa Rao and SIRC Member CMA Dr. A. Mayil Murugan also addressed the students. The Inaugural function of the new batch of oral coaching session was conducted at the chapter on November 14, 2015. Chairperson CMA Meena Ramji and treasurer CMA R. Sathish addressed the students and explained the rules and regulations of oral coaching classes. The chapter conducted two Communication & Soft Skill Programmes for the Intermediate students in November, 2015 and was conducted by CMA Maheswaran. R. The oral coaching faculty meeting was held in 2 sessions, on 23 and 24 November, 2015 at the chapter.

A crash course program had been conducted by the chapter for intermediate students on the papers, Cost Accounting & Financial Management, Direct Taxation and Financial Accounting on 20, 22 and 26 December, 2015 respectively to assist the students appearing for the examination. The chapter for the first time organized 'Faculty Improvement Program' held on December 29, 2015. CMA Papa Rao, council member was the Chief Guest and shared his experience being the faculty and also advised faculty members to show commitment, interest and passion while teaching students in order to secure results.

The panel speakers were CA Badrinarayanan (Accountancy), Dr R. Radhakrishnan (Mathematics), CMA Maheswaran (core subjects of professional exams), CMA Vidhyashankar (Law), CMA Meena Ramji(Economics), Mrs. Ambica Seetharam (soft skills). The chapter organized PDP meeting on 'Standards on Cost Auditing' on February 18, 2016. CMA P. Raju Iyer, CCM & Chairman, Cost Auditing & Assurance Standards Board took the session and during the first session, analytical discussion took place on Exposure Drafts to solicit suggestions and comments from members in practice.

In the second session, the basis and implications of Cost Auditing Standards had been highlighted. The Chairperson CMA Meena Ramji emphasized the impact of standard on Cost Auditing and requirement of seminar to update and acquaint with the developments.

Hyderabad Chapter of Cost Accountants

On January 8, 2016 the chapter jointly with ICAI, ICSI, FTACCI and HMA held a panel discussion on 'Governance on Compliance in Corporate World'. Mr. Jayaraman Ravikumar, CFO, L&T Metro Rail, Hyderabad Ltd was the moderator and Mr. Ashish Kumar Mundada, CS & Compliance Project Lead, ADP Pvt. Ltd. was the panelist of the discussion. CMA D. Surya Prakasam, vice chairman of the chapter explained the key concepts of the Good Governance such as related party transaction, remuneration to the Directors etc. On January 9, 2016, 51st Formation Day of the chapter was conducted where CA Piramanayagam, Director Finance, BDL, the guest of honour advised CMA fraternity to follow the leadership

qualities of great professionals. Chief Guest Sri Ajeya Kallam, IAS, Special Chief Secretary to Government of A.P (C.T Excise & Registration & Stamps) highlighted the importance of Dharma and advised CMA fraternity to help in good governance in government schemes/projects. On January 22, 2016 a technical session had been organized on 'Internal Control on Financial Reporting Management Evaluation Process' on the occasion of corporate laws week. CA T. Vijay, Practising Chartered Accountant explained the importance of internal control systems for successful business operations in any organization and detailed a power point presentation and also explained the methods for controlling the frauds through internal control to safeguard the interest of all the stakeholders and the organization as a whole.

On January 23, 2016, practitioners' meet on Works Contract was organized and on the same day an awareness programme on 'ACCA & CIMA' conducted by CMA Dr. A.S. Durga Prasad, past President of the Institute and highlighted the importance of professional courses of ACCA & CIMA for CMAs for employment as well as in practice. On January 26, 2016, 67th Republic Day was celebrated with a flag hoisting ceremony at its CMA Bhavan. CMA Vijay Kiran Agastya, chairman, CMA K.V.N. Lavanya, secretary, CMA Dr. R. Chandra Sekhar, MC Member, CMA D. Zitendra Rao, Member, SIRC, staff & students also joined the program. Various career awareness programmes were conducted on different dates of January 2016 at different colleges. On January 30, 2016 an evening programme on 'Overview of Draft The Insolvency and Bankruptcy Bill, 2015' had been organized and CMA D. Surya Prakasam, Vice Chairman of the chapter highlighted the importance of insolvency and bankruptcy bill 2015 which is going to be introduced to the Parliament to reduce the process of insolvency at the earliest to protect all the stake holders in the business. Resource Person CMA K.P.C. Rao explained in detail the important features of the new insolvency and bankruptcy bill 2015 and new provisions for the benefit of members.

The Region along with Pimpri - Chinchwad - Akurdi chapter organized Regional Cost Conference 2016 on 16 and 17 January 2016 based on the theme 'Make in India through - Cost Competitiveness, Tax Reforms, Ease of Doing Business & Digital India'.

CMA P V Bhattad, President of the Institute, CMA Manas Thakur, Vice President of the Institute, CMA Ashok B Nawal, Council Member, CMA Debasish Mitra, Chairman, WIRC. CMA P.H. Desai, Vice Chairman, WIRC, CMA Shriram Mahankaliwar, Secretary WIRC, CMA Laxman D Pawar, Treasurer WIRC, CMA Kailash Gandhi, Chairman P D Committee and CMA Harshad Deshpande, RCM had a brief discussion with Shri Amar Sable, Member of Parliament about the profession.

CMA P V Bhattad, President of the Institute assured that CMAs are slowly but steadily moving methodically towards the goal.

CMA C S Adawadkar, in the second lecture of the session dealt on Activity Based Costing-ABC.

In the second technical session, there was panel discussion under chairmanship of CMA Raju Iyer on the theme 'Ease of Doing Business'. The Panelist was CMA B M Sharma, CMA Vivek Bhimanwar, Secretary to Chief Minister, CMA B B Goyal (former Advisor- Cost) & CMA Asim Mukhopadhyay, VP-Business Planning, Tata Motors. Speaker Mr. Mandar Marulkar, CIO-KPIT Infotech, in the second technical session on 'Digital India' explained in lucid manner the meaning of word Digital by giving simple illustrations. There was another technical session on 'Panel discussion on GST'. Shri Sumit Dutt Majumdar explained the legislative journey of GST and CMA Ashok Nawal, Council Member and Chairman of Taxation Committee of the Institute focused on opportunities for CMA in new regime of GST. There were also Members Meet and Chapters Meet where the major concern was students & how to make chapters more vibrant.

Surat South Gujarat Chapter of Cost Accountants

On January 8, 2016 the chapter organized a factory visit to Shri Narmada Khand Sahakari Mandali Ltd. (Reputed Sugar Factory) at Dharikheda, Both the faculties, CMA Manubhai Desai, practicing cost accountant & Mr. Narendra Patel, Managing Director of Narmada Sugar Factory elaborated on the topic 'Production Process & Costing in Sugar Factory' in a very lucid approach. The second phase of the visit was Sardar Sarovar Dam where the students got insight about Dam and how Hydro power was being generated. Sr. Engineer Mr. S. K. Sadhu explained about functioning of Dam.

A CEP on VAT Audit had been organized by the chapter on January 23, 2016 and Mr. Pravinsingh Jaitawat, Commercial Tax Inspector (Unit-1, Surat) and CMA Amish Parmar, Practicing Cost Accountant exhaustively discussed on the topic and CMA Biswadev Chanda and CMA Shirish Mohite member of the chapter felicitated the faculties. On the same day a quiz competition had been arranged on 'Make in India'. CMA Ravi

I. Patel, a lecturer of SPB English Medium Commerce College and one of the faculty coordinated the whole programme.The chapter celebrated 67th Republic Day and CMA Manubhai Desai, chairman of the chapter graced the occasion. The chapter conducted career guidance programme on different dates of January 2016 at different colleges and counseling was carried out by CMA Amish Parmar, sub-committee members of the chapter and Mrs. Mita Desai, Sr. staff of the chapter.

Sector wise Impact Analysis in brief

Power Sector includes:

- Generation
- Transmission
- Distribution
- Captive Power Plant
- Wind Mill Generation
- Solar Generation
- Non-Conventional Energy
- Nuclear Energy

At present there is neither service tax nor central excise duty applicable similarly VAT / CST is also not applicable. Supply to mega power project is considered as Deemed Exports and certain components and parts supplied to Wind Mill, Solar Generation, Non-conventional energy and nuclear energy is exempted from payment of central excise duty but not covered under exclusion under Rule 6 of Cenvat Credit Rules 2004.

Electricity duty will not be subsumed in GST but in the Business Process Reports as made available in the public domain provides the refund mechanism to supplies to Mega Power Projects being considered as Deemed Exports. Therefore, supplies to Mega Power Project will be beneficiary and the cost of power should come down in the GST era. Same treatment is expected for the power generation through wind mill, Solar Generation, Non-conventional energy and nuclear energy, otherwise power cost will go up in the GST Era.

Real Estate sector includes:

- Land
- Land development
- Construction on own land and sale of flats
- Construction on land under Development Agreement and sale of Apartments thereon
- Maintenance
- Rent
- Brokerage

Though land is initially excluded from the GST era but land development, Construction on land under Development Agreement and sale of Apartments thereon, Maintenance, Rent and Brokerage are subjected to provisions of service tax. However, Construction on own land and sale of flats, Construction on land under Development Agreement and sale of Apartments thereon, Maintenance etc. of works contract nature, where there is a cascading impact of tax in the present regime. It is expected that there is seamless flow in GST mechanism and hence it is expected reduction of cost in the GST Era.

Vehicle, Goods & passengers sector includes:

- Tours and tourism
- Rent a cab
- School bus
- Public transport system - Bus, Monorail, Metros, Rail, Trams, Auto rickshaw, Taxis etc.
- Air / Rail / Sea Travel
- Road Transport (Inter / Intra State)
- Transport Services + Agents

Though majority of the services are covered under Service tax but, restricted Credit Mechanism / no VAT Set off is available on inputs and capital goods in the present tax regime. It is expected to have the seamless flow of credit including CGST & SGST/IGST. Cost will be lesser in GST regime. However, whether the prices will be higher or lower, will be based on the Revenue Neutral Rate (RNR) as stated to be @18% as compared to 14.5% today. In other words, if such seamless flow of ITC is not

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Institute of Cost Accountants of India

allow then there will be inflationary trend in GST regime.

Financial Services includes:

- Banks / Financial Institutions and various services offered by them including interest
- Credit Society / Co-operative Bank and service offered by them
- Foreign Exchange Services including transactions
- Inter Corporate Deposits / Term loans / Group Companies Transactions / Personal Borrowing appear in Personal Balance Sheet
- Agricultural Loan
- NBFCs / Leasing Transactions / Mutual Fund / Shares / Investment Based Link Schemes / Stock Markets
- Brokers and Sub Broker / Portfolio Management
- Risk Management Services
- Chit Funds / Bhissis and auctions thereof
- Money Lenders (licensed and unlicensed)
- Scheme like gold loans or market linked schemes

Definition of goods includes commodities and auction able claims but excluding money and services have been defined as anything other than goods. In other words, all the financial sectors will be covered under the GST Era. It is expected to have the seamless flow of credit including CGST & SGST/IGST. Cost will be lesser in GST regime. However, whether the prices will be higher or lower, will be based on the Revenue Neutral Rate (RNR) as stated to be @18% as compared to 14.5% today. In other words, if such seamless flow of ITC is not allow then there will be inflationary trend in GST regime.

Engineering and Automobile:

Issues faced by Engineering and automobile sectors includes:

- Line Rejections - whether every supply GST?
- Job Work - whether every supply and receipt - GST?
- NCCD, Automobile Cess, Entry taxes, Octroi / LBT, registration charges, road taxes etc.
- Spare Parts - whether MRP based valuation will continue?
- Dealers Network in each state
- Moulds and dies - Clearance vis-à-vis sales / Free supplies / Amortization

Fate of engineering and automobile sector will be clear only when meaning of supply and place and time of supply rules have been specified. However, NCCD, Automobile cess, Entry taxes, road taxes etc will be still be prevailing in the GST Regime. Further, petroleum products are not covered under the GST and will be subjected to excise duty as well as any state tax. Further, expected GST rate for automobile may be at 40% and therefore, it is expected there may be negative impact in the GST regime. However, there will be positive impact in the GST Era for engineering sector.

Pharma, Chemical and Bulk Drugs

Issues faced by Pharma, Chemical and Bulk Drugs includes:

- MRP Based Valuation - whether will continue or not ?
- Physician Samples - GST would be applicable on supply
- Samples in Stock - GST would not be applicable
- R & D activity - In R & D Centre, taxes paid on material received for testing / research and development becomes cost, since the output is a service. In GST Regime, for the taxes paid , credit would be available
- Material Destructed in Factory / Outside factory
- Quality samples
- FOC Material received for manufacture
- Production on Loan Licencing basis -Material Supplied and FG received
- Huge expenditure on Sponsorship -presently covered under reverse charge mechanism…
- Sales promotion - Gifts and other sales promotion material
- Honorarium to Doctors
- Patents

It has been clarified by then Special Revenue Secretary - Mrs. Rashmi Verma that there will be no MRP based valuation in the GST Era and therefore there will be a big relief in the Pharmaceuticals sectors. Physician sample and sales promotional items will be more costlier, since at present it bears only incidence of excise duty but in GST Era it will have the impact on cost, since GST rate will be much higher which will be composition of CGST and SGST/IGST and hence sales promotional cost will be much higher minimum by 6% to 7%. Manufacturing strategy of make or buy, production on loan license basis or principal to principal basis will have to be revisited in the GST regime. Pharma sector will have major impact for revisiting the strategies considering the proposed GST law and place of supply Rules.

Hotel And Hospitality

Luxury tax will be subsumed and consumer will not pay dual taxes i.e. service tax and VAT. However, there will be a GST rate only on total value on the bill. Further, there will be seamless flow of credit and hence it is expected that hotel and hospitality industry will be benefited. However, whether the prices will be higher or lower, will be based on the Revenue Neutral Rate (RNR) as stated to be @18% as compared to 14.5% today. In other words, if such seamless flow of ITC is not allow then there will be inflationary trend in GST regime. Similarly, place of supply rule will determine eligibility of ITC on B2B transactions.

IT & IT Enabled Services

At present there is hardly any credit is allowed either on goods & services procured by IT and IT enabled services. However in GST Era it is expected to have the seamless flow of credit and hence IT and IT Enabled services will be benefited. Exporters of IT and IT enabled services will be highly benefited, since refund mechanism will be much better and streamlined with transparency than that of present one.

E-Commerce / Retail

The most beneficiary sector will be e-commerce and retail as compared to other trade and industries. There will be a drastic reduction in logistics cost and logistic time. Similarly, sales promotional cost will be higher in GST regime and therefore spot discount will be offered at E-commerce and consumer will be more benefited when transaction is done through E-Commerce. Therefore there will number of new players in the era of e-commerce in the GST regime and real benefit will come to the consumer. Place of supply rules also reduce the litigations arising out of present issues of jurisdiction and applicability of state taxes.

Infrastructure

Infrastructure includes Power, road, port, railways and mining.

At present,

- VAT is generally applicable on goods used for construction,
- Service tax is exempt on the actual construction of road.
- No indirect taxes on the output of the power sector
- All input taxes (such as capital expenditure on setting up power plants and duties and taxes on coal) are a cost to power companies
- Railway and port sector - construction, erection and commissioning services are exempt from service tax

However, in GST Era there will be a seamless flow of ITC and hence it is expected that cost of infrastructure will be come down. Further, majority of the work while developing the infrastructure is of works contract nature, where there is a cascading impact of tax in the present regime. It is expected that there is seamless flow in GST mechanism and hence it is expected reduction of cost in the GST Era.

CUSTOMS

Notifications

Tariff:

- Concessional rate of BCD @ 5% on specified goods imported from Union of Myanmar vide Notification No. 9/95 Cus dated 6th March 1995 has been withdrawn. In other words these specified goods will be subjected to BCD as per tariff rate. *[Notification No.3/2016-Cus dated 11th January 2016]*
- Exemption from Basic Customs Duty and CVD on specified goods required for medical, surgical, dental or veterinary use has been restricted to specific ITCHS. Earlier all goods falling under ITCHS 9018 to 9022 were entitle for concessional rate of duty. Accordingly Notification No. 12/2012 Cus dated 17th March 2012 & 21/2012 Cus dated 17th March 2012 has been amended to exclude these items. *[Notification No.4& 5/2016-Cus dated 19th January2016]*
- Fertilizer NPK 13:05:26 when imported into India will be subjected to concessional rate of BCD @ 2.5% and CVD @ 1%.This item has been inserted in notification 12/2012 Cus.by removing entry stating 13:25:26 Fertilizers. *[Notification No.6/2016-Cus dated 28th January2016]*
- Exemption from concessional rate of BCD @ 5% has been withdrawn on specified drugs & lifesaving drugs mentioned in list 3 to notification 12/2012 Cus. *[Notification No.6/2016-Cus dated 28th January2016]*

Notification No. 7/2016-Customs New Delhi, the 2 nd February, 2016

Further amendment in the notification No. 12/2012-Customs, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R.185 (E), dated the 17th March, 2012. In the said notification, in the Table, serial number 129 and the entries relating thereto shall be omitted.

Notification No. 8/2016 Customs New Delhi, the 5th February, 2016

Conditions prescribed for availing exemption from levy of Custom duty and additional duty of Custom.

Notification No. 9/2016-Customs New Delhi, the 16th February, 2016

Further amendment in the said notification No. 12/2012-Customs,

(a) in the Table, for S. Nos. 145 and 146 and the entries relating thereto, the following S. Nos. and entries shall be substituted, namely:-

S. No.	Chapter or Heading or Sub-Heading or tariff Item	Description of goods	Standard rate (paisa per KWh)	Additional duty	Condition no.
(1)	(2)	(3)	(4)	(5)	(6)
"145A.	27160000	All goods except those falling under S. Nos. 145B, 146A, 146B, 146C(i) and 146C(ii).	100	-	-
145B.	27160000	Electrical energy originating from Nepal and Bhutan	Nil	-	-
146A.	27160000	Electrical energy – supplied from Processing Area of SEZ to Domestic Tariff Area (DTA), generated using-			
		(a) imported coal as fuel	40	-	-
		(b) domestic coal as fuel	65	-	-
		(c) mix of domestic gas/RLNG (Regasified Liquefied Natural Gas) as fuel	59	-	-
		(d) RLNG as fuel	89	-	-
146B.	27160000	Electrical energy – supplied from Non-Processing Area of SEZ to Domestic Tariff Area, generated using-			
		a. imported coal as fuel	24	-	-
		(b) domestic coal as fuel	24	-	-
		(c) mix of domestic gas/RLNG as fuel	18	-	-
		(d) RLNG as fuel	21	-	-
146C (i)	27160000	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to 27th February, 2009.	Nil	-	103
146C (ii)	27160000	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to 27th February, -2009			
		(a) imported coal as fuel	24	-	103
		(b) domestic coal as fuel	24	-	103
		(c) mix of domestic gas/RLNG as fuel	18	-	103
		(d) RLNG as fuel	21	-	103";

Notification No. 10/2016-Customs, New Delhi, the 17th February, 2016

Further amendment in the notification No. 12/2012-Customs,-

(i) in List 3, after item number (181) and the entries relating thereto, the following item numbers and entries shall be inserted, namely:-

"(182) Octreotide

(183) Somatropin;"

(ii) in List 4, after item number (126) and the entries relating thereto, the following item numbers and entries shall be inserted, namely:-

"(127) Anti- Haemophilic Factor Concentrate (VIII and IX)".

Non-Tariff:

Tariff Value of following Imported goods have been further amended as given below:

Sr. No.	Chapter/ heading/ sub-heading / tariff item	Description of goods	Tariff value US $ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	566
2	1511 90 10	RBD Palm Oil	586
3	1511 90 90	Others Palm Oil	576
4	1511 10 00	Crude Palmolein	594
5	1511 90 20	RBD Palmolein	597
6	1511 90 90	Others Palmolein	596
7	1507 10 00	Crude Soya bean Oil	720
8	7404 00 22	Brass Scrap (all grades)	2821
9	1207 91 00	Poppy seeds	2593

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $)
(1)	(2)	(3)	(4)
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 321 and 323 of the Notification No.12/2012 - Customs dated 17.03.2012 is availed	362 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 322 and 324 of the Notification No. 12/2012 - Customs dated 17.03.2012 is availed	443 per kilogram

Sr. No.	Chapter/ heading/ sub-heading / tariff item	Description of goods	Tariff value US $ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	80280	Areca nuts	2558

[Notification No. 16/2016-Cus (NT) dated 29th January 2016]

[Notification No. 17 /2016 - Customs (N.T.) Dated the 01st February, 2016]

Amendments in the Notification of CBE&C No.14/2016-CUSTOMS (N.T.), dated 21stJanuary, 2016, with effect from 2nd February, 2016, namely:-

In the SCHEDULE-I of the said Notification, for serial No.12 and the entries relating thereto, the following shall be substituted, namely

SCHEDULE-I

Sl.No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees	
		(For Imported Goods)	**(For Export Goods)**
12.	South African Rand	4.40	4.15

[Notification No. 18/2016 - Customs (N.T.), Dated the 4th February, 2016]

Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 5th February, 2016, be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

[Notification No. 19/2016 - Customs (N.T.), New Delhi, 5th February, 2016]

The Central Government hereby notifies the following countries as developing countries for the purposes of the said section.

[Notification No. 20/2016-Customs (N.T.), New Delhi, the 08th February, 2016 S.O. (E).]

The Central Board of Excise and Customs hereby appoints the Additional Director General (Adjudication), Directorate of Revenue Intelligence, Mumbai to act as a Common Adjudicating Authority to exercise the powers and discharge the duties conferred or imposed on the adjudicating authorities mentioned in column (3) of the Table below in respect of the cases mentioned in column (2) of the said Table.

[Notification No. 21/2016-Customs (N.T.) New Delhi, the 8th February, 2016 S.O.... (E).]

The Central Board of Excise and Customs hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.35/2007-CUSTOMS (N.T.), dated the 26th April, 2007, published in Part II, Section 3, Sub-section (ii) of the Gazette of India, Extraordinary vide number S.O.665(E), dated the 26th April, 2007, namely:-

In the said notification, after serial number (iv) and the entries relating thereto the following shall be inserted, namely:-. "(v) the Commissioner of Customs, Air Cargo Complex, Chennai".

[Notification No. 22 / 2016 - CUSTOMS (N.T.) New Delhi, dated the 8 th February, 2016 G.S.R. 155(E).]

Sub-section (2) of section 37 of the Central Excise Act, 1944 (1 of 1944), and section 93A read with sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), read with rules 3 and 4 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995, the Central Government hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 110/2015 - Customs (N.T.), dated the 16 th November, 2015 published vide number

G.S.R. 861 (E), dated the 16 th November, 2015, namely:-

In the said Notification, in the SCHEDULE,-

(i) in CHAPTER - 10, for Tariff item 1006 and the entries relating thereto, the following Tariff items and entries shall be substituted.

Notification No. 23/2016-CUSTOMS (N. T.), New Delhi, 9th February, 2016

The Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001.

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted.

Notification No. 24/2016 - Customs (N.T.), Dated the 12th February, 2016

The Central Board of Excise and Customs No.18/2016-CUSTOMS (N.T.), dated 4thFebruary, 2016, with effect from 13th February, 2016, namely:-

In the SCHEDULE-II of the said Notification, for serial

No.1 and the entries relating thereto, the following shall be substituted, namely

SCHEDULE-II

Sl. No.	Foreign Currency	Rate of exchange of 100 unit of foreign currency equivalent to Indian rupees	
		(For Imported Goods)	(For Export Goods)
1.	Japanese Yen	61.25	59.90

Notification No. 25/2016-CUSTOMS (N. T.), New Delhi, 15th February, 2016

The Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001.

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted.

Notification No. 26/2016-Customs (N.T.) New Delhi, the 16 February, 2016 S.O. (E).

The Central Board of Excise and Customs hereby appoints officers mentioned in column 5 to act as a Common Adjudicating Authority to exercise powers and discharge duties conferred or imposed on officers mentioned in column (4) of Table below in respect of cases mentioned in column (3) of said Table for purpose of adjudication of show cause notices mentioned therein.

Notification No. 27 /2016-Customs (N.T.), New Delhi, the 18th February, 2016

The Central Board of Excise and Customs, hereby makes following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.12/97-CUSTOMS (N.T.), dated the 2nd April, 1997, published in the Gazette of India, Extraordinary, Part II, Section 3,Sub-section (i) vide number G.S.R. 193(E), dated the 2nd April, 1997.

In the said notification, in the Table, against serial number 5, relating to the State of Haryana, in columns (3) and (4), after item (viii) and the entries relating thereto the following item and entries shall respectively be inserted.

Notification No. 28/2016-CUSTOMS (NT), New Delhi, the 18th February, 2016

The Central Board of Excise and Customs hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 63/94-CUSTOMS (NT), dated the 21st November, 1994, published videnumber S.O. 830 (E), dated the 21st November, 1994.

In the said notification, in the TABLE, against serial number 6 relating to land frontier of Nepal, in columns 3 and 4, after

the existing entries, the following entries shall be inserted.

Notification No.29/2016 - Customs (N.T.), Dated the 18th February, 2016

The Central Board of Excise and Customs No.18/2016-CUSTOMS (N.T.), dated 4th February, 2016, except as respects things done or omitted to be done before such supersession, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 19th February, 2016, be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

SCHEDULE-I

Sl. No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees	
(1)	(2)	(3)	
		(a)	(b)
		(For Imported Goods)	(For Export Goods)
1.	Australian Dollar	49.65	48.40

2.	Bahrain Dinar	186.90	176.20
3.	Canadian Dollar	50.60	49.55
4.	Danish Kroner	10.35	10.05
5.	EURO	77.05	75.20
6.	Hong Kong Dollar	8.85	8.70
7.	Kuwait Dinar	235.15	222.45
8.	New Zealand Dollar	46.20	45.00
9.	Norwegian Kroner	8.10	7.90
10.	Pound Sterling	98.95	96.75
11.	Singapore Dollar	49.25	48.25
12.	South African Rand	4.55	4.30
13.	Saudi Arabian Riyal	18.75	17.75
14.	Swedish Kroner	8.15	7.95
15.	Swiss Franc	69.80	68.05
16.	UAE Dirham	19.15	18.10
17.	US Dollar	68.95	67.90
18.	Chinese Yuan	10.60	10.40

SCHEDULE-II

Sl.No	Foreign Currency	Rate of exchange of 100 units of foreign currency equivalent to Indian rupees	
		(For Imported Goods)	(For Export Goods)
1.	Japanese Yen	60.70	59.35
2.	Kenya Shilling	69.15	65.35

Anti-Dumping Duty:

❄ Definitive anti-dumping duty has been imposed on Mulberry Raw Silk (not thrown) of grade 3A and below, originating in, or exported from the People's Republic of China, for a period of five years. *[Notification 01/2016-Cus (ADD), dt. 28-01-2016]*

❄ Definitive anti-dumping duty revised on Melamine, originating in, or exported from the People's Republic of China, for a period of five years. The earlier notification imposing AntiDumping Duty has been rescinded effective 28th Jan 2016. *[Notification 02 & 03/2016 - Cus (ADD), dt. 28-01-2016]*

❄ Anti-dumping duty on Rubber Chemical PX-13 has been lowered. It is revised from Rs 10.35 / kg to Rs 5.90/ KG. *[Notification No. 4/2016 -Customs (ADD) dt 29-01-2016]*

Safeguards Duty:

- No new Notifications.

Circulars:

- Krishnapatnam Sea port in Nellore, Andhra Pradesh has now been appointed as the 19th Sea port in the country where 24x7 facility of Customs Clearance would be in operation. *[Circular No. 1/2016 dated 06/01/2016]*

Instructions:

- No new Instructions.

CENTRAL EXCISE

- Notifications:

Tariff:

- Excise duty on Petrol increased by 75 paise per litre and on diesel by Rs.2 per litre from 15th Jan 2016. *[Notification No. 02/2016-CE, dated 15th Jan 2016]*

Notification No. 03 /2016-Central Excise, New Delhi, the 22nd January, 2016.

the Central Government makes the following further amendments in the notifications of the Government of India in the Ministry of Finance (Department of Revenue) specified in column (2) of the Table below, in the manner and to the extent specified in the corresponding entry in column (3) of the said Table, namely:-

S.No.	Notification No. and date	Amendments
(1)	(2)	(3)
1.	56/2002-Central Excise, dated the 14th November, 2002 [G.S.R. 764(E), dated 14th November, 2002].	In the said notification,- (a) in paragraph 3, (i) in clause (a), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters "but not later than the 31st day of March, 2016" shall be inserted; (ii) in sub- clause (i) of clause (b), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters, "but not later than the 31st day of March, 2016" shall be inserted; (iii) in sub- clause (ii) of clause (b), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters, "but not later than the 31st day of March, 2016" shall be inserted; (b) after paragraph (4), the following paragraph shall be inserted, namely:- "5. The exemption contained in this notification shall not apply to such goods which have been subjected to only one or more of the following processes, namely, preservation during storage, cleaning operations, packing or repacking of such goods in a unit container or labelling or re-labelling of containers, sorting, declaration or alteration of retail sale price and have not been subjected to any other process or processes amounting to manufacture in the State of Jammu and Kashmir.".
2.	57/2002-Central Excise, dated the 14th November, 2002 [G.S.R. 765(E), dated 14th November, 2002].	In the said notification,- (a) in paragraph 3,- (i) in clause (a), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters "but not later than the 31st day of March, 2016" shall be inserted; (ii) in sub-clause (i) of clause (b), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters, "but not later than the 31st day of March, 2016" shall be inserted; (iii) in sub-clause (ii) of clause (b), after the figures, letters and words, "14th day of June, 2002", the words, figures and letters, "but not later than the 31st day of March, 2016" shall be inserted and (b) after paragraph (4), the following paragraph shall be inserted, namely:- "5. The exemption contained in this notification shall not apply to such goods which have been subjected to only one or more of the following processes, namely, preservation during storage, cleaning operations, packing or repacking of such goods in a unit container or labelling or re-labelling of containers, sorting, declaration or alteration of retail sale price and have not been subjected to any other process or processes amounting to manufacture in the State of Jammu and Kashmir.".

Notification No.4/2016-Central Excise, New Delhi, the 30th January, 2016

The Central Government makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.12/2012-Central Excise, dated the 17thMarch, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide G.S.R. 163(E), dated the 17th March, 2012, *namely: -*

In the said notification, in the Table,-

(i) in serial number 70,-

(a) against item (i) of column (3), for the entry in column (4), the entry "Rs. 9.48 per litre" shall be substituted;

(b) against item (ii) of column (3), for the entry in column (4), the entry "Rs. 10.66 per litre" shall be substituted;

(ii) in serial number 71,-

(a) against item (i) of column (3), for the entry in column (4), the entry "Rs. 11.33 per litre" shall be substituted;

(b) against item (ii) of column (3), for the entry in column (4), the entry "Rs. 13.69 per litre" shall be substituted;

2. This notification shall come into force with effect from the 31st day of January, 2016.

Non-Tariff:

Notification No. 01/2016 - Central Excise (N.T), New Delhi, the 1st February, 2016

The Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely:- 1. Short title and commencement.- (1) These rules may be called the CENVAT Credit (First Amendment) Rules, 2016. (2) They shall come into force with effect from the 1st day of March, 2015.

2. In the CENVAT Credit Rules, 2004, in rule 3, in sub-rule (1), in clause (vii), the proviso shall be omitted;

Notification No. 02/2016-Central Excise (N.T.), New Delhi, the 3rd February, 2016

The Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely :–

1. (1) These rules may be called the CENVAT Credit (Second Amendment) Rules, 2016.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the CENVAT Credit Rules, 2004 (here-in-after referred to as the said rules), in rule 2, in clause (l), after sub-clause (C), the following Explanation shall be inserted, namely:-

Explanation.-For the purpose of this clause, sales promotion includes services by way of sale of dutiable goods on commission basis.".

3. In the said rules, in rule 3, in sub-rule (4), after the sixth proviso, the following proviso shall be inserted, namely:–

"Provided also that the CENVAT credit of any duty specified in sub-rule (1) shall not be utilised for payment of the Swachh Bharat Cess leviable under sub-section (2) of section 119 of the Finance Act, 2015 (20 of 2015):".

Notification No. 3/2016-Central Excise (N.T.), New Delhi the 3rd February, 2016

The Central Board of Excise and Customs hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance, Department of Revenue, No.45/200i-Central Excise (N.T.), dated the 26th June, 2001 published in the Gazette of India, Extraordinary vide number G.S.R. 474(E), dated the 26th June,200i,namely:-In the said notification, paragraph 1, in sub-paragraph (5),-

(i) For the marginal heading, the following marginal heading shall be substituted, namely:-

"Export of all excisable goods without payment of duty to Kurichu Hydro Electric Project, Tala Hydro Electric Project, Punatsangchhu- I Hydro Electric Project, Punatsangchhu-II Hydro Electric Project, Mangdechhu Hydro Electric Project and Kholongchhu Hydro Electric Project in Bhutan";

(ii) for the words "Kurichu Hydro Electric Project, Tala Hydro Electric Project, Punatsangchhu-I Hydro Electric Project, Punatsangchhu-II Hydro Electric Project and Mangdechhu Hydro Electric Project " the words "Kurichu Hydro Electric Project, Tala Hydro Electric Project, Punatsangechhu-I Hydro Electric Project, Punatsangchhu-II Hydro-Electric Project, Mangdechhu Hydro-Electric Project and Kholongchhu Hydro Electric Project" shall be substituted.

Notification No. 4/2016- Central Excise (N.T.), New Delhi, the 12th February, 2016

The Central Excise Act, 1944 (1 of 1944), (hereinafter referred to as the said Act), on Di-Calcium Phosphate (animal feed grade) of rock phosphate origin falling under heading 2835 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) (hereinafter referred to as the said goods), was not being levied according to the said practice, during the period commencing on the 1st day of February, 2008 and ending with the 1st day of February, 2014;

Now, therefore, in exercise of the powers conferred by section 11C of the said Act, the Central Government hereby direct that the whole of the duty of excise payable under section 3 of the said Act on the said goods but for the said practice, shall not be required to be paid in respect of the said goods on which the said duty of excise was not levied during the period aforesaid in accordance with the said practice.

Circulars:

- In order to speed up the transfer of the fund directly to the beneficiary's bank account after sanction of the refund/rebate claim and thereby promote ease of doing business, CBEC issues General guidelines for implementation of e- payment of refund/rebate. To avail this benefit claimant shall file one-time authorisation in duplicate, duly certified by the beneficiary bank in prescribed format. *[Circular No.1013/1/2016-CX, dated 12nd Dec 2016]*

Instructions:

It has been clarified that, Certificates issued by the concerned Superintending Engineering and countersigned by Chief Engineer in the rank of Joint Secretary in the Ministry of Road Transport & Highways, Government of India should be considered to avail exemption of Central Excise duty for the goods required for the execution of work financed by International Funding Organization like World Bank under notification no.108/95 - Central Excise dated 28.08.1995 as amended. *[Instruction No.F.No.96/41/2015-CX., dated 7th Jan 2016]*

It has been instructed to Principal Chief Commissioners/ Chief Commissioners to furnish a monthly report in prescribed format enumerating the number of cases reviewed on the basis of earlier Supreme Court's decision on the identical matters and the appeals withdrawn on this account to the Board w.r.t. Instruction No.F.No.390/ Misc./67/2014-JC, dated 18th Dec 2015.

[Instruction No.F.No.390/163/2010-JC, dated 21st Jan 2016]

LBT:

- No new notification.

SERVICE TAX

Notification No.01/2016-Service Tax, New Delhi, the 3rd February, 2016

The Government of India in the Ministry of Finance (Department of Revenue), No. 41/2012 – Service Tax, dated the 29th June, 2012, published in the Gazette of India, Extraordinary, vide number G.S.R. 519(E), dated the 29th June, 2012, namely:-

In the said notification,-

(a) in the Explanation,-

(I) In clause (A), for sub-clause (i), the following sub-clause shall be substituted, namely:-

(i) in the case of excisable goods, taxable services that have been used beyond factory or any other place or premises of production or manufacture of the said goods, for their export;";

(II) clause (B) shall be omitted;

(b) in the Schedule of rates, in column (4).

Notification No.02/2016-Service Tax, New Delhi, the 3rd February, 2016

The Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2013 – Service Tax, dated the 1st July, 2013 , published in the Gazette of India, Extraordinary, vide number G.S.R. 448(E), dated the 1st July, 2013, namely:-

In the said notification, in paragraph 3, in sub-paragraph (III), after clause (b), the following clause shall be inserted, namely:-

"(ba) the SEZ Unit or the Developer shall be entitled to-

i. refund of the Swachh Bharat Cess paid on the specified services on which ab-initio exemption is admissible but not claimed; and

ii. the refund of amount as determined by multiplying total service tax distributed to it in terms of clause (a) by effective rate of Swachh Bharat Cess and dividing the product by rate of service tax specified in section 66B of the Finance Act, 1994."".

Notification No.03/2016-Service Tax, New Delhi, the 3rd February, 2016

The Government of India in the Ministry of Finance (Department of Revenue), No. 39/2012 – Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, vide number G.S.R. 481(E), dated the 20th June, 2012, namely:-

In the said notification, in Explanation 1, after clause (c), the following clause shall be inserted, namely:-

(d) Swachh Bharat Cess as levied under sub-section (2) of section 119 of the Finance Act, 2015 (20 of 2015)."

Notification No.04/2016-SERVICE TAX, New Delhi, the 15th February 2016

The Central Government hereby makes the following rules , namely:—

1. Short title and commencement.- (1) These rules may be called the Service Tax and Central Excise (Furnishing of Annual Information Return) Rules, 2016.

(2) They shall come into force from the 1st day of April, 2016.

2. Definitions.-

(1) In these rules, unless the context otherwise requires,-

(a) Aggregate value of clearances" has the same meaning as assigned to it in the notification of the Government of India in the Ministry of Finance, Department of Revenue No. 9/2003-Central Excise dated the 1st March 2003, published vide number G.S.R. 139, dated the 1stMarch , 2003;

(b) "Board" means the Central Board of Excise and Customs constituted under the Central Board of Revenue Act, 1963 (54 of 1963);

(c) "Digital signature" has the same meaning as assigned to it in the Information Technology Act, 2000 (21 of 2000);

(d) "Form" means Form appended to these rules.

(2) Words and expressions used herein and not defined but defined in the Finance Act, 1994 (32 of 1994) and the Central Excise Act, 1944 (1 of 1944) and the rules made thereunder, shall have the meanings respectively assigned to them in those Acts and rules.

3. Annual information return to be furnished.-The information return required to be furnished under sub-section (1) of section 15A of Central Excise Act, 1944 shall be furnished annually by every person mentioned in column (2) of the Table below in respect of all transactions of the nature and value specified in the corresponding entry in column (3) of the said Table, recorded or received by him during every financial year beginning on or after the 1st day of April, 2015, in the Form AIRF, along with the Annexure to the said Form, as specified in column (4) of the said Table.

Notification No.05/2016 Service Tax, New Delhi, the 17th February, 2016

The Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification No. 22/2015-Service Tax dated the 6th November, 2015, published vide G.S.R. 843 (E), dated the 6th November, 2015, namely:-

In the said notification, in the first proviso, for the words, brackets and figure notification issued under sub-section (1), the words, brackets and figures notification or special order issued under sub-section (1) or as the case may be under sub-section (2) shall be substituted.

Notification No.06/2016-Service Tax, New Delhi, the 18th February, 2016

The Central Government hereby appoints the 1st day of April, 2016 as the date on which the provisions of sub-section (1) of section 109 of the said Act shall come into effect.

Notification No.07/2016-Service Tax, New Delhi, the 18th February, 2016

The Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.25/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 467 (E), dated the 20th June, 2012, namely:-

1. In the said notification, in the opening paragraph,

(i) after entry No. 47, the following shall be inserted, namely-

(48) Services provided by Government or a local authority to a business entity with a turnover up to rupees ten lakh in the preceding financial year."

2. The amendment shall come into effect on 1st April, 2016.

Instructions:

In case of valuation of tripartite agreement of flats, it has been clarified that the interpretation in circulars will prevails over that in Educational Guide, as it is was released purely as a measure of facilitation. [F.No.354 311 2015 TRU ST dated 20th January 2016]

It has been instructed to Principal Chief Commissioners/ Chief Commissioners to furnish a monthly report in prescribed format enumerating the number of cases reviewed on the basis of earlier Supreme Court's decision on the identical matters and the appeals withdrawn on this account to the Board w.r.t. Instruction No.F.No.390/ Misc./67/2014-JC, dated 18th Dec 2015. [Instruction No.F.No.390/163/2010-JC, dated 21st Jan 2016]

INCOME TAX

Article 27 w.r.t. "Exchange of Information" under DTAA between the Government of the Republic of India and the Government of the Republic of Belarus has been amended. This will enable easy exchange of information between the two countries. ***[Notification No.02/2016 dated 13th Jan 2016]***

Electronic form 9A and 10 will be required to be submitted in respect of claiming exemption towards Income received from property held for Charitable and Religious purpose under section 11 of Income Tax Act, 1961. ***[Notification No.03/2016 dated 14th Jan 2016]***

Additional Modes have been prescribed for Electronic Verification Code(EVC) for electronically filed Income Tax Return.

1. Additional Modes- EVC is generated by giving Bank details to the e-filing website: Details such as Bank Account Number, IFSC, Email Id and Mobile number have to be given and the details will be verified through Bank.

2. Additional Modes- EVC is generated by giving Demat details registered with CDSL/ NSDL: Details such as Demat Account Number, Email Id and Mobile number have to be given and the details will be verified through the depository (CDSL/NSDL).

[Notification No.01/2016 dated 19th Jan 2016]

Notification No. 2/2016/F.No. 501/07/1999-FTD-I, New Delhi, 13th January, 2016

Whereas, a Protocol amending the agreement between the Government of the Republic of India and the Government of the Republic of Belarus for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on property (Capital) of the 27th September, 1997 (hereinafter referred to as the said Protocol) as set out in the Annexure to this notification, was signed at Minsk, Belarus on the 3rd June, 2015;

And whereas, the date of entry into force of the said Protocol is the 19th November, 2015, being the date of the latter of the notifications of completion of the legal requirement and procedures for giving effect to the said Protocol in accordance with paragraph 1 of Article 2;

And whereas, paragraph 2 of Article 2 of the said Protocol provides that the provisions of the same shall have effect forthwith from the date of entry into force;

Now, therefore, in exercise of the powers conferred by section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that all the provisions of the said Protocol annexed hereto, shall be given effect to in the Union of India with effect from the 19th November, 2015.

Notification No.3/2016 /2015, F. No. 142/16/2015-TPL, New Delhi, 14th January, 2016

The Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (1 st Amendment) Rules, 2016. (2) They shall come into force from the 1 st day of April, 2016.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), for rule 17, the following rule shall be substituted, namely:-

"17. Exercise of option etc under section 11. (1) The option to be exercised in accordance with the provisions of the Explanation to subsection (1) of section 11 in respect of income of any previous year relevant to the assessment year beginning on or after the 1st day of April, 2016 shall be in Form No. 9A and shall be furnished before the expiry of the time allowed under sub-section (1) of section 139 for furnishing the return of income of the relevant assessment year. (2) The statement to be furnished to the Assessing Officer or the prescribed authority under sub-section (2) of section 11 or under the said provision as applicable under clause (21) of section 10 shall be in Form No. 10 and shall be furnished before the expiry of the time allowed under sub-section (1) of section 139, for furnishing the return of income. (3) The option in Form No. 9A referred to in sub-rule (1) and the statement in Form No.10 referred to in sub-rule (2) shall be furnished electronically either under digital signature or electronic verification code. (4) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, shall- (i) specify the procedure for filing of Forms referred to in sub-rule (3); (ii) specify the data structure, standards and manner of generation of electronic verification code, referred to in sub-rule(3), for purpose of verification of the person furnishing the said Forms; and (ii) be responsible for formulating and implementing appropriate security, archival and retrieval policies in relation to Forms so furnished.". 3. In the said rules, in Appendix II,- (a) after Form No.9, a Form shall be inserted, namely - "FORM NO.9A"

Notification No. 4/2016/F. No.178/21/2014-ITA-I, New Delhi, 22nd January, 2016

In the notification of the Government of India in the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) number S.O. 3313 (E), dated the 8th December, 2015, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), dated the 8th December, 2015, in the English version, in line 5, for "9th December, 2015" read "8th December, 2015".

Notification No. 05/2016, F.No. 142/7/2014-TPL, New Delhi, 17th February, 2016

In exercise of the powers conferred by section 92CB, read with section 295 of the Income-tax Act, 1961(43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income tax Rules, 1962, namely:—

1. (1) These rules may be called the Income-tax (2nd Amendment), Rules, 2016. (2) They shall come into force from the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), in rule 10THA, after the word "generation," the word "supply," shall be inserted.
3. In the said rules, in rule 10THB, in clause (i), the words "by a generating company" shall be omitted.
4. In the said rules, in rule 10THC, in sub-rule (2), in the Table, against serial number 1,- (a) in column 2, for the words, brackets, figures and letters "in item (i), (ii) or (iii) of rule THB, as the case may be", the words, brackets, figures and letters "in clause (i), (ii) or (iii) of rule 10THB, as the case may be", shall be substituted; (b) in column 3, after the words after the words "is determined", the words "or the methodology for determination of the tariff is approved" shall be inserted.
5. In the said rules, in rule 10 THD, in sub-rule (1), for the second proviso, the following proviso shall be substituted, namely:— "Provided further that in respect of eligible specified domestic transactions, other than the transaction referred to in clause (iv) of rule 10 THB, undertaken during the previous year relevant to the assessment year beginning on the 1st day of April, 2013 or beginning on the 1st day of April, 2014 or beginning on the 1st day of April, 2015, Form 3CEFB may be furnished by the assessee on or before the 31st day of March, 2016.".
6. In the said rules, in Appendix II, in Form No. 3CEFB, in item 2, in the Table, against the serial number 1, in the second column,- (a) for the words, brackets and figures "item (i), (ii) or (iii)", the words, brackets and figures "clause (i), (ii) or (iii)", shall be substituted; (b) in clause (c), after the word "tariff", the words "or approving the methodology for determination of the tariff" shall be inserted.

Notification No. 6/2016 [F. No.178/ 1/2016-ITA-I], New Delhi, 18th February, 2016

In exercise of the powers conferred by item (h) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O. 1827(E), dated the 6th of July, 2015, namely :-

In the said notification,— (a) in paragraph 6, after sub-paragraph (ii), the following proviso shall be inserted, namely:- "Provided that the National Bank for Agriculture and Rural Development shall ear mark sixty per cent of such public issue under sub-paragraph (ii) for RIIs." (b) in paragraph 9, in the TABLE,—

(i) for serial number 1 and entries relating thereto, the following serial number and entries shall be substituted, namely:— National Highways Authority of India (NHAI) - allocated amount of bonds Rs 19000 Cr;

(ii) after serial number 7 and entries relating thereto, the following serial number and entries shall be inserted, namely:- National Bank for Agriculture and Rural Development (NABARD) - allocated amount of bonds Rs 5000 Cr.

Notification No. 7 /2016, F.No.173/394/2015-ITA-I, New Delhi, 19th February, 2016

In exercise of the powers conferred by sub-section (1) of section 80CCD of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the 'Atal Pension Yojana (APY)' as published in the Gazette of India, Extraordinary, Part I, Section 1, vide number F. No. 16/1/2015-PR dated the 16th October, 2015 as a pension scheme for the purposes of the said section. 2. This notification shall come into force from the date of its publication in the Official Gazette.

Notification No. 8 /2016, F.No.196/32/2014-ITA-I, New Delhi, 19th February, 2016

In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purpose of the said clause, the Competition Commission of India, a Commission established under sub-section (1) of section 7 of the Competition Act, 2002 (12 of 2003), in respect of the following specified income arising to the said Commission, namely:-

(a) amount received in the form of Government grants;
(b) fees received under the Competition Act, 2002; and
(c) interest accrued on Government grants and interest accrued on fees received under the Competition Act, 2002.

2. This notification shall be effective subject to the following conditions, namely:-

(i) the Competition Commission of India does not engage in any commercial activity;

(ii) the activities and the nature of the specified income of the Competition Commission of India shall remain unchanged throughout the financial years; and

(iii) the Competition Commission of India shall file return of income in accordance with clause (g) of sub-section (4C) of section 139 of the Income-tax Act, 1961.

3. This notification shall be applicable for the specified income of the Competition Commission of India for the

financial years 2016-2017 to 2020-2021.

MVAT

● In the MVAT Act, 2002 in Schedule A, after Entry 12A the following entry shall be inserted namely: Nil%

Drugs and medical equipments used in the dialysis for the treatment of patients suffering from Kidney disease

[Notification No. VAT 1515/CR-169 / Taxation-1 dated 2nd Jan 2016]

● Following amendments has been made for Refund of MVAT to Diplomatic Mission of Republic of Turkey.

a. The refund would be admissible on the official and personal purchases of the following goods only :- Security equipment, office equipment, electronic and electrical devices, food and non-alcoholic beverages, cleaning supplies, household and gardening equipment, medical equipment (excluding medication), construction materials, printed matter, spare parts for official cars and clothing.
b. The minimum invoice value of official and personal purchases shall be Rupees Five Thousand and One Hundred for the refund of tax.
c. Refund of tax shall not be admissible on personal purchases exceeding Rupees Fourteen Lakh per annum, per official.

   In the case of Royal Norwegian Consulate the purchase price of goods purchases for official use of the Consulate and personal use of its diplomats, through a single invoice, shall not be less than Rupees Five Thousand excluding tax.

[Notification No. VAT 1515/CR-169 / Taxation-1 dated 2nd Jan 2016]

Trade Circulars:

● Due date of submission of the Audit report in Form 704 for the year 2014-15 extended from 15th January 2016 to 21st January 2016. Hence, date submission of physical copy of acknowledgment and Statement of submission of audit report is also extended to 1st February 2016. *[Circular No. 3T dated 28th Jan 2016]*

FOREIGN TRADE POLICY

Notifications:

● Now import of Apples covered under Tariff code 08081000 is also allowed through sea ports & air ports in Kolkata, Chennai, Mumbai & Cochin and land ports and airport in Delhi and also allowed through India's land border. *[Notification No. 30/2015-2020 dated 12/01/2016]*

Now export of Roasted Gram (whole/split) in consumer packs of 1 (one) Kg has been permitted. *[Notification No. 31/2015-2020 dated 20/01/2016]*

Import of Natural Rubber of all varieties/Forms covered under Tariff Code 4001 is allowed only through sea ports of Chennai in addition to JNPT.

[Notification No. 32/2015-2020 dated 20/01/ 2015]

● Facility for import of Natural Rubber under Advance Authorizations issued or revalidated on or after 21.01.2016 will not available with immediate effect up to 31.03.2016.

[Notification No. 33/2015-2020 dated 21/01/2015]

PUBLIC NOTICES:

The dates of implementation of Track and Trace systems for export of drug formulations along with maintaining the Parent - Child relationship in Packaging have been extended to 01.04.2016 for non SSI manufactured drugs and 01.04.2017 for SSI manufactured drugs. *[Public Notice No. 52/2015-20 dated the 05/01/2016]*

Simplified procedure for modification/change in Branch office / Head office/Registered office address in IEC involving a change in Jurisdictional RA is laid down. *[Public Notice No. 53/2015-20 dated the 05/01/2016]*

The Branch office of M/s Indian Industries Association at New Delhi is enlisted under Appendix 2E of FTP 2015-2020 for issuing Certificate of Origin (Non-preferential). *[Public Notice No. 54/2015-20 dated the 05/01/2016]*

Export of finished leather ,wet blue and EI Tanned leather has been permitted through the ICD at Kheda. *[Public Notice No. 55/2015-20 dated the 06/01/2016]*

TRADE NOTICES:

The DGFT in this Trade Notice has stated that the highest standards of integrity are to be maintained by all government servants in discharge of their official duties. *[Trade Notice No. 12/2015 dated the 13/01/2016]*

DGFT is requesting to all those exporters of services who do not possess IEC to voluntarily obtain IEC from Regional Authorities of (RAs) of DGFT. This is to be done for facilitation of collection of data/statistics relating to import and export of services. *[Trade Notice No. 13/2015 dated the 15/01/2016]*

As DGFT is moving to IT enabled paperless and personal contact free environment, so they have prescribed necessary steps to be implemented in all DGFT Offices vide this Trade Notice. Some of the important steps are as below.

Except for some persons there will restriction on persons to be entered any DGFT office including DGFT Headquarters henceforth.

All queries/submissions to be made to any DGFT office shall be made by e-mail to the officer/staff member concerned. All such emails will be replied to within 48 hours of their receipt and the matter resolved in the prescribed time frame.

In matters where physical submission is absolutely necessary, the applicant will dispatch the physical documentation by speed post with a copy of the e-mail/ online submission reference to link the two and mention the same in the e-mail which can include scanned copies of the documents as attachments.

If above mentioned procedure is not possible to be followed then documents are required to be submitted at the Receipt Desk at the Office Reception, in each DGFT office. Also have to ensure get the computerized acknowledgment.

If notwithstanding the above, it is absolutely necessary for an applicant to meet an officer in person, the meeting shall be permissible only with the Head of Office or a person not below the rank of Joint DGFT who shall listen to the applicant and facilitate timely and proper disposal of the matter and convey a response bye-mail.

[Trade Notice No. 14/2015 dated the 18/01/2016]

• It has been instructed by DGFT to RA concerned that they should not ask for additional documents other than those mentioned as mandatory at the time of import & export. *[Trade Notice No. 15/ 2015 dated the 21/01/2016]*

FEMA/RBI

Export of Goods and Services – Project Exports:

As per AP DIR Series Circular No. 39 dated 14 January 2016, in terms of which export of goods or services on deferred payment terms or in execution of a turnkey project or a civil construction contract requires prior approval of the approving authority, which shall consider the proposal in accordance with the guidelines issued by the Reserve Bank from time to time. Further under A.P. (DIR Series) Circular No.11 dated July 22, 2014, in terms of which the structure of Working Group (consisting of representatives from Exim Bank, ECGC & RBI), which has hitherto been permitted to consider project exports and deferred service exports proposals for contracts exceeding USD 100 Million in value has been dispensed with and AD banks / Exim Bank have been permitted to consider awarding post-award approvals without any monetary limit and permit subsequent changes in the terms of post award approval within the relevant FEMA guidelines / regulations. Project and service exporters may accordingly approach AD banks / Exim Bank based on their commercial judgment.

As it has been advised by the Government of India that The 'OCCI' has been renamed as 'Project Export Promotion Council' (PEPC) and Civil construction contracts may include turnkey engineering contracts, process and engineering consultancy services and Project construction items (excluding steel & Cement) along with civil construction contracts, it has been decided to make the necessary changes in Memorandum of Instructions on Project and Service Exports (PEM) accordingly.

For Master Directions, please refer the RBI website. *[RBI/2015-16/287, (DIR Series) Circular No. 39]*

taxresearch@icmai.in

Role of CMAs in Pharmaceutical Sector

Sustainable Cost Management:

The Indian pharmaceutical industry presently tops the chart amongst India's Science-based industries with wide ranging capabilities in the complex field of drug manufacturing and technology. It ranks very high amongst all the third world countries, in terms of technology, quality and the vast range of medicines that are manufactured. To ensure and implement both cost-reduction and cost-management strategies, immediate cost-control stabilization and waste elimination is a must. Here CMAs, can apply Lean Manufacturing technique to eliminate "non-value adding" activities and increase operational efficiency and reduce costs. In this juncture, Learning Curve method can be applied too, to eliminate unnecessary steps and speed up certain processes to reduce cycle times.

Product life Cycle Management:

In recent years the pharmaceutical industry has faced declining R&D productivity, a rapidly changing healthcare landscape and stiff competition and profit margins. Previously, drug development focused on clinical trials management and outcomes. In this context, the CMAs can apply Product Lifecycle Management (PLM) approach, which is a business transformation approach to manage products and related information across the enterprise. It can help to enable Indian pharmaceuticals industry to play a leading role in the global market and to ensure abundant availability of quality goods at reasonable prices within the country.

Risk Management:

The manufacturing and use of a drug product, including its components, necessarily entail some degree of risk. Thus CMAs can apply Business Process Management (BPM) technique to assist the management of pharmaceutical companies to reduce market risks, compliance risks, risks associated with R&D activities, simplifying clinical trials processes, minimizing errors, improving communication and helping to facilitate a collaborative research environment. BPM can be an effective method for risk management by risk-mapping, identifying potential threats to the organization and the probability of their occurrence, then taking appropriate actions to address the most likely threats. Thus it also helps in decision-making purpose.

Quality Management:

The risk to its quality is one of the components of overall risk. The CMAs can implement an effective Quality Management approach to ensure the high quality of the drug product to the patient by providing a proactive means to identify and control potential quality issues during development and manufacturing. Successful implementation of quality management can facilitate better and more informed decisions, can provide regulators with greater assurance of a company's ability to deal with potential risks. In this regard, the CMAs can even carry out Product Audit to examine whether the particular product conforms to specifications, performance standards and customer requirements or not.

Sustainability Reporting:

The chemical and pharmaceutical industry has quite a long tradition in dealing with sustainability issues. Coming from a claim to protect the environment, sustainability has meanwhile become a question of health and safety standards. To maintain fair and transparency, timely disclosure of all details that may hold relevance to stakeholders are mandatory. As an internal auditor, CMAs also play a crucial role in sustainability reporting by assisting the management to prepare an effective sustainability report that gives information about economic, environmental, social and governance performance.

Pricing Mechanism:

In this increasingly complex global marketplace, manufacturers must use segmentation analysis, health outcomes research, parallel trade evaluation and demand analysis to frame a consistent pricing strategy for pharmaceutical companies. Thus CMAs by applying Benchmarking method in this regard can assist management to frame suitable pricing strategy by analyzing and comparing with other market leaders. Benchmarking helps to determine whether the company is performing particular functions and activities efficiently, whether its costs are in line with those of competitors, and whether its internal activities and business processes need improvement.

Performance Management:

Performance management is an effective way for a company to achieve their target and enhance performance. In this regard, CMAs can apply Balanced Scorecard approach to identify the key performance indicators in different perspectives of the performance scorecard and support the management to assess the performance. The balanced scorecard facilitates organizations to elucidate their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.


ACCOUNTING FOR SUSTAINABILITY
CIMA
Chartered Institute of Management Accountants
The Institute of Cost Accountants of India
in Association with
The Prince of Wales's Accounting for Sustainability Project (A4S)
&
The Chartered Institute of Management Accountants (CIMA)
2016 INTERNATIONAL SUMMIT
Finance Leadership: New Approaches to Sustainable Growth
The Leela Palace Hotel, Chanakyapuri, New Delhi
10th -11th March, 2016
CMA P.V. Bhattad
President
ICAI
Ms. Jessica Fries
Executive Chairman
The Prince of Wales Accounting for Sustainability Project
Mr. P.B. Balaji
Chief Financial Officer
Hindustan Unilever Limited
CMA Sanjay Gupta
Chairman- International Affairs Committee & CCM
ICAI
Mr. Tony Manwaring
Executive Director of External Affairs
CIMA
Mr. R.K. Garg
Director- Finance
Petronet LNG Ltd
Ms. Christine Brogan
Director
The Prince of Wales Accounting for Sustainability Project
CMA P. Raju Iyer
Chairman- CAASB Committee & CCM
ICAI
CMA Dr. P.V.S. Jagan Mohan Rao
Chairman CLG & CS Committee & CCM
ICAI

SUMMIT THEME

Climate change, a rising and ageing global population, rapid urbanization, land use changes and increased consumption are putting unprecedented pressure on natural resources. Urgent action is required by the business community on issues including food security, public health, national security and resource availability.

There is increasing evidence of the link between sustainable business models and improved commercial returns, including reduced cost of capital and improved market performance. CFOs have a crucial role to play, shifting from a traditional stewardship role, to become the strategic driver and embed sustainability within organizations' decision making processes and drive long term resilient business models.

This Summit will bring together senior representatives from the international business and financial community. There will be an opportunity to hear from high profile speakers, identify practical actions to accelerate change in finance and accounting to make future proof our organizations, economy and society.

The Summit offers global finance leaders an intimate environment for a focused discussion on the key drivers shaping corporate priorities and finance strategies. CEOs & CFOs from all across the globe would gather together to hear from **His Royal Highness The Prince of Wales through a special pre-recorded address.**

SUMMIT BRIGADE

CMA P.V. Bhattad
President-ICAI

CMA Manas Kumar Thakur
Vice President-ICAI

CMA Sanjay Gupta
Chairman
International Summit 2016

CMA P Raju Iyer
Co-Chairman
International Summit 2016

CMA H Padmanabhan
Convener
International Summit 2016

CMA Avijit Goswami
Member
International Summit 2016

CMA Biswarup Basu
Member
International Summit 2016

CMA Dr. P.V.S. Jagan Mohan Rao
Member
International Summit 2016

CMA Niranjan Mishra, CCM
CMA Amit Anand Apte, CCM
CMA Balwinder Singh, CCM
CMA Papa Rao Sunkara, CCM
CMA A.B. Nawal, CCM
CMA Vijender Sharma, CCM
CMA Dr. I. Ashok, CCM

MESSAGE FROM THE DESK OF PRESIDENT

CMA P.V.BHATTAD

Dear Professional Colleagues,

Greetings from the Institute of Cost Accountants of India.

I am pleased to inform you that the Institute is organizing the International Summit 2016 on the theme **'Finance Leadership: New Approaches to Sustainable Growth', at Delhi on 10th & 11th March 2016**. I invite you to join this important event which is being organised by the Institute of Cost Accountants of India in association with The Prince's Accounting for Sustainability (A4S) Project.

Our Institute, being the only institution from India, is a member of the **Accounting Bodies Network (ABN)** of **The Prince's Accounting for Sustainability (A4S) Project.** ABN is committed to challenge the conventional fundamentals of accounting and to incorporate accounting for sustainability within its members' continuing professional education and their accountancy training for the next generation of accountants.

The Summit will provide a networking platform to interact with International delegates as well as Board Members, CFOs, Financial Controllers, Senior Management, CMAs in Industry, Practicing CMAs and other Professionals etc. The technical sessions are designed to reflect the role of Professionals in formulating and implementing the effective strategies for sustainable growth.

I urge all the members to participate in the summit in great numbers so that they could be benefited from this and able to serve their respective organisations or clients in a sustainable way.

I wish the Summit a Grand Success.

With Regards,
CMA P.V. Bhattad

MESSAGE FROM CHAIRMAN - WTO, INTERNATIONAL AFFAIRS & SUSTAINABILITY COMMITTEE

CMA SANJAY GUPTA

Dear Professional Colleagues,
Greetings from the WTO, International Affairs & Sustainability Committee of the Institute.

We are organizing an 2016 International Summit on the theme "Finance Leadership: New Approaches to Sustainable Growth" in association with The Prince of Wales's Accounting for Sustainability Project (A4S) and Chartered Institute of Management Accountants (CIMA), UK at The Leela Palace Hotel, Chanakyapuri, New Delhi, India on the 10th to 11th March 2016.

The International Summit 2016 aims to explore the important role that the Management Accounting community can play to support the transformation towards a sustainable economy. CEOs and CFOs from the International & National Business Community will join together to hear from high profile speakers, identify practical actions to accelerate change in Management Accounting to help future proof our organizations, economy and society.

This summit will be addressed by renowned speakers from International Professional Bodies, Academicians, Industry Associations, Policy Makers and Management Consultants. A large number of foreign & national delegates are expected to participate in the summit.

The technical sessions are designed to reflect the role of Cost and Management Professionals in accelerating sustainable organizational success.

By bringing together world experts from advanced and emerging nations, with different competitive positions, as well as a variety of legal, institutional and governance frameworks, we have an unprecedented opportunity to discuss lessons learned, best practices and what the future roles and responsibilities should be for future Management Accountants.

I urge Professional Colleagues to attend in large numbers and be inspired by the Summit.

With Regards,
CMA Sanjay Gupta

ABOUT US

The Institute of Cost Accountants of India was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a statutory professional body for the regulation of the profession of Cost and Management Accountancy in India. The Institute has its headquarters at Kolkata with certain Directorates at New Delhi, four regional offices, 96 Chapters and 9 overseas centers. The Institute has a strong base of about 69000 members and 475000 students. The Institute is a founder member of the International Federation of Accountants (IFAC), the Confederation of Asian & Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA).

The Prince's Accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales in 2004 to "help ensure that we are not battling to meet 21st century challenges with, at best, 20th century decision-making and reporting systems." A4S convenes leaders in the finance and accounting communities to catalyse a fundamental shift towards resilient business models and a sustainable economy.

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with over 218,000 members and students operating in 177 countries, working at the heart of business. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains relevant.

SUMMIT PROGRAM

DAY ONE: Thursday, March 10th, 2016 (18:00 to 22:00)

Welcome and Introduction

Opening Address: "A Special Recorded Address: His Royal Highness The Prince of Wales"

Address by Guest of Honour

Networking Dinner

DAY TWO: Friday, March 11th, 2016 (09:00 to 17:00)

Plenary Session - Sustainability Reporting

Address by Guest of Honour

Session 1:

Drivers of Change: Risks & Opportunities

A session to explore risks and opportunities, and the priority areas that business and finance need guidance on to embed sustainability effectively.

Session 2:

The Sustainable Development Goals and the Impact on Business

A discussion on what this means for businesses and the finance community and a launch of the Commonwealth Business Challenge in India, discovering how engaging in this initiative can help businesses achieve SDG goals.

Session 3:

Responding to the challenge: How the finance team can play a lead role in moving to a Sustainable Economy

In order to create and maintain value into the future, organizations need to integrate sustainability into their overall strategy and decision making processes. An introduction by A4S to what is meant by Integrated Thinking and how it enables a transformation to a sustainable economy.

Session 4:

Powering up: Better decision making by joining the dots

A facilitated session referencing the recent C-suite research conducted by CIMA and AICPA which demonstrates what is being done by businesses in terms of integrating sustainability into company strategy and decision making to create value for the short, medium and long-term

Session 5:

Practical Actions: An Exploration of the A4S CFO Leadership Network Guidance Materials

An interactive session to explore the A4S CFO Leadership Network projects (including Strategic Planning, Integrated Management Reporting, Capital Investment Appraisal, Natural and Social Capital Accounting, Managing Future Uncertainty and Investor Engagement) and attendee activities in these areas.

Session 6:

Integrated Reporting

A discussion on Integrated Reporting and how organizations should develop new approaches to accounting; allowing environmental and social impacts to be measured, valued and embedded into decision making.

Why Attend?

- Participants will get an understanding of the emerging concept of Sustainable growth
- Establishing the importance of practicing Integrated Thinking e.g. Linking future sustainability trends to business strategy
- Practical steps the Indian finance and accounting community can take to affect change within their organisations
- Benefitted from over 10 hours of bespoke networking engagements

TALK TO US

Delhi Office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi – 110003
Head Office: CMA Bhawan, 12, Sudder Street, Kolkata – 700016

For Details and Registration please contact-

CMA S.C. Gupta Director - International Affairs, (M) 9313375254
CMA Nikhil Agarwal Senior Officer - International Affairs, (M) 9654853150
Email: intlaffairs@icmai.in / is2016@icmai.in

CMA Sanjay Gupta
Chairman, WTO, International Affairs & Sustainability Committee
Central Council Member
+91-9810041074 (M); sanjay@sgaindia.in (E)

Venue

The Leela Palace Hotel,
Chanakyapuri, Diplomatic Enclave,
New Delhi, Delhi 110023
Phone: 011 3933 1234

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME –JUNE 2016

	PROGRAMME FOR SYLLABUS 2012	
Day, Date & Time	**Intermediate 9.30 A.M. to 12.30 P.M.**	**Final 2.00 P.M. to 5.00 P.M.**
Saturday, 11th June, 2016	Financial Accounting	Corporate Laws and Compliance
Sunday, 12th June, 2016	Laws, Ethics and Governance	Advanced Financial Management
Monday, 13th June, 2016	Direct Taxation	Business Strategy & Strategic Cost Management
Tuesday 14th June, 2016	Cost Accounting & Financial Management	Tax Management & Practice
Wednesday, 15th June, 2016	Operation Management and Information Systems	Strategic Performance Management
Thursday, 16th June, 2016	Cost & Management Accountancy	Corporate Financial Reporting
Friday, 17th June, 2016	Indirect Taxation	Cost & Management Audit
Saturday, 18th June, 2016	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	`1400/- US $ 100	`1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	`2800/- US $ 100	`2400/- US $ 90

1. Application Forms for Intermediate and Final Examination has to be filled up through online as well as in offline modes. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form. Online fees will be accepted through online mode (including Pay-fee Module of IDBI Bank).

2. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.

3. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.
(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.

4. Last date for receipt of Examination Application Forms without late fees is 31st March, 2016 and with late fees of Rs. 300/- is 10th April, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived.

5. The Finance Act 2015 will be applicable for the Subjects Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of June 2016 term of Examination.

6. The Companies (Cost Records & Audit) Rules 2014 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) for June 2016 term.

7. The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) to the extent notified by the Government at least six months prior to the date of the examination.

8. If a student obtains at least 60 per cent marks in any paper, the benefit of carry forward/exemption is allowed for the immediately successive three terms of Examination only.

9. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

10. A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.

11. Probable date of publication of result: Inter & Final – 23rd August, 2016.

*** For any examination related query, please contact exam.helpdesk@icmai.in**

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

ICAI NATIONAL WOMAN CMA SUMMIT - 2016

Theme

WOMAN - A Key Player in Socio Economic Development

Tuesday, 8th March 2016

at Savera Hotel, Chennai

Organised by

Southern India Regional Council

"Behind every successful Business decision there is always a CMA"

Registered KOL RMS/139/2016-18
Publication date: 10 March 2016 RNI 12032/66

WHY CMA?

Add value to your CAREER after 10+2

The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament to regulate and develop the profession of cost and management accountancy in the country.

LARGEST COST & MANAGEMENT ACCOUNTING BODY IN ASIA

Freedom To Pursue

- The CMA Course can be pursued by students during their **10+2 studies**
- An excellent **opportunity** to study CMA Course while studying **regular Degree course.**
- Can be Pursued along with other **full time studies.**
- Can be pursued from **anywhere** in India and even **aboard.**
- **Option for Coaching** through experienced faculties at four Regional Council and Chapters across the Country.
- Option to **write** the examination in **Hindi** medium.
- An excellent **record of campus placement** in renowned **Private** and **Public** Sector Companies for qualified CMAs.
- Admission open throughout the year.
- Quality education at an **affordable** cost with **free** study material.

Cultivating and Enhancing Skills of Success

- Course designed to meet **Industry requirements.**
- **Hands on** Computer and Soft skills training.
- **Industry oriented practical training** programme.
- CMAs are placed in **high positions globally.**

Last date for Admission

June Examination
31st January

December Examination
31st July