#### Contents

Foreword  $^{p2}$  / About the report  $^{p3}$  / Ind AS impact analysis  $^{p4}$  / Snapshot of results  $^{p5}$  / Adoption of Ind AS: Changes to reported net income  $^{p6}$  / In-depth: Top impact areas  $^{p7}$  / Adoption of Ind AS: Presentation and disclosure matters  $^{p17}$  / In summary  $^{p20}$  / Publications  $^{p22}$ 

# PwC Ind AS impact analysis





### Foreword

From 1 April 2016, Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) have become the new Generally Accepted Accounting Policies (GAAP) for many companies. As a result, commencing the June 2016 quarter, Phase I companies in India have reported their results under Ind AS.

Earlier during the year, PwC India conducted the Ind AS Outlook Survey¹ to evaluate the impact of Ind AS adoption and challenges faced by corporates in India—in particular, the key impact areas affecting the net worth and net income of companies. As an update to the survey, this publication summarises the actual impact of Ind AS adoption on corporate India.

For the purposes of this report, we have evaluated interim financial information released by **75** companies until 14 September 2016. These companies are listed on the National Stock Exchange (NSE) of India and are included in NIFTY 50 and NIFTY NEXT 50 benchmark indices. In our analysis of NIFTY 50 and NIFTY NEXT 50 companies, we have excluded 17 companies that

are either banks or non-banking financial companies (NBFCs) or insurance companies to whom Ind AS is not yet applicable, 7 companies who have filed under Indian GAAP<sup>2</sup> and 1 company which did not file Ind AS financial results for the quarter ended 30 June 2015.

The impact of Ind AS transition presented here is based on the reported results for the quarter ended 30 June 2015 under Ind AS vis-à-vis previously reported Indian GAAP results.

Since our report is based on quarterly published results which do not have detailed disclosures otherwise available in annual financial statements, we may have made certain assumptions and generalisations for the purpose of aggregating the results and analysis.

We hope you find this publication informative and that it helps us remain connected with you in a meaningful way.

For a variety of additional resources offering more in-depth perspectives on the impact and other aspects of Ind AS, please visit our website at www.pwc.in

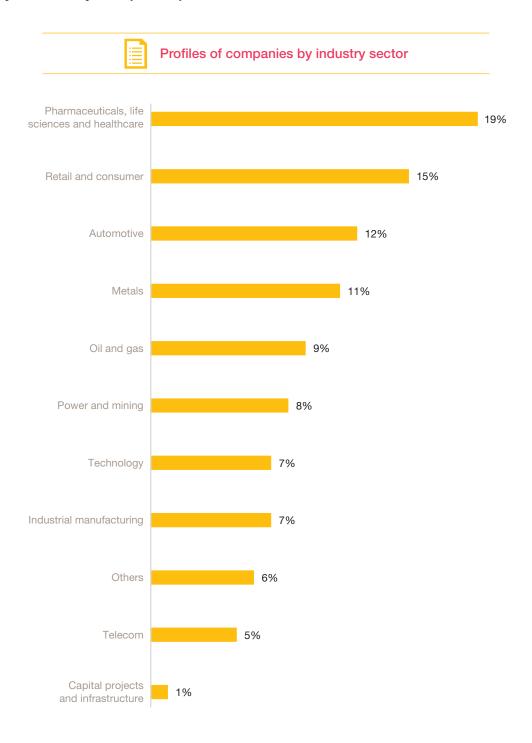
<sup>2</sup> Ind AS is not applicable to these companies due to the financial year end being other than 31 March.



<sup>1</sup> Ind AS Outlook Survey was released at the 'Meet the experts - PwC IFRS Conference 2016' on 3 February 2016. The results are also available on the PwC India website at www.pwc.in

# About the report

During approximately ten weeks beginning from 1 July 2016, various companies released their Ind AS interim financial information. We gathered the results of NIFTY 50 and NIFTY NEXT 50 companies for the purpose of this report. The profiles of companies by industry sector are summarised below:

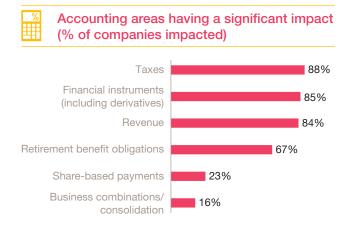


# Ind AS impact analysis

A majority of the respondents to our survey in February 2016 indicated that taxes, revenue recognition, operating segments, financial instruments (including derivatives) and leases (including embedded leases) were the top five areas that would have a significant impact on financial statements following the adoption of Ind AS. We also noted that companies would face implementation challenges in these areas, especially in financial instruments, where the new standard is being adopted by India ahead of its global adoption date—i.e. annual periods beginning on or after 1 January 2018.

When we analysed the reported results for the **75** companies, we found that consistent with our initial survey results, a majority of the Ind AS adjustments are on account of taxes, financial instruments and revenue recognition. Additionally, retirement benefit obligations, share-based payments, and business combinations and

consolidation were also identified to be more common Ind AS adjustments.





### Snapshot of results

The impact of Ind AS adoption was observed across various accounting areas. Presented below is the percentage impact of certain key accounting areas on the reported net income for the previous quarter ended 30 June 2015 under Ind AS vis-à-vis previous Indian GAAP.

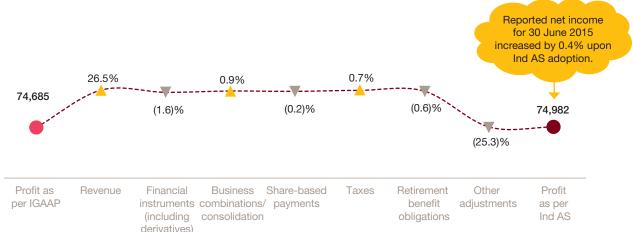
Overall, the Ind AS adjustments have resulted in an increase in the reported net income of companies by approximately 297 crore INR (0.4%). This comprises:

- Net increase in revenues: 26.5%
- Net fair value loss on account of financial instruments (including derivatives): 1.6%
- Business combinations/consolidation: 0.9% increase in net income

- Higher share-based payments expense: 0.2%
- Reduction in tax expense: 0.7%
- Retirement benefit obligations: 0.6% decrease in net income
- Increase in expense on account of other adjustments (including the impact of foreign exchange fluctuation and classification of excise duty as an expense): 25.3%

Some companies have reported Ind AS adjustments, net of tax.

The change in net income is shown below and explained in detail for each area of impact in subsequent sections of this report.



(Amounts in crore INR)

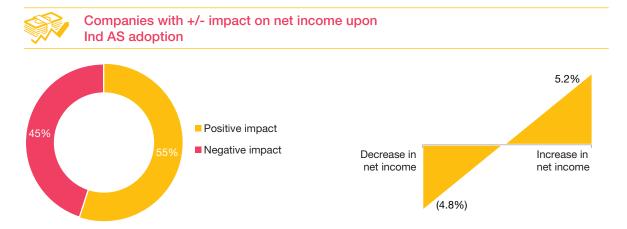
#### Industry sector: Range of impact on net income upon Ind AS adoption



Other than the pharmaceuticals, life sciences and healthcare, industrial manufacturing and automotive sectors, all the sectors have reported an average decrease in net income.

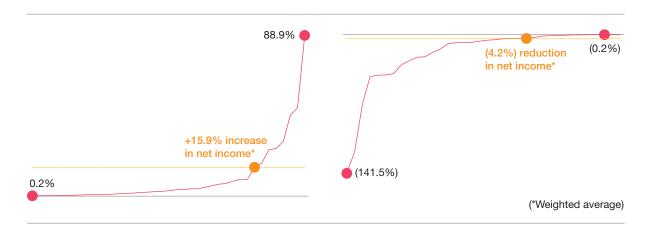
Metals, telecom and capital projects and infrastructure sectors have reported the maximum average decrease in net income upon Ind AS adoption.

# Adoption of Ind AS: Changes to reported net income



There was a positive impact on the reported net income of 41 companies (55%) under Ind AS for the quarter ended 30 June 2015. The total increase in Ind AS net income was approximately 3,918 crore INR (5.2%).

There was a negative impact on the reported net income of 34 companies (45%) under Ind AS. The total decrease in net income was approximately 3,621 crore INR (4.8%), resulting in an overall net increase of approximately 297 crore INR (0.4%).



For the 41 companies, the positive impact on their reported net income ranged from 0.2% to 88.9% of the previously reported net income under Indian GAAP. On a weighted average basis, the increase in net income has been 15.9%.

For the 34 companies, the negative impact on their reported net income ranged from 0.2% to 141.5% of the previously reported net income under Indian GAAP, resulting in a 4.2% weighted average decrease in net income.

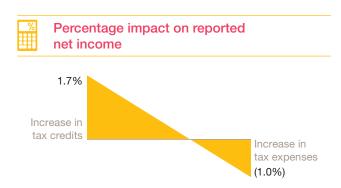
# In-depth: Top impact areas

We analysed the quarterly financial results as at 30 June 2015 to understand both the positive and negative impacts of key accounting areas on the reported net income, including the impact by industry sector. Our analysis reflects the changes in reported net income for the quarter ended 30 June 2015 under Indian GAAP vis-à-vis Ind AS, except revenue, which has been analysed at the respective line item level.

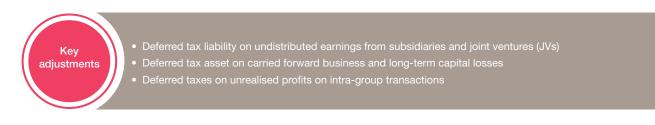
#### Taxes

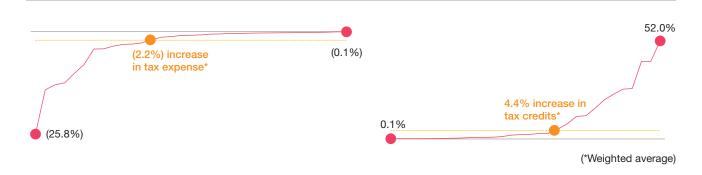
Of the population, the reported tax amounts of 88% of the companies were impacted. There was an overall decrease in reported tax expenses of 516 crore INR (0.7%).

Of these companies, 47% reported an increase in tax credits of 1,268 crore INR, thereby reducing the tax expense by 1.7%. Further, 53% reported an increase in tax expense of 752 crore INR (1.0%) resulting from Ind AS adoption.



Under Ind AS, deferred taxes are recorded based on the temporary difference (as opposed to timing differences under Indian GAAP). This approach under Ind AS is broader and results in deferred taxes on more items, and also additional deferred taxes on some items. Moreover, the lower recognition threshold under Ind AS compared to the virtual certainty supported by convincing evidence presently required to recognise deferred tax assets on carried forward losses under Indian GAAP has also resulted in the reporting of increased deferred tax assets/tax credits under Ind AS.



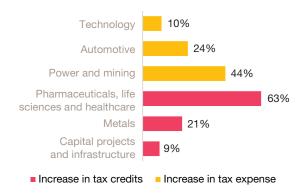


Companies have reported an increase in tax credits ranging from 0.1% to 52.0%, resulting in a weighted average increase in tax credits of 4.4%.

The increase in tax expense ranges from 0.1% to 25.8%, resulting in a weighted average increase in tax expense of 2.2%.

Pharmaceuticals, life sciences and healthcare had the highest net tax credits of 516 crore INR, representing 63% of the total net increase in tax credits across industries. Metals and capital projects and infrastructure also showed a net increase in tax credits at approximately 172 crore INR (21 %) and 75 crore INR (9%) respectively.

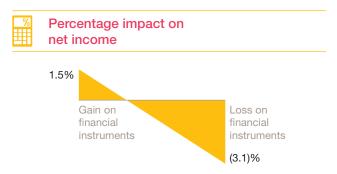
Power and mining had the highest net increase in tax expense of approximately 132 crore INR, representing 44% of the total net increase in tax expense across industries, followed by automotive at around 73 crore INR (24%) and technology at around 31 crore INR (10%).



### Financial instruments (including derivatives)

Of the population, 85% of the companies were impacted due to fair valuation of financial instruments (including derivatives). There was an overall decrease in reported net income of 1,179 crore INR (1.6%) on account of financial instruments.

Of these companies, 48% have reported a gain of approximately 1,151 crore INR on account of fair valuation of financial instruments increasing net income by 1.5%. Further, 52% of the companies have reported a loss of around 2,330 crore INR, reducing net income by 3.1%.





- Measurement of financial assets such as investments in equity instruments/mutual funds at fair value through profit and loss (FVPL)
- Use of amortised cost, fair value through other comprehensive income (FVOCI) and FVPL for debt instruments
- Recognition of impairment losses—expected credit losses (ECL)
- Changes in fair value of derivatives
- Fair value of compound instruments such as convertible debentures and preference shares
- Use of effective interest rate (EIR) method—transaction costs related to borrowing, redemption premium on debentures, preference dividend
- Long-term interest-free security deposits and employee loans measured at fair value
- Notional income from corporate guarantees given to subsidiaries

Under Indian GAAP, investments are classified as current or long-term. Current investments are carried at lower of cost and fair value, whereas long-term investments are carried at cost less impairment, if any. Ind AS significantly changes this, where except for certain debt instruments, financial assets are recorded at fair value. Under Ind AS, investments in equity instruments held for trading will always be measured at FVPL. For all other equities, the management has the ability to make an irrevocable election on the initial recognition, on an instrument-by-instrument basis, to present the changes in fair value in other comprehensive income (OCI) rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There will be no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity.

Ind AS 109 also introduces a new model for the recognition of impairment losses—the ECL model as compared to the 'incurred losses' model under Indian GAAP. The ECL model seeks to address the criticisms of the incurred loss model which arose during the economic crisis. The standard contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

Under Indian GAAP, financial liabilities are generally recorded at face value and classified on the basis of legal form rather than underlying substance. Under Ind AS, an entity will have to determine the appropriate classification of an instrument as a liability or equity based on the substance of the contractual arrangement, rather than its legal form. As an overriding principle, Ind AS requires a financial instrument to be classified as a financial liability if the issuer is required to settle the obligation in cash or another financial asset. For example, mandatory

redeemable preference shares, which were shown as part of equity under Indian GAAP, are classified as a liability under Ind AS. Also, the dividend and dividend distribution tax on such capital gets recorded through the income statement as a borrowing expense using the effective interest method instead of equity. This also includes items such as premium on redemption of debentures. Further, Ind AS requires certain compound financial instruments such as optionally convertible debentures/preference shares to be separated into their liability and equity components. All of this results in higher interest expense and lower net equity under Ind AS.

Under Ind AS, all derivatives are recorded at fair value with recognition of both gains and losses, whereas under Indian GAAP, fair value losses were recognised but not gains (except when hedge accounting was applied). Also, where a parent has issued a guarantee for a loan taken by its group company, it would result in the recognition of a financial liability and subsequent income amortisation by the parent under Ind AS vis-à-vis generally only a disclosure under Indian GAAP.

Finally, long-term financial assets such as interest-free deposits and employee loans are also recorded at fair value with corresponding adjustment to costs/employee benefit expense as applicable.

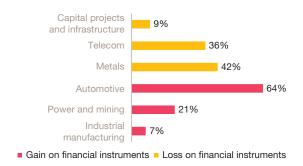


Companies have reported a gain on account of financial instruments ranging from 0.08% to 52.2% of the net income, with the weighted average gain being 3.4%.

The loss on account of financial instruments ranged from 0.1% to 105.2%, with 6.2% being the weighted average decrease in net income.

By industry sector, metals had the highest net loss of around 743 crore INR (42% of the total net loss across industries), reducing net income. Telecom had a net loss of approximately 628 crore INR (36%), and capital projects and infrastructure had a net loss of around 157 crore INR (9%).

Automotive had the highest net gain of around 366 crore (64%), followed by power and mining and industrial manufacturing at around 120 crore INR (21%) and 40 crore INR (7%) respectively.



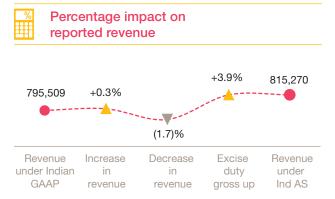


#### Revenue

Of the population, 84% companies had an adjustment on revenue. In particular, 28 companies (44%) have reported an increase and 35 companies (56%) have reported a decrease in revenue.

There was an overall increase in reported revenues of around 19,761 crore INR (2.5%) under Ind AS.

Excluding the impact of revenue gross up due to excise duty presentation of around 31,258 crore INR (3.9%), revenues decreased by approximately 11,497 crore INR (1.4%) on account of Ind AS adjustments. The total increase and decrease in revenue (other than excise duty) has been around 2,135 crore INR (0.3%) and 13,632 crore INR (1.7%) respectively.





- Deferral of revenue on customer contracts where revenue recognition criteria has not been met—service arrangements, maintenance contracts, upfront signing fees
- Linked arrangements—sale and subsequent repurchase agreements
- Determination of principal vs agent relationships in an arrangement
- Awards and incentives to customers, promotional expenses/customer reimbursements, cash discounts etc. being netted from revenue
- Service concession arrangements
- Provision for rebates/expected sales returns

Under Ind AS, revenue arising from the sale of goods is recognised when an entity transfers the significant risks and rewards of ownership and gives up managerial involvement, usually associated with ownership or control, if economic benefits are likely to flow to the entity and the amount of revenue and costs can be measured reliably.

Revenue from the rendering of services is recognised when the outcome of the transaction can be estimated reliably. This is done by reference to the stage of completion of the transaction at the balance sheet date, using requirements similar to those for construction contracts. The outcome of a transaction can be estimated reliably when the amount of revenue can be measured reliably; it is probable that economic benefits will flow to the entity; the stage of completion can be measured reliably; and the costs incurred and costs to complete can be reliably measured.

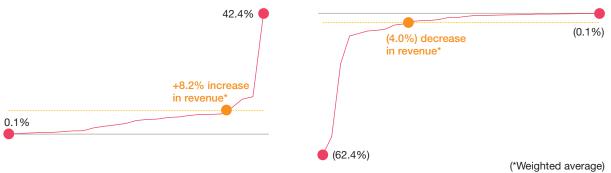
Ind AS 18 requires accounting to reflect the economic substance of transactions and not merely their legal form. As a result, when two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transaction as a whole, then the two or more transactions are linked and treated as a single transaction. Ind AS 18 gives the example of a situation where an entity sells goods but, at the same time, enters into an agreement to repurchase the goods at a

later date, thus negating the substantive effect of the original sale. It states that, in such a situation, the two transactions should be dealt with together as a single transaction.

When such a sale and repurchase agreement is entered into, the agreement's terms need to be carefully analysed to ascertain whether, in substance, the seller has transferred the significant risks and rewards of ownership to the buyer and whether revenue should, therefore, be recognised. When the seller has retained the risks and rewards of ownership, even though legal title has been transferred, the transaction is a financing arrangement and does not give rise to revenue. This results in deferral of revenue, with the inventory continuing to be recognised on the balance sheet and sales proceeds accounted as financial liability.

There are also other areas which have resulted in adjustment to revenue, such as gross vs net presentation of revenue based on whether the entity is acting in the capacity of a principal or agent, consideration/incentives paid to customers being netted from revenue, and service concession arrangements. Absence of comprehensive guidance under Indian GAAP in respect of some of these areas has resulted in diversity in practice as compared to Ind AS 18, which provides detailed principles for recognising revenue in respect of such transactions.



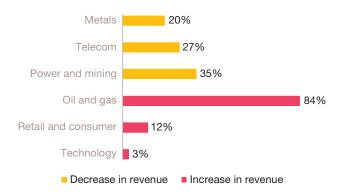


Companies have reported an increase in revenue ranging from 0.1% to 42.4%, with the weighted average increase being 8.2%.

The reduction in revenue ranges from 0.1% to 62.4%, with 4 % being the weighted average decrease in revenue.

By industry sector, Oil and gas had the highest net increase in revenue of approximately 21,668 crore INR (84% of the total net increase in revenue across industries). Retail and consumer and technology had a net increase of around 2,974 crore INR (12%) and 748 crore INR (3%) respectively.

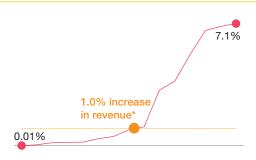
Power and mining had the highest net decrease in revenue of around 2,076 crore INR (35%). Telecom and metals had a net decrease in revenue of approximately 1,622 crore INR (27%) and 1,164 crore INR (20%) respectively.



Excluding for the impact of excise duty gross up, companies have reported an increase in revenue ranging from 0.01% to 7.1%, with the weighted average increase being 1.0%. The reduction in revenue ranges from 0.01% to 62.4%, with 2.8% being the weighted average decrease in revenue.

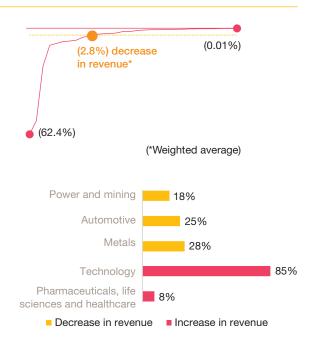


#### Percentage impact excluding excise duty on reported revenue



By industry sector, Technology had the highest increase in revenue of approximately 748 crore INR (85% of the total increase in revenue across industries) followed by Pharmaceuticals, life sciences and healthcare of 72 crore INR (8%).

Metals had the highest decrease in revenue of around 3,470 crore INR (28%). Automotive and Power & mining had a decrease in revenue of approximately 3,107 crore INR (25%) and 2,243 crore INR (18%) respectively.

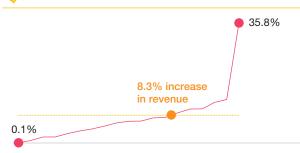






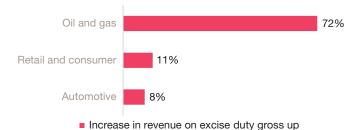


#### Impact of excises duty gross up adjustments on reported revenue



The increase in revenue on impact of excise duty ranged from 0.1% to 35.8%, with the weighted average increase being 8.3%.

By industry sector, Oil and gas had the highest increase in revenue on account of excise duty gross up of approximately 22,461 crore INR (72% of the total increase in revenue across industries on account of excise duty adjustments). Retail and consumer and Automotive had an increase in revenue of around 3,589 crore INR (11%) and 2,564 crore INR (8%), respectively.



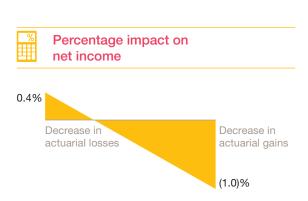
### Retirement benefit obligations

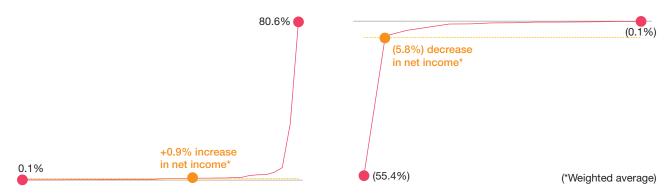
Of the population, 67% companies had an adjustment on account of retirement benefit obligations.

There was an overall decrease in reported net income of approximately 411 crore INR (0.6%) on account of actuarial gain and losses being reclassified to OCI under Ind AS, compared to the profit and loss account under Indian GAAP.

Also, 70% of the companies reported a decrease in actuarial losses of around 265 crore INR, resulting in a 0.4% increase in net income.

Further, 30% companies reported a decrease in actuarial gains of around 676 crore INR (1.0%), thereby reducing net income.



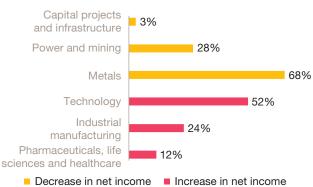


Companies have reported an increase in net income on account of retirement benefit obligations ranging from 0.1% to 80.6%, with the weighted average increase being 0.9%.

The reduction in net income on this account ranges from 0.1% to 55.4%, with 5.8% being the weighted average decrease.

By industry sector, the highest impact on net income was in metals, where net income reduced by approximately 408 crore INR (68% of the total reduction in net income on account of retirement benefit obligations across industries). It was followed by the power and mining and capital projects and infrastructure sectors, where the net reduction was around 168 crore INR (28%) and 20 crore INR (3%) respectively.

Technology showed the highest net increase in reported income of approximately 100 crore INR (52%). Industrial manufacturing and pharmaceuticals, life sciences and healthcare also increased their net income by around 47 crore INR (24%) and 22 crore INR (12%) respectively.

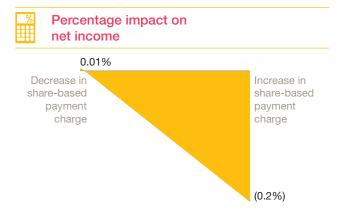


### Share-based payments

Accounting of share-based payments expense was impacted in 23% of the companies. There was an overall decrease in reported net income of approximately 169 crore INR (0.2% of reported net income) on account of share-based payments.

A majority (65%) of the companies reported an increase in share-based payments expense of around 174 crore INR, reducing net income by 0.2%.

Four companies (35%) reported a decrease in share-based payments charge of around 5 crore INR (0.01%).

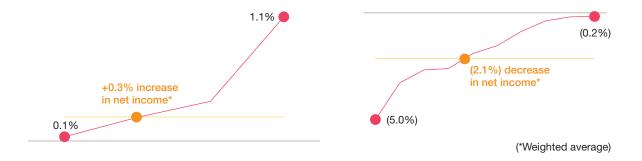




- Fair value method for share-based grants vs intrinsic value method
- Accelerated vs straight-line method of expense attribution in respect of graded awards
- Group share-based arrangements

Ind AS 102 provides comprehensive guidance for accounting for all types of share-based arrangements to employees and others. Under Indian GAAP, a company could have used the intrinsic value method or the fair value method. However, Ind AS requires all types of share-based payment arrangements to be measured at fair value and recognised as expense over the vesting period. This will also include awards granted by the parent company to the employees of its subsidiary. Additionally, costs with respect to awards granted with graded vesting get recognised on an accelerated basis. This has resulted in reporting of higher expenses under Ind AS.

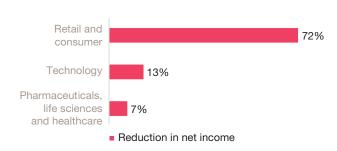
We also noted a decrease in the share-based payment charge, which may be due to group share-based payment arrangements. When the parent company grants share-based awards to the subsidiary's employees, the charge is recognised in the subsidiary's stand-alone and parent's consolidated accounts, whereas the parent would generally debit the subsidiary investment account instead of its own income statement in its stand-alone accounts—resulting in a lower expense compared to Indian GAAP in parent's separate financial statements..



Companies have reported an increase in net income on account of share-based payments ranging from 0.1% to 1.1%, with the weighted average increase being 0.3%.

The reduction in net income ranged from 0.2% to 5.0%, with 2.1% being the weighted average decrease in net income.

By industry sector, the net income of the retail and consumer sector decreased by around 122 crore INR (72% of the total decrease in net income on account of share based payments across industries); of the technology sector, by 23 crore INR (13%); and of the pharmaceuticals, life sciences and healthcare sector, by 11 crore INR (7%).





### **Business combinations and** consolidation

Business combination and consolidation was another area where significant Ind AS adjustments were noted. Of the population, 16% of the companies had an adjustment in this area. There was an overall increase in reported net income of around 690 crore INR (0.9%) under Ind AS. Some of the key reasons for adjustments were:

- Reversal of amortisation of goodwill recorded under previous Indian GAAP. Under Ind AS, being an indefinite life intangible asset, goodwill is not amortised but tested for impairment annually.
- Retrospective application of business combination principles under Ind AS 103 resulted in increased amounts of tangible/intangible assets due to fair valuation and a consequential impact on subsequent depreciation/amortisation.
- Definition of control has undergone a significant change under Ind AS, resulting in companies reassessing relationships with their investees. This has resulted in the consolidation of the results of certain entities now being classified as subsidiaries and equity accounting of other investments as associates and JVs which were previously consolidated under Indian GAAP (i.e. de-consolidation).
- Under Indian GAAP, JVs were proportionately consolidated, whereas under Ind AS, such investments have been accounted using the equity method.
- Fair valuation of deferred and contingent consideration in business combinations. Indian GAAP does not prescribe discounting of liabilities/provisions.
- Recognition of business acquisition related costs in the income statement vis-à-vis cost of investment/ goodwill under Indian GAAP.

### Other adjustments

# Depreciation and amortisation adjustments

Some of the key reasons for adjustments noted in this area were:

- Under Indian GAAP, there is a rebuttable presumption that the useful life of an intangible asset will not exceed 10 years, whereas under Ind AS, the life of an intangible asset can be finite or indefinite. We note that companies have recorded a reversal of previously recognised amortisation under Indian GAAP in respect of indefinite lived intangible assets, thereby increasing Ind AS net income.
- Componentisation and revision of estimated useful life of tangible and intangible assets.
- Some companies have not availed of the exemption
  of using previous Indian GAAP cost as deemed cost
  of tangible and intangible assets. They have opted
  to use fair value as the carrying value of such assets
  at the transition date, resulting in an impact on
  depreciation and amortisation.
- Reclassification of capital spares from inventory to property, plant and equipment, and consequential depreciation impact.
- Change in the method for depreciation from full cost method (FCM) to successful efforts method (SEM) (specifically for the oil and gas sector).

#### Leases (including embedded leases)

Some of the key reasons for adjustments noted in this area were:

• Under Ind AS, escalation of operating lease rentals which is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost is not recognised as an expense on a straight-line basis. This is also a difference between Ind AS and IFRS.

 Recognition of arrangements that may not have been legally termed as leases but in substance are right to use underlying assets have been accounted as embedded leases under Ind AS. Indian GAAP does not include such guidance.

#### Others include:

- Recognition of government grants on a deferred income basis. Under Indian GAAP, certain grants could have been directly recognised in reserves, which is not permissible under Ind AS. Ind AS requires government grants to be accounted as capital or income grants.
- Discounting of asset retirement obligations, decommissioning and site restoration liabilities and long-term provisions under Ind AS. Such provisions were recorded on an undiscounted basis under Indian GAAP.
- Exchange differences on translation of foreign operations. Under Indian GAAP, foreign operations are classified as integral or non-integral, based on which accounting for foreign currency transactions is determined. Ind AS do not have these concepts; instead, foreign currency accounting is based on the functional currency of operations—a new concept.
- Recognition of provisions related to constructive obligations. Under Indian GAAP, provisions were generally accounted when there is a past legal obligation.
- Reversal of capitalised foreign exchange gain or loss on long-term loans. This is not possible under Ind AS, unless certain hedge accounting relationships are identified and accounted on the basis of Ind AS 109.
- Increase in expense due to gross up of excise duty on revenue, this was one of the most significant adjustment.



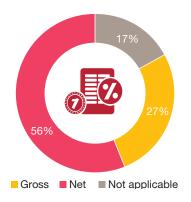
# Adoption of Ind AS: Presentation and disclosure matters

### Presentation of excise duty: Gross vs net

Twenty companies (27%) have presented their revenue gross of excise duty. This resulted in an increase in their reported revenue by around 31,258 crore (3.9% of their reported revenues under Indian GAAP). Excise duty was not applicable to 17% of the companies in the population.

Under Ind AS, revenue is to be reported gross of excise duty, with a corresponding adjustment to expense.

It appears that 56% of the companies have continued with the existing SEBI format for quarterly results, presenting revenue net of excise duty. This is expected to change as companies prepare their annual Ind AS financial statements per Schedule III of the Companies Act, 2013, which prescribes the gross presentation of excise duty as part of revenue and expense.

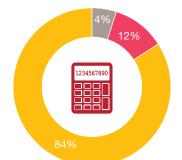


### Disclosure of interim financial information

#### Were the June 2015 comparatives reviewed or audited?

We noted that 4% of the companies presented audited results and 12% presented reviewed results for the comparative quarter ended 30 June 2015.

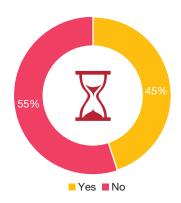
A majority (84%) of the companies appear to have taken the benefit of the relaxations provided by SEBI in its recent circular dated 5 July 2016.



■ Audited ■ Reviewed ■ Management reviewed

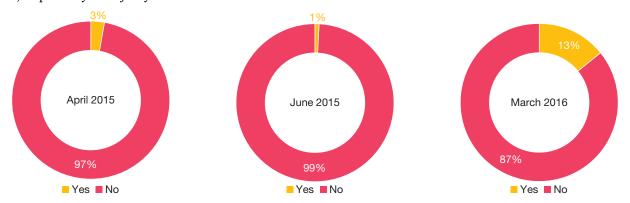
#### Were the quarter ended and year ended March 2016 results presented under Ind AS?

Forty-five per cent of the companies published comparatives for the quarter ended 31 March 2016 and year ended March 2016. The rest of the companies availed of SEBI's relaxations.



#### Were the April 2015, June 2015 and March 2016 equity reconciliations presented?

Only 3%, 1% and 13% of the companies have published equity reconciliation as at April 2015, June 2015 and March 2016, respectively. A majority of them have availed of SEBI's relaxations.



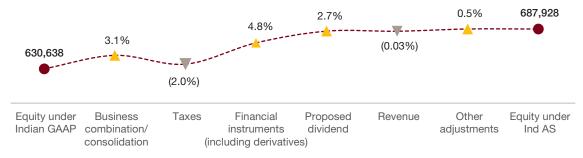
The entities that disclosed equity reconciliations in March 2016 showed a net increase in their net worth of around 9.1%. Eight companies reported an overall increase in equity of 61,386 crore INR (9.6% of the Indian GAAP equity as at 31 March 2016) and two companies reported a decrease in equity of 4,096 crore INR (0.6%).



- Reversal of previously amortised goodwill on account of retrospective application of business
- Reversal of proposed dividend liability and distribution of tax
- Fair valuation of financial assets including derivatives, accounting for investments/borrowings at amortised cost, impairment losses on financial assets

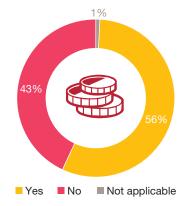
  De-recognition of deferred lease rentals obligation on operating lease
- · Deferred tax impacts including deferred tax liabilities on undisturbed earnings of the subsidiaries

#### Percentage impact on reported equity



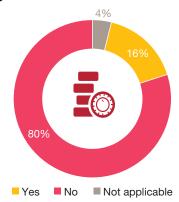
#### Were consolidated or stand-alone Ind AS results presented?

Fifty-six per cent of the companies have opted to publish consolidated financials along with stand-alone financials. This was not applicable to 1% of the companies as they do not have subsidiaries/associates or JVs.



#### Was an analysis of OCI presented?

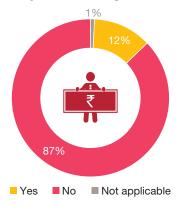
Significantly fewer (16%) companies presented an analysis of items in OCI in the results.



### Segment and other disclosures

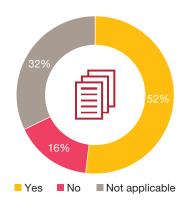
# Did segment disclosures change on Ind AS adoption?

Twelve per cent of the companies changed their segment reporting disclosures. This was mainly from the geographical segment to business segment, and identification of additional segments. A majority of them disclosed no change in segment reporting on Ind AS adoption.



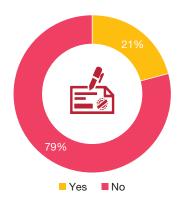
# Were segment assets and liabilities presented?

Fifty-two per cent of the companies published their segment assets and liabilities, whereas sixteen per cent did not. This was not applicable to 32% of the companies.



# Were exceptional items disclosed?

Twenty-one per cent of the companies reported exceptional items. The nature of exceptional items included change in estimates of useful lives of assets, impairment, sale of land and restructuring costs.





### In summary

Transition to Ind AS has been one of the most widely discussed topics across the boardrooms in corporate India for some time now. As is evident from the Ind AS results reported by various companies, the impact of adoption has been pervasive and not restricted to only one sector or industry. This is mainly due to a fundamental change in the financial reporting framework, general shift from the historical cost convention to increased use of fair value and increased focus over substance rather than the legal form of the underlying transaction, thereby impacting every company and industry sector.

Sectors such as pharmaceuticals, life sciences and healthcare, industrial manufacturing, automotive were positively impacted, whereas telecom, metals and capital projects and infrastructure were negatively impacted. On the other hand, taxes, financial instruments (including derivatives) and revenue recognition continue to be the top 3 significant areas of adjustment arising from Ind AS adoption.

In spite of the relaxation in timelines provided by SEBI, only 24% of the companies (per this analysis) have availed of the extension provided by SEBI. This is surely a positive indicator, marking the Ind AS transition journey by corporate India successful. On the other hand, considering that only 3%, 1% and 13% of the companies published equity reconciliation as at April 2015, June 2015 and March 2016, respectively, it appears that though Ind AS adjustments impacting the income statements have been finalised, some more work may need to be done to complete the impact of Ind AS adjustments on balance sheets and equity. It is also noted that corporate India has embraced various disclosure reliefs provided by SEBI—a welcome move from our regulator.

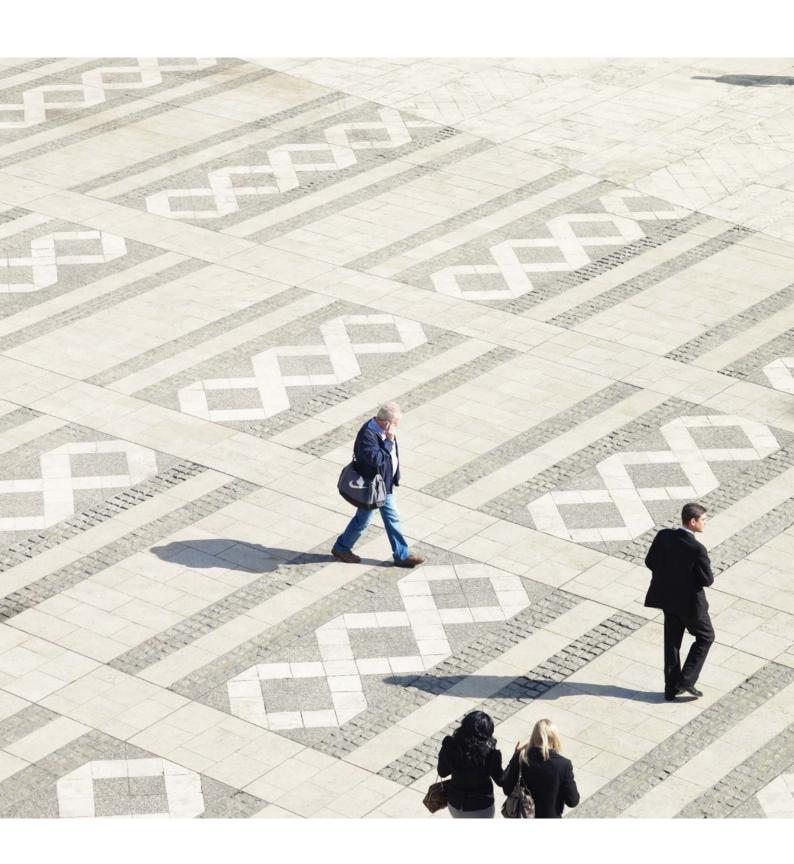
Investors, stakeholders and other users will see additional disclosures of financial information comprising Ind AS balance sheet information as companies complete the second quarter September 2016 results under Ind AS. This will help better understand the company's performance and financial position under Ind AS.

Finally, based on our experience, the impact of Ind AS adoption has been beyond accounting, cutting across organisation and various functions/areas such as direct and indirect taxes, contractual arrangements with customers, suppliers, lenders, HR and incentive policies, IT systems and controls, including requiring timely communication with various stakeholders.

This phased Ind AS transition process is helpful especially for Phase II companies, including banks, NBFCs and insurance companies as they can benefit from the transition experience and journey of Phase I companies.

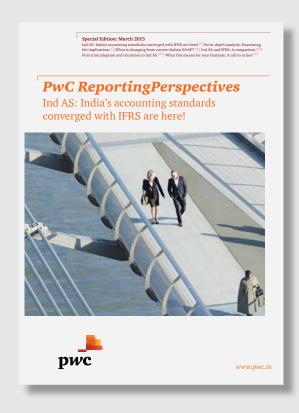
We hope this publication provides some helpful insights into how Ind AS adoption has impacted corporate India.



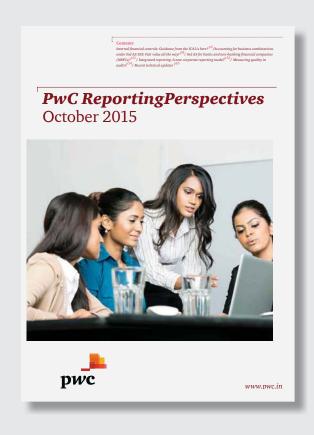


### **Publications**

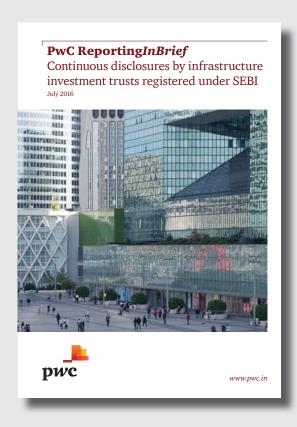
### **Previous publications**

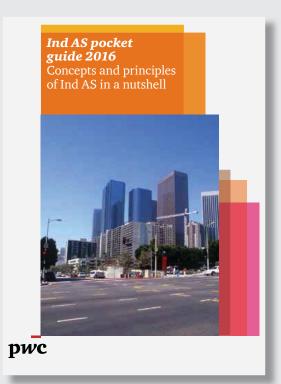




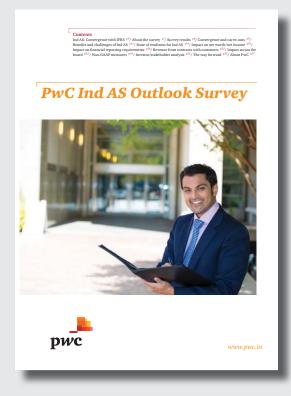












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