Ind AS: Practical perspectives

Year-end update – Issue 03/2017

Analysis of published results of Indian listed companies for the year ended 31 March 2017

August 2017

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Foreword

The financial year 2016-17 kick starts a new era in financial reporting for companies in India with the process of convergence with International Financial Reporting Standards (IFRS) finally seeing the light of the day. Indian Accounting Standards (Ind AS) (converged with IFRS) were mandatorily applied by large companies (phase 1 companies of the Ind AS corporate road map) for this financial year thereby representing a significant milestone in this journey which began almost a decade back. The financial reporting standards applied by Indian companies are now at par with the globally accepted standards applied by their peers internationally, notwithstanding a few carve-outs or deviations from IFRS.

While the standard setting process has produced a respectable outcome, the real success of the convergence initiatives depends on how well these standards are implemented and how effectively companies embrace this change. KPMG in India, through its publication, 'Ind AS: Practical perspectives', aims to put a finger on the pulse of India Inc's adoption of Ind AS and capture emerging trends and practices.

While the companies covered by Ind AS have already reported financial results for the past three quarters, the annual results and reports assume greater significance for a few reasons:

- The consolidated financial statements of reporting entities are normally considered to be general purpose financial statements under IFRS with such financials being prepared with reference to the single economic entity concept. However, under Ind AS, for the first three quarters, the Indian companies were mandatorily required to publish consolidated financial results based on the relaxations provided by the Securities Exchange Board of India (SEBI) through its circular (reference no. CIR/CFD/FAC/62/2016) dated 5 July 2016. Accordingly, more than one-third of the covered companies did not publish consolidated results during the first three quarters of the financial year 2016-17. Hence, the last quarter assumes significance as all large listed companies in India were required to publish consolidated financial results and balance sheet as per the requirements of Ind AS.
- For ease of transition to Ind AS, Ind AS 101, *First-time Adoption of Indian Accounting Standards* provides companies with certain exemptions and options while preparing their Ind AS opening balance sheet. Therefore, the standard requires that the financial statements in the first year of adoption of Ind AS provide a detailed description of the exemptions and options chosen by companies on first time adoption. Such reconciliations are expected to help readers of the financial statements to understand the impact of Ind AS on the respective company's financial statements in detail, in the context of such exemptions and options. However, the SEBI regulations did not mandate that the listed companies need to provide detailed notes explaining the transition reconciliations. Therefore, while reconciliations have been published along with the quarterly results, the detailed explanations to such reconciliations are expected to be provided along with the annual financial statements.
- Disclosures also represent an area where financial statements of Indian companies are expected to undergo a significant change. Detailed disclosures relating to financial instruments including risk management policies, tax rate reconciliations, capital management, etc. were unheard of under Indian Generally Accepted Accounting Principles (Indian GAAP or AS).

As a follow up from the first two editions, our analysis of the annual financial results/statements of the companies covered under Ind AS would be available in two parts – the present publication which the analyses the impact of Ind AS on the financial results of BSE 100 companies and the second part which shall cover an analysis of the annual financial statements.

While the past editions of 'Ind AS: Practical perspectives' analysed the impact of Ind AS on the financial results of BSE 100 companies (certain companies published consolidated annual financial results while others published separate financial results), the analysis covered in this publication is based on the consolidated financial results of the respective BSE 100 companies.

Our analysis identifies the significant financial reporting areas that have had an impact on BSE 100 companies' profits. As expected, a substantial portion of the impact is related to areas such as business acquisitions, property, plant and equipment, financial instruments and taxes. However, the impact arising from policy choices made by companies on transition/first-time adoption as well as the extent to which some companies have adopted specific 'carve-outs' are emerging as important areas of focus, and some of these are expected to have a lasting impact on financial results in the future too.

As mentioned above, the trend of companies presenting only the bare minimum information mandated by SEBI continued in the last quarter as well; as a result, the impact of the transition on net worth, the transition-related choices made and exemptions availed, carve-outs adopted, etc. continue to be partially explained in the published results. We, however, will present a detailed analysis in the second part of this publication once the annual reports of companies are released.

We hope that you continue to find this publication useful in enhancing your understanding of corporate results under Ind AS and we welcome any suggestions or feedback that you may have.

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Chapter I - Introduction Background to Ind AS adoption

Ind AS comprises 40 accounting standards that are largely converged with IFRS which were issued by the Ministry of Corporate Affairs (MCA) on 16 February 2015 and amended on 30 March 2016. While there are certain differences from IFRS (carve-outs), the more significant ones are optional and have been introduced to facilitate a smooth transition from Indian Generally Accepted Accounting Principles (Indian GAAP or AS) to Ind AS. An important decision taken by MCA was to notify the financial instruments standard based on the requirements of IFRS 9, *Financial Instruments* which is not yet mandatory internationally for companies preparing financial statements as per the requirements of IFRS.

Ind AS introduce significant differences from the requirements of AS in areas such as revenue recognition, property, plant and equipment, financial instruments, business combinations, consolidation, etc. In addition to changes in the requirements of the standards themselves, there are several areas where Ind AS require application of judgement and financial reporting would be based on estimates made by the management. Annual financial statements also are required to include several new quantitative and qualitative disclosures, especially in relation to financial instruments and consolidated financial statements.

The MCA laid down a road map for companies (other than banks, insurance companies and NBFCs) whereby companies with a net worth of more than INR500 crore (phase I companies) are required to apply Ind AS for statutory financial reporting from 1 April 2016 (with 1 April 2015 as the transition date). All remaining listed companies and other unlisted companies with a net worth of more than INR250 crore (phase II companies) are required to apply Ind AS from 1 April 2017 (with 1 April 2016 as the transition date). Separate road maps have been issued for banks and Non-Banking Financial Companies (NBFCs) thereafter with the first cycle of applicability from 1 April 2018 onwards (transition date 1 April 2017)*. Based on the road map for corporates, listed companies with a net worth of INR500 crore or more were required to report their results for the quarter ended 30 June 2016 and onwards as per the requirements of Ind AS.

The publication of the annual reports would mark the culmination of a process which was initiated for many of these companies in the month of February 2015 – a process which involved the identification of differences, the process of quantification of the differences (at times iterative), discussion with various stakeholders including statutory auditors, quarterly reporting on a real time basis and finally adoption of the first annual financial statements.

While the journey going forward for Phase 1 companies is expected to be smooth, the impact of potential future clarifications to be issued by the Ind AS Implementation Task Force Group (ITFG) of the Institute of Chartered Accountants of India (ICAI) coupled with the future changes to the Ind AS framework (e.g. Ind AS 115, *Revenue from Contracts* with Customers, Ind AS equivalent standard of IFRS 16, *Leases*) are to be considered and planned for.

* Insurance companies would be adopting Ind AS from 1 April 2020 (transition date being 1 April 2019).

Basis of our analysis

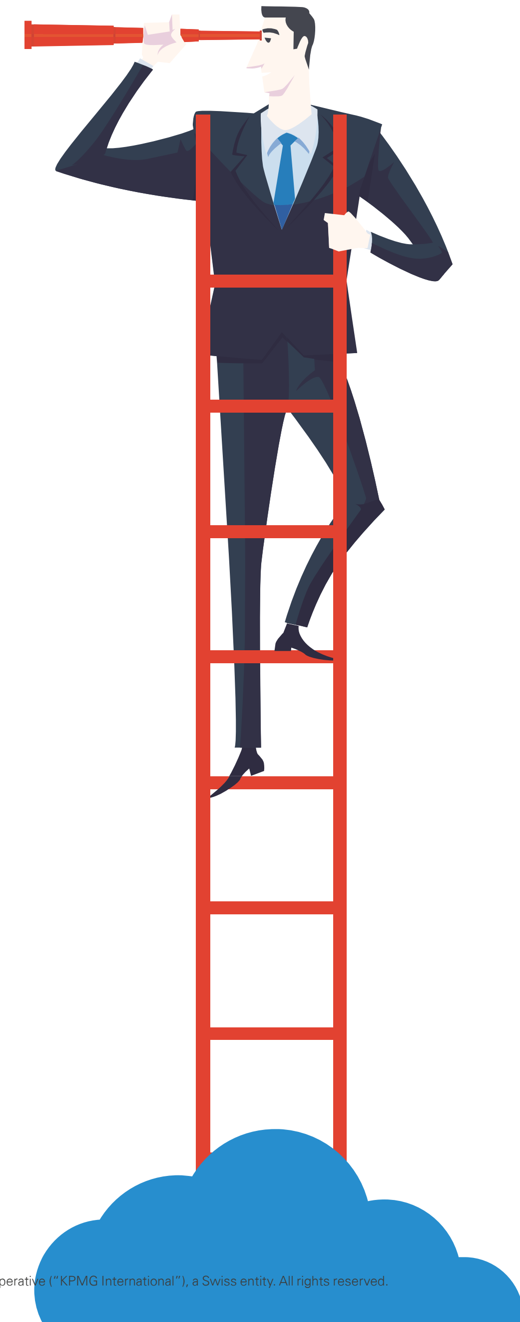
Profile of companies covered

In this edition of Ind AS: Practical perspectives, we have analysed the annual results announced by the Bombay Stock Exchange (BSE) 100 companies. The publication analyses the financial results of BSE 100 companies to identify the impact of adoption of Ind AS on important areas such as revenue, EBITDA[1], interest, tax, PAT[2], debt equity ratio and net worth.

Of the companies comprising the BSE 100 index, 14 companies are banks, nine are Non-Banking Financial Companies (NBFCs) and five companies follow a different date of transition to Ind AS. Therefore, the analysis in the subsequent sections are based on the results published by the remaining 72 companies (covered companies).

Sector-wise split of companies

The covered companies, whose results have been analysed in this publication have been categorised into 12 broad sectors. The sector classification of the covered companies done by BSE has been used to arrive at the sector categorisation used for the purposes of our analysis in this publication, as indicated in the table 1 on the next page.



01. EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation

02. PAT – Profit After Tax

Table 1 below summarises the basis of the classification of sectors

Sector categorisation in this publication	Corresponding sector(s) classification by BSE	No. of companies
Automotive and ancillaries	• Commercial vehicles • 2/3 wheelers • Auto parts and equipment • Cars and utility vehicles	10
Cement and cement products	• Cement and cement products	1
Energy	• Refineries/petro products • Coal • Oil marketing and distribution • Mining • Electric utilities (certain companies) • Exploration and production • Integrated oil and gas	11
Infrastructure	• Industrial machinery • Realty • Utilities • Electric utilities (certain companies) • Construction and engineering	7
IT consulting and software	• IT consulting and software	5
Metals	• Aluminum • Zinc • Iron and steel/interim products	7
Other manufacturing	• Heavy electrical equipment • Furniture-furnishing-paints • Other industrial products • Textiles • Cigarettes-tobacco products • Commodity chemicals • Agrochemicals	7
Packaged foods	• Packaged foods	1
Personal products	• Personal products • Tea and coffee	6
Pharmaceuticals	• Pharmaceuticals	8
Telecom and telecom services	• Telecom services • Other telecom services	4
Others	• Marine ports and services • Other apparels and accessories • Breweries and distilleries • Broadcasting and cable TV	5

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Availability and comparability of information

Continuing with the trend of the first three quarters, a majority of the covered companies in their published financial results have presented only the minimum mandatory reconciliations explaining the variation between the profit reported under AS for the year ended 31 March 2016 and the profits reported under Ind AS for the same period. Along with the statement of profit and loss, companies have also presented their balance sheets as at 31 March 2017 along with 31 March 2016 as part of the minimum mandatory requirement. The net worth reconciliation explains the variation between the figures reported under AS as on 31 March 2016 and the figures reported under Ind AS (provided with results for year ending 31 March 2017).

The basis of our analysis

Our analysis in the subsequent sections of this publication is based on the:

- Profit reconciliation for the year ended 31 March 2016
- Balance sheets as at 31 March 2016, and
- Net worth reconciliation

that have been presented by the covered companies (the analysis is based on the consolidated financial results, unless the concerned company does not have any subsidiary, associate, or joint venture, in which case the stand-alone financial results have been used).

As necessary explanations/notes to the profit/net worth reconciliations have not been provided in a narrative form by all the covered companies, we have determined the nature of adjustments to profit or net worth to a particular Ind AS on the basis of descriptions available in the reconciliations and on the basis of our analysis of those descriptions. Further, certain values and percentages, referred to in this publication should be considered as indicative and may change if computed differently and/ or on the use of a different set of assumptions.

In our analysis, we have referred to previous quarters' results for comparison with the entire 2015-16 Ind AS results. Please note that the previous quarters' results are on a year-to-date basis.

The tables have been prepared either on the basis of absolute values of Ind AS adjustments or on the basis of aggregation of the Ind AS adjustments of the covered companies. As part of the absolute value approach, we have ignored the positive and negative impact of the Ind AS adjustment on the respective metric and have added all the adjustments as absolute numbers in order to reflect the true impact of the respective standard. As part of the aggregation approach, we have aggregated the adjustments as reported and an increase in an Ind AS adjustment in one company could be offset by a decrease in Ind AS adjustment in another company. This approach has been used in cases where the objective is to reflect the impact on profit or net worth, as applicable. To assist you in reading this analysis, each table highlights the approach used to prepare it.

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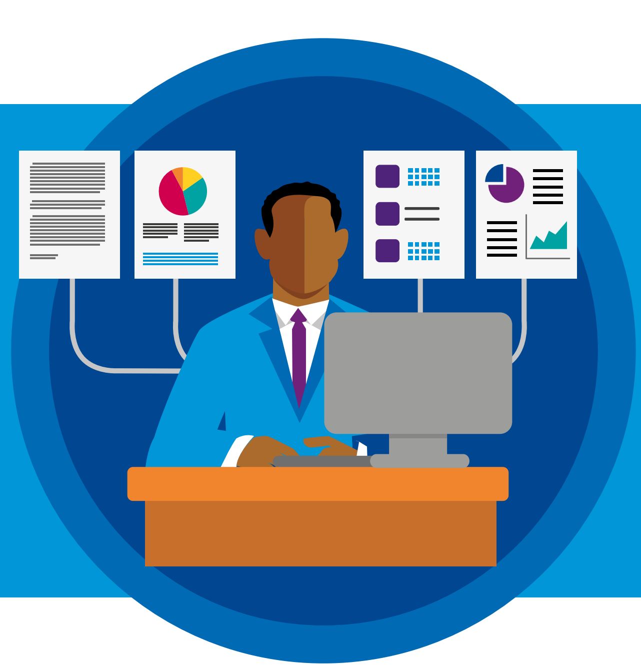
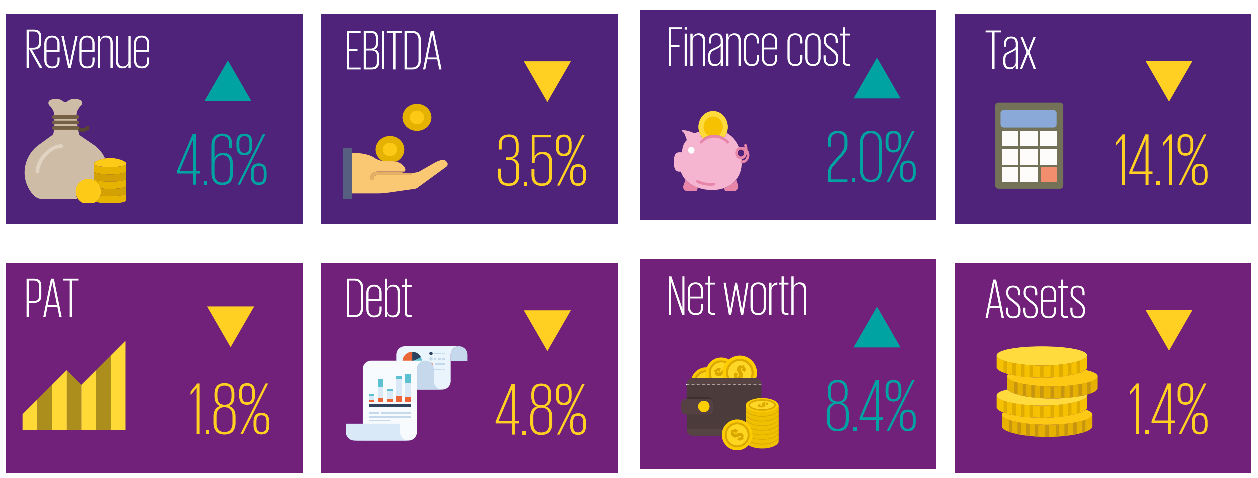
Chapter II - Ind AS transition: Impact on headline numbers



The impact on some of the key captions appears to be more significant from a consolidated financial results' perspective as compared to the impact reported on separate financial results in the previous quarters. Mandatory presentation of the consolidated net worth reconciliation as of 31 March 2016 has enabled a slightly better (albeit incomplete in the absence of explanatory notes) understanding of the some of the choices made by companies on first-time adoption. We would expect the explanations would be provided in the financial statements in the annual reports to enable a near complete understanding of the impacts in the context of the choices made by the reporting entities. The impact on key metrics reported by companies is analysed below.

Impact on key metrics of companies for the financial year ended 31 March 2016 under AS and Ind AS



The impact of the transition to Ind AS presented above is based on the reported consolidated results per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Revenue

Table 2 provides a summary of total revenue under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total revenue reported by covered companies	3,386,445	3,542,935	156,490	4.6	72
Companies with increase in revenue	2,428,829	2,643,188	214,359	8.8	43
Companies with no change in revenue	88,935	88,935	-	-	2
Companies with decrease in revenue	868,681	810,812	(57,869)	(6.7)	27

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Our analysis suggests that 43 companies have reflected an increase in revenue by around 8.8 per cent (determined separately for the 43 companies) while around 27 companies have revealed a reduction in revenue by about 6.7 per cent (determined separately for the 27 companies). The remaining two have seen no movement in revenue. The trend is by and large consistent with the analysis of the results for the last three quarters.

One of the main driver for the increase in revenue reported is the gross presentation of excise duty in Ind AS revenue. Additionally certain companies have also seen an impact on revenue due to deferment of revenue, and adjustment of discounts and incentives due to sales schemes. Given that the trend remains similar to the trend based on the previous quarters' results, it appears that the application of the equity method of consolidation for joint ventures has not had a very significant impact on the top line of the covered companies. A better perspective on this aspect may be available once the consolidated financial statements of the covered companies are published. The number of companies who have reported adjustments to revenue related transactions are approximately the same as compared to the previous quarters.

EBITDA

Table 3 provides a summary of total EBITDA under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total EBITDA reported by covered companies	645,845	622,992	(22,853)	(3.5)	72
Companies with increase in EBITDA	221,093	228,487	7,394	3.3	32
Companies with no change in EBITDA	-	-	-	-	-
Companies with decrease in EBITDA	424,752	394,505	(30,247)	(7.1)	40

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies upto 30 May 2017)

In comparison to the analysis for the previous quarters, while EBITDA on an overall basis has reflected a similar trend in the year end analysis for the covered companies as a whole, the number of companies who have reported a drop in EBITDA have increased in comparison to the previous quarters. Additionally, the companies constituting the increase or decrease bracket of EBITDA have also undergone a change. For example, certain companies who published separate financial results earlier have now reported a movement in EBITDA either on the application of the equity method of consolidation for joint ventures or on the identification of new subsidiaries on the application of the Ind AS definition of control.

Of the 72 companies that have reported their results under Ind AS, 32 have seen an increase in EBITDA by 3.3 per cent, whereas 40 have seen a reduction in their EBITDA by 7.1 per cent.

No specific reconciliation for EBITDA was required to be reported by the covered companies under the SEBI regulations. However, the general variables that have impacted EBITDA are application of the equity method of accounting instead of full or proportionate consolidation, accounting for revenues, foreign currency fluctuations, financial instruments, business combination, etc. Also in the case of one of the covered companies, a component of the business met the discontinued operation criteria and the results of that operation were appropriately and separately presented as profit/loss from a discontinued operation (including for the comparative period), thereby impacting EBITDA.

Finance costs

Table 4 provides a summary of the total finance costs under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total finance cost reported by covered companies	94,733	96,596	1,863	2.0	72
Companies with an increase in finance costs	58,226	65,335	7,109	12.2	49
Companies with no change in finance costs	201	201	-		5
Companies with a decrease in finance costs	36,306	31,060	(5,246)	(14.5)	18

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

A majority of the companies have seen an increase in their finance costs (approximately 49 out of the covered companies have reflected a 12.2 per cent increase in their finance costs while 18 companies have reflected a 14.5 per cent reduction in their finance costs). This being one of the key impacts of the new financial instruments standard; companies are now required to classify many more instruments as debt/liability, as well as recognise all related finance costs through the statement of profit and loss. This to a certain extent appears to substantiate that under Ind AS, in the consolidated financial statements, higher finance costs is likely to be recognised as compared to the financial statements prepared as per AS.

For the few companies that have reflected a reduction in the finance costs, this appears to be primarily on account of the fact that the joint ventures which carried a significant component of debt in their respective balance sheets are no longer consolidated proportionately. Accordingly, the related finance cost in the consolidated financial results has reduced as compared to AS.

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Tax

Table 5 provides a summary of total tax under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total tax reported by covered companies	98,793	84,847	(13,946)	(14.1)	72
Companies with increase in tax	43,400	46,561	3,161	7.3	28
Companies with no change in tax	-	-	-	-	-
Companies with decrease in tax	55,393	38,286	(17,107)	(30.9)	44

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Tax expense for the covered companies has reduced by 14.1 per cent. While the general trend also points towards a reduction in tax expenses, the overall value of reduction has been particularly significant on account of one company in the metals sector which has reflected a reduction in tax expenses of approximately INR11,110 crores.

While there are no specific explanations given along with the results of this company, it appears that the fall in the tax expense could possibly be due to significant Ind AS adjustments or on account of tax benefits resulting from a merger.

The overall reduction in tax expenses (excluding the impact of the reduction in tax expense of the company specified above) is approximately 2.9 per cent. While there are no specific explanations for such a reduction, this could partly be attributed to the reduction in profit as explained in the next caption and also to a certain extent to consolidation related adjustments (e.g. deferred tax on unrealised profits in consolidated financial results, and application of equity method of consolidation to previously consolidated entities).

An increase of 7.3 per cent in tax in 28 companies is attributable to recognition of deferred tax on Ind AS adjustments and on undistributed profits, etc.

PAT

Table 6 provides a summary of the total PAT under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total PAT reported by covered companies	246,207	241,771	(4,436)	(1.8)	72
Companies with increase in PAT	104,354	115,342	10,988	10.5	28
Companies with no change in PAT	-	-	-	-	-
Companies with decrease in PAT	141,853	126,429	(15,424)	(10.9)	44

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Our analysis in the previous quarters had reflected that two-thirds of the covered companies reported an increase in PAT respectively (overall increase of 0.7 per cent). The year end results have seen a significant shift in that trend with the covered companies on an aggregate basis reflecting a reduction of 1.80 per cent. The number of companies reflecting a reduction in profit has also gone up from the previous quarters.

Chapter III provides a detailed overview of the impacts of various standards and also a sector wise perspective. Certain standards that have a significant impact on PAT are standards on property, plant and equipment, financial instruments and income taxes.

Key impacts on PAT in relation to property, plant and equipment are primarily in relation to the consequent impact of the fair value deemed cost exemption chosen by certain companies, accounting for stores and spares, depletion of oil and gas assets, etc. While adoption of fair value deemed cost exemption and accounting for stores and spares have resulted in an increase in PAT, depletion in oil and gas assets have contributed to a reduction in the reported profits.

Major areas of impact for financial instruments include fair valuation of investments, measurement of borrowings at amortised costs and application of the expected credit loss method.

The shift in the trend from previous quarters (as discussed in the first paragraph of this section) also appears to be on account of the presentation of the consolidated financial results by all the covered companies.

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Net worth

Table 7 provides a summary of total net worth under AS and Ind AS for the covered companies

(Amount in INR crore)

As of 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total net worth reported by covered companies	1,958,067	2,122,567	164,500	8.4	72
Companies with increase in net worth	1,287,576	1,491,259	203,683	15.8	51
Companies with no change in net worth	37,385	37,385	-	-	1
Companies with decrease in net worth	633,106	593,923	(39,183)	(6.2)	20

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

While 32 out of the 72 companies have presented their net worth reconciliations in the second quarter (presentation of balance sheet as of 31 March 2016 was not mandatory for the second quarter), all covered companies presented their consolidated net worth reconciliation along with results for the year ended 31 March 2017.

One of the significant adjustments contributing to an increase in the net worth is the reversal of proposed dividend recognised under AS (INR48,177 crores approximately). It is important to note that the adjustment of proposed dividend to net worth is a timing issue and is a one-off adjustment which shall reverse on approval of the proposed dividend at the annual general meeting of the shareholders of these covered companies. Accordingly, the net increase in net worth of the covered companies as adjusted for the impact of proposed dividend is approximately INR116,324 crores.

Of the total increase in net worth reflected (adjusted for proposed dividend) above, fair valuation of property plant and equipment as part of the choices on first-time adoption contributed approximately INR89,641 crores. Based on the disclosures in the financial results for the year ended 31 March 2017, approximately 11 of the covered companies appear to have chosen to fair value property, plant and equipment.

Fair valuation of financial instruments is the other adjustment which appears to have had a significant impact on the net worth of the covered companies.

Debt

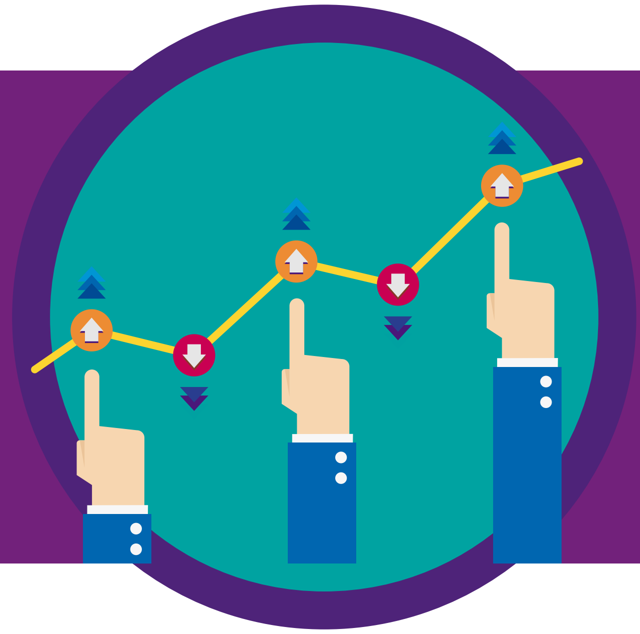


Table 8 provides a summary of the total debt under AS and Ind AS for the covered companies

(Amount in INR crore)

As of 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total debt reported by covered companies	1,533,987	1,461,034	(72,953)	(4.8)	72
Companies with increase in debt	263,281	285,354	22,073	8.4	18
Companies with no change in debt	17,966	17,966	-	-	12
Companies with decrease in debt	1,252,740	1,157,714	(95,026)	(7.6)	42

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

There are no separate reconciliations reported by the covered companies in order to understand the reason for the overall reduction in debt reported by covered companies. We believe the companies that have reflected an increase in debt could be due to the presentation of the substance of the commercial arrangements of their financing transactions under Ind AS. While the companies that have reflected a reduction in debt, it could be attributed to the application of the equity method of accounting for joint ventures (with high levels of debt).

Assets

Table 9 provides a summary of the total assets under AS and Ind AS for the covered companies

(Amount in INR crore)

Year ended 31 March 2016	AS	Ind AS	Change	Percentage change	Number of companies
Total assets reported by covered companies	5,223,242	5,152,425	(70,817)	(1.4)	72
Companies with increase in assets	1,851,153	1,958,512	107,359	5.8	34
Companies with no change in assets	-	-	-	-	-
Companies with decrease in assets	3,372,089	3,193,913	(178,176)	(5.3)	38

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Certain adjustments which have an impact on net worth would also be expected to have a corresponding impact on total assets e.g. fair valuation of financial assets. Accordingly, to that extent, companies reflecting an increase in net worth may also reflect an increase in net assets. However, the application of the equity method of consolidation to joint ventures may have resulted in a reduction in total assets with the net assets of the joint venture being reflected as part of the investment carrying value under Ind AS as compared to the approach (under AS) of reflecting a proportionate share of assets and liabilities in the financial statements of the covered companies.

Table 10 below summarises the impact of various Ind AS on the profits and net worth of the covered companies (computed based on absolute values of adjustments)

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 11 presents aggregated profit reconciliation for all the covered companies

Description	Total
Profit as per AS	250,564
Revenue	127
Property, plant and equipment	(11,980)
Financial instruments	(5,218)
Foreign exchange fluctuation	(353)
Business combinations	1,787
Employee benefits	(1,508)
Income taxes	10,374
Others	(6,888)
Total adjustments	(13,659)
Profit as per Ind AS	236,905

(Source: KPMG in India's analysis 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 12 presents aggregated net worth reconciliation for all the covered companies

Description	Total
Net worth as per AS	1,990,189
Revenue	(9,664)
Property, plant and equipment	89,324
Financial instruments	35,574
Foreign exchange fluctuation	(156)
Business combinations	6,260
Employee benefits	3,184
Income taxes	(33,417)
Proposed dividend	48,177
Others	(46,591)
Total adjustments	92,691
Net worth as per Ind AS	2,082,880

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Note: Table 11 and 12 above have been prepared based on the profit and net worth reconciliations reported by the respective covered companies while Table 6 and 7 have been prepared based on the profits and net worth reported as part of the respective components of financial statements. Accordingly, the values reported in the two sets of tables referred to above differ to the extent of different bases used by companies for reporting the reconciliations of profit and net worth.

Chapter III - Ind AS transition: Sectorial impacts

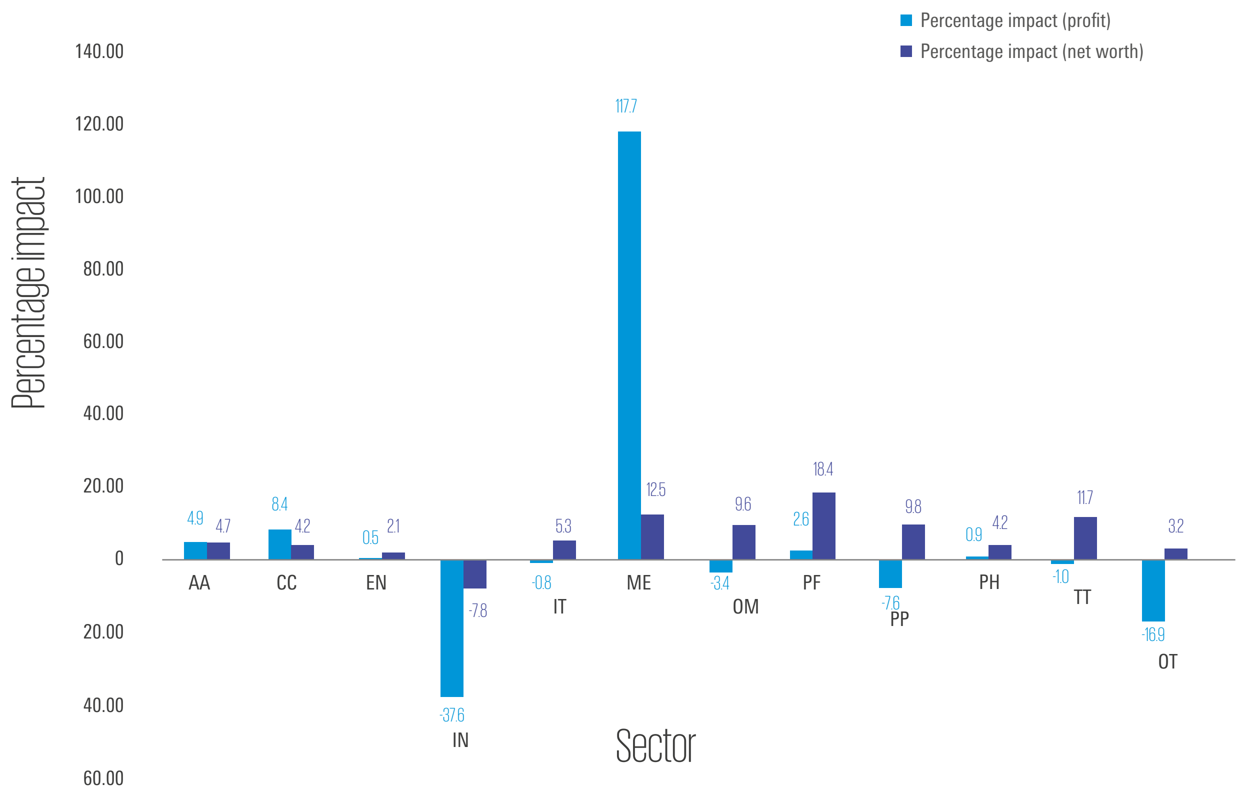
As was expected, the nature and quantum of the impacts vary not only based on the sectors to which companies belong but also on the choices made by the companies while transitioning to Ind AS. Accordingly, the choices on first-time adoption, in particular exemptions relating to property, plant and equipment and business combinations, appear to have had a significant impact on the profits and net worth of the covered companies (albeit in different directions).

Further, company specific adjustments have also contributed to how Ind AS has impacted the results of various sectors. For example, while one company in the metals' sectors has recognised a significant adjustment in relation to deferred tax, another company in the energy sector has reported a relatively significant adjustment to profit in relation to the change in functional currency of one of its subsidiary.

In terms of choices on first-time adoption, based on the profit/net worth reconciliations reported by the covered companies, 11 out of the 72 companies appear to have chosen to fair value some of their property, plant and equipment. Therefore, resulting in a significant upside to the net worth reported as part of consolidated financial results. However, the impact of fair value of property, plant and equipment on the reported profits does not appear to be commensurate to the upside in net worth. Thus, indicating that significant component of such fair valuation was carried out in relation to non-depreciable assets such as land.

Percentage impact of Ind AS on the results of individual sectors

The chart below showcases the impact of Ind AS on the results of the companies belonging to individual sectors



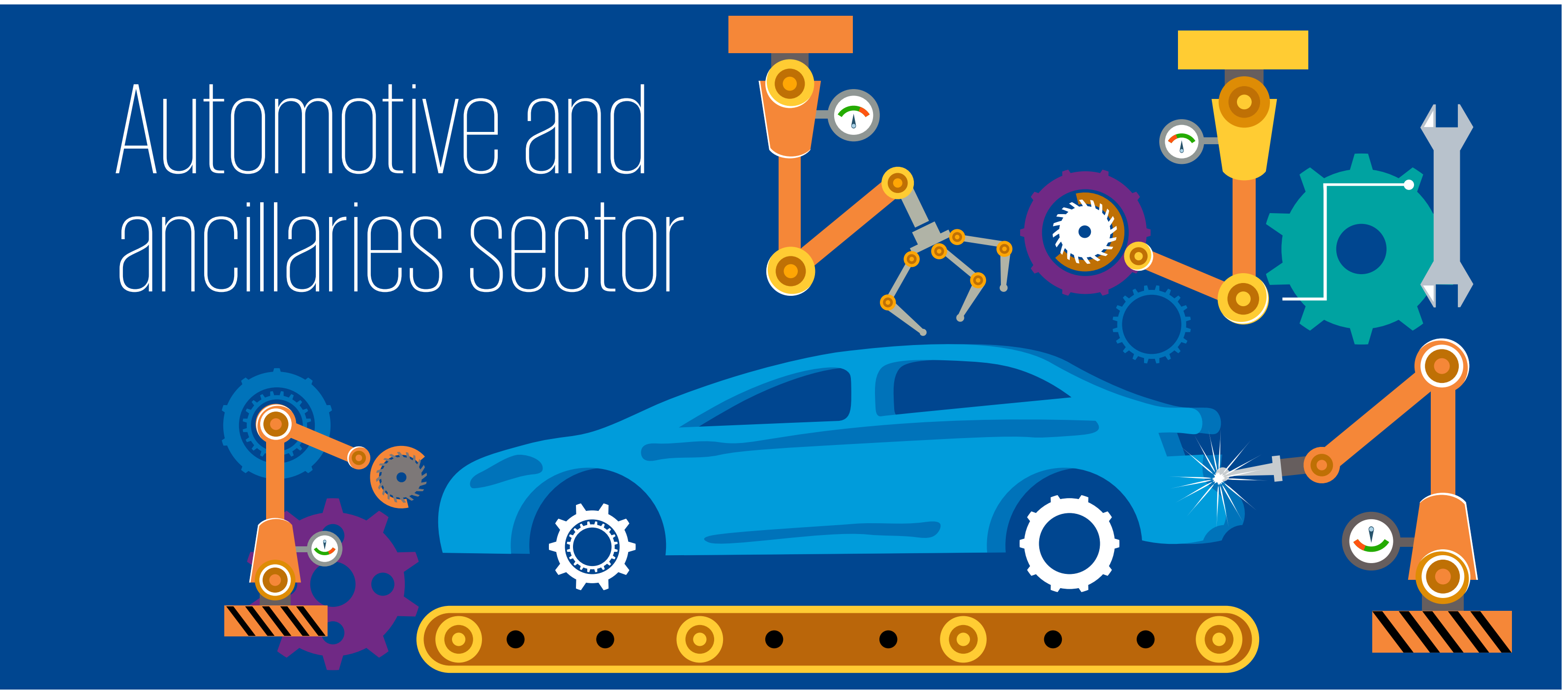
AA - Automotive and ancillaries
CC- Cement and cement products
EN - Energy
IN - Infrastructure
IT - IT consulting and software
ME - Metals
OM - Other manufacturing
PF - Packaged foods
PP - Personal products
PH - Pharmaceuticals
TE - Telecom and telecom services
OT - Others

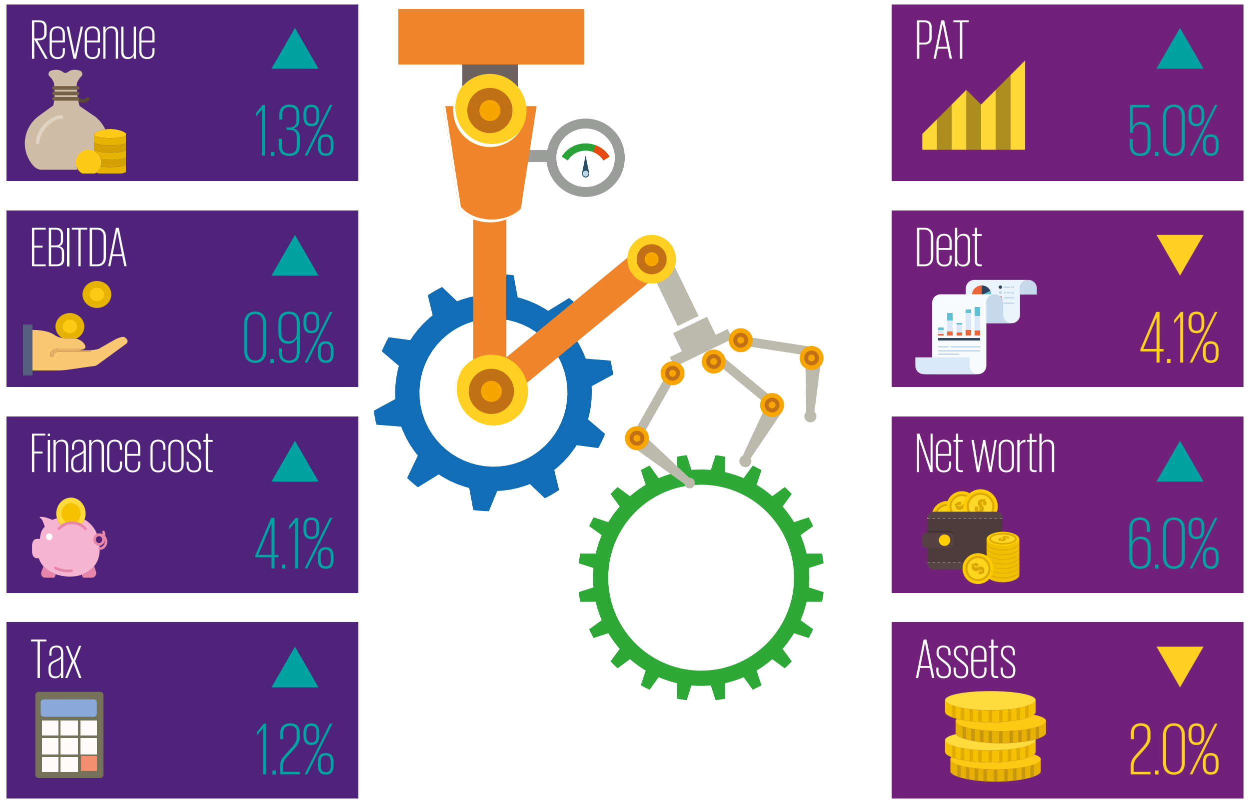
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Standard-wise impact on the results of each sector

Subsequent charts highlight the impact of key standards on the results of individual sectors. The percentages referred to in the charts in this publication represent the relative impact with reference to the overall impact of Ind AS on the results of the particular sector. Accordingly, it may not be appropriate to presume that similar percentages reflected for two different sectors is indicative of similar absolute values.

Automotive and ancillaries sector





The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in automobile sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 13 presents aggregated profit and net worth reconciliation for automotive and ancillaries sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**31,878**	**184,633**
Revenue	(105)	(922)
Property, plant and equipment	266	2,484
Financial instruments	1,229	666
Foreign exchange fluctuation	1,439	-
Business combinations	(91)	(1,462)
Employee benefits	(80)	27
Income taxes	(524)	(415)
Proposed dividend	-	3,857
Others	(586)	4,440
Total adjustments	1,548	8,675
Amount as per Ind AS	**33,426**	**193,308**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Profits of the companies belonging to the automotive and ancillaries sector were primarily affected by the adjustments in relation to the standards on foreign exchange fluctuation and financial instruments.

The impact of foreign exchange fluctuation is attributable to one of the companies discontinuing the accounting treatment applied under AS. This could be based on an intention to align with IFRS requirements.

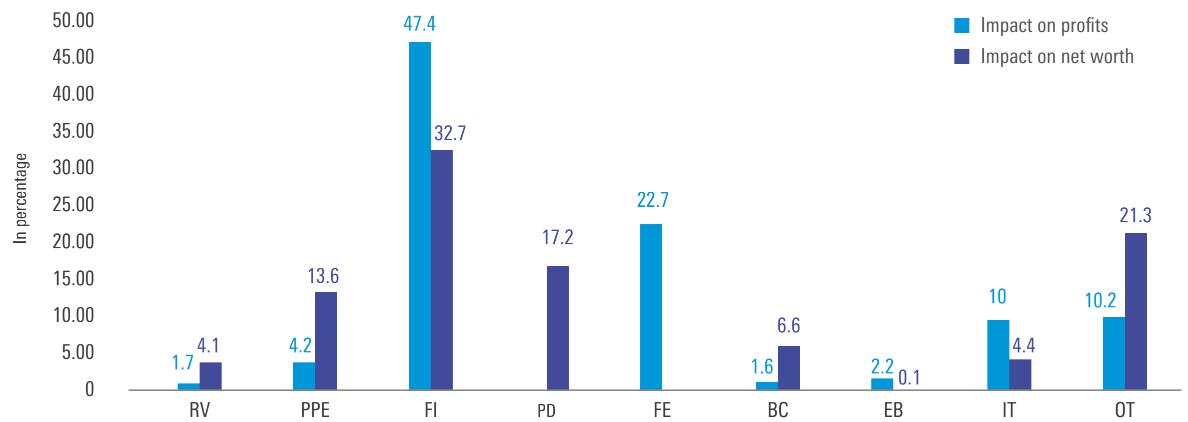
Fair valuation of investments per requirements of Ind AS 109 has resulted in a significant increase in the reported profits of the covered companies belonging to the automotive and ancillaries sector (six out of 10 companies).

While adjustments relating to other standards such as revenue recognition, employee benefits, consolidation, etc. have been reported, the impact of those adjustments are relatively insignificant.

In terms of choices on first-time adoption, in addition to the company referred to above which has chosen to discontinue the treatment of foreign exchange fluctuation applied under AS, two companies appear to have chosen to fair value certain items of their property, plant and equipment and one of the companies appears to have restated its past business combinations.

In addition to the fair valuation of property, plant and equipment on date of transition explained above, a reversal of the provision for the proposed dividend has had a significant impact on the net worth of companies covered under this sector.

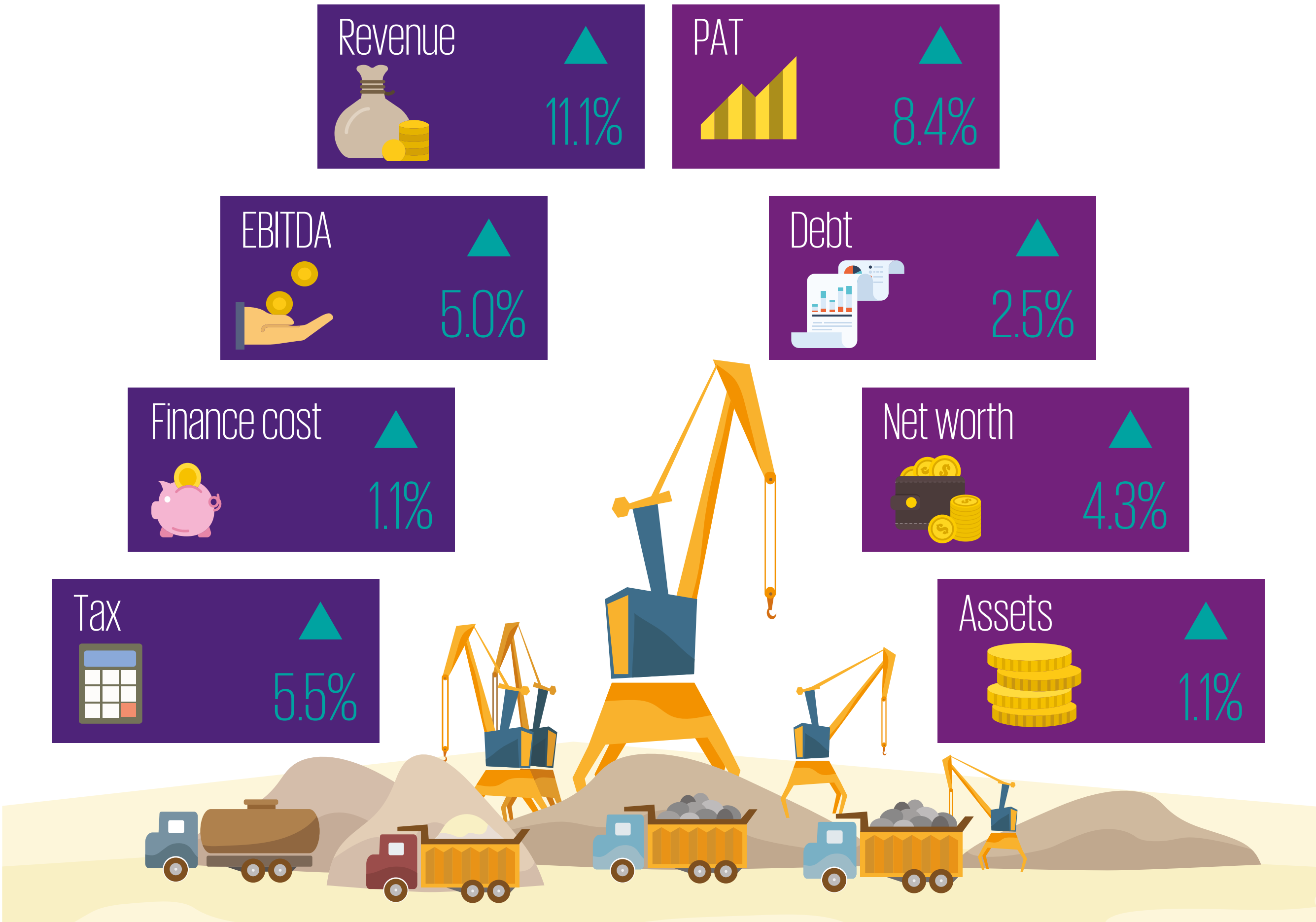
The chart below highlights the standard-wise impact on profit and net worth for the automobile and ancillaries sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



RV - Revenue
PPE - Property, plant and equipment
FI - Financial instruments
PD - Proposed dividend
FE - Foreign exchange fluctuation
BC - Business combinations
EB - Employee benefits
IT - Income taxes
OT - Others

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Cement and cement products



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in cement sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 14 presents aggregated profit and net worth reconciliation for cement and cement products sector

(Amount in INR crore)

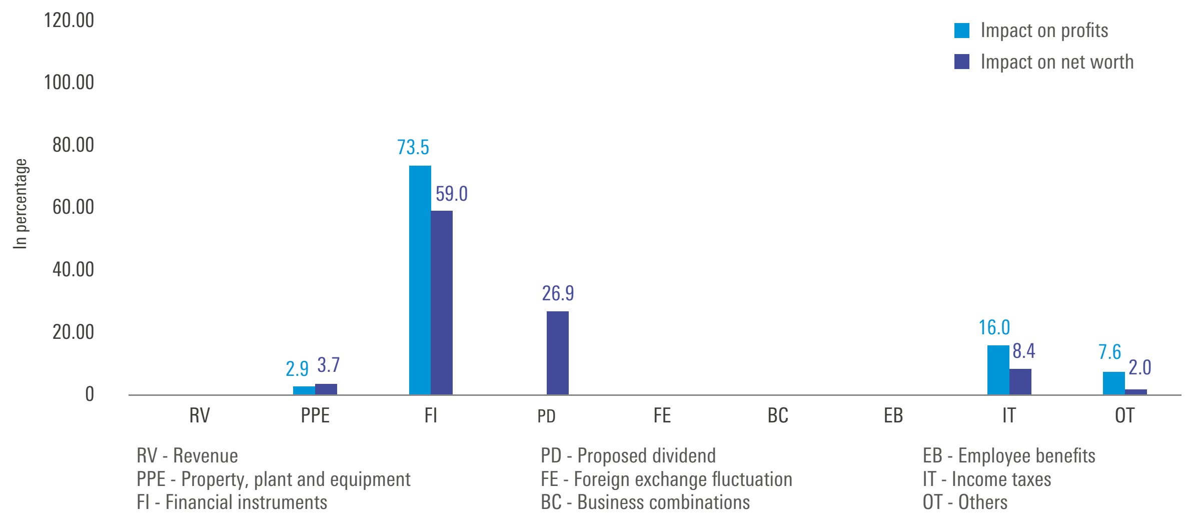
Description	Profit	Net worth
Amount as per AS	**2,287**	**21,058**
Revenue	-	-
Property, plant and equipment	(9)	(43)
Financial instruments	226	689
Foreign exchange fluctuation	-	-
Business combinations	-	-
Employee benefits	-	-
Income taxes	(49)	(98)
Proposed dividend	-	314
Others	23	25
Total adjustments	191	887
Amount as per Ind AS	**2,478**	**21,945**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

The key differences between profits reported under AS and Ind AS include adjustments in relation to fair valuation of financial instruments. In addition, impact on net worth is also on account of the reversal of proposed dividend.

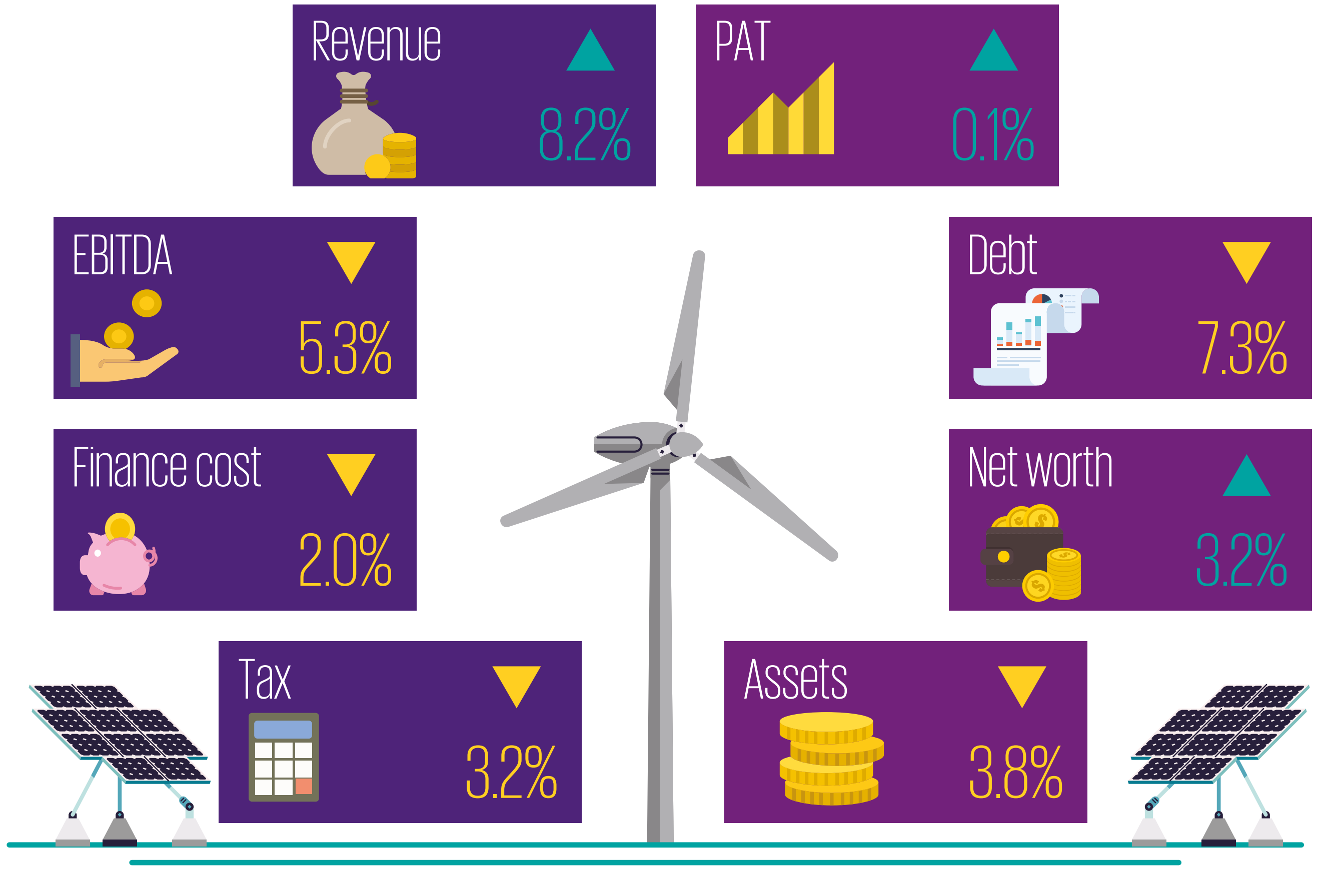
However, given that a significant proportion of companies in this sector are yet to publish Ind AS results (as those companies have a different Ind AS transition date which is post 1 April 2015), the impact highlighted in this table may not represent the overall sector impact.

The chart below highlights the standard-wise impact on profit and net worth for the cement and cement products sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Energy



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in energy sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 15 presents aggregated profit and net worth reconciliation for energy sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**102,741**	**784,593**
Revenue	(81)	(69)
Property, plant and equipment	5,187	36,832
Financial instruments	(567)	25,655
Foreign exchange fluctuation	(1,783)	-
Business combinations	-	(67)
Employee benefits	592	-
Income taxes	(603)	(13,316)
Proposed dividend	-	11,050
Others	(2,228)	(43,378)
Total adjustments	517	16,707
Amount as per Ind AS	**103,258**	**801,300**

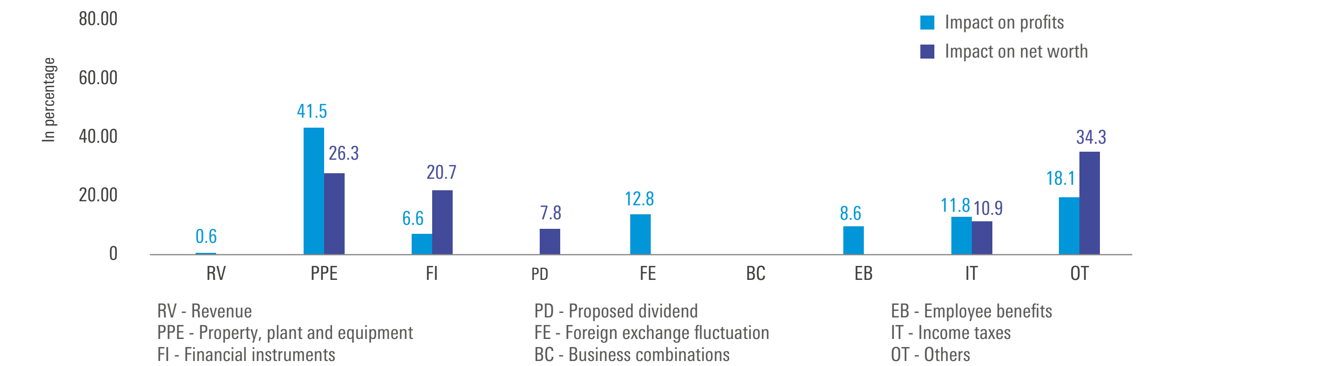
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Key adjustments to profits reported under AS are as follows:

- While nine out of 11 companies covered under this sector have reported adjustments in relation to property, plant and equipment, one of the significant contributions to such adjustments is on account of fair valuation of property, plant and equipment on the date of transition by one of the companies which has resulted in an increase in profit by around INR4,150 crores
- The impact reported in relation to foreign exchange fluctuation is on account of a change in functional currency of a subsidiary of one of exploration and production companies.
- Other adjustments include the impact of change in accounting policy in relation to oil and gas assets on the date of transition done by one of the companies in this sector. This adjustment has resulted in a reduction of profit of the company in question by around INR1,277 crores. This represents the most significant impact within other adjustments.
- Another significant impact included within other adjustments is due to consolidation-related impacts (seven out of 11 companies) as the companies in this sector may have a business model involving joint ventures. These appear to be primarily be on account of impact of Ind AS on the joint ventures and associates, change in method of consolidation for joint ventures, identification of new entities, etc. As the explanatory notes are not available, the exact details of such adjustments are not apparent. A detailed analysis of the consolidation related adjustments reported by covered companies will be included in part two of this publication.

In addition to the impact on fair valuation of property, plant and equipment (three out 11 companies) and change in accounting policy for oil and gas assets, fair valuation of financial assets and reversal of proposed dividend also appear to have had a significant impact on the net worth of the companies covered in this sector.

The chart below highlights the standard-wise impact on profit and net worth for the energy sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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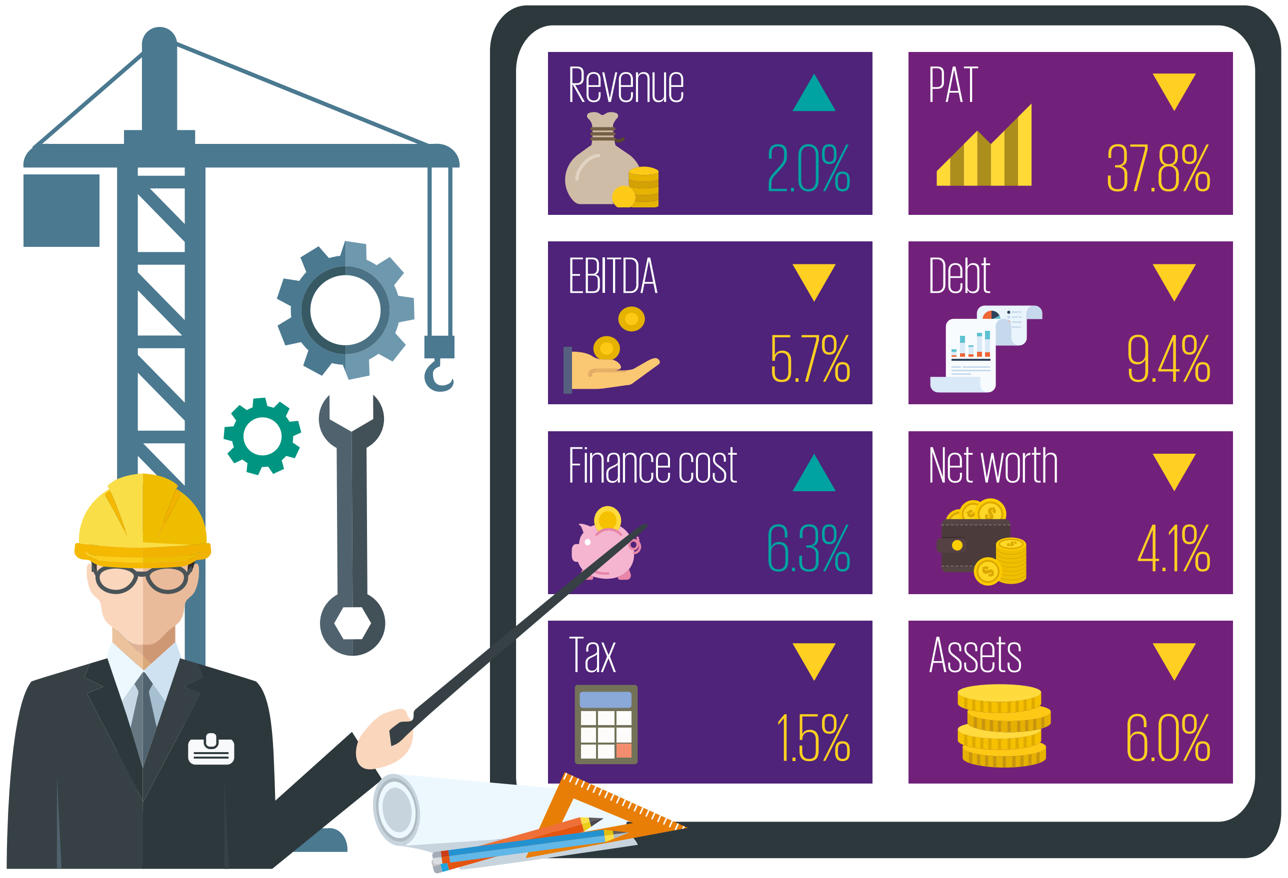
Infrastructure



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in infrastructure sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 16 presents aggregated profit and net worth reconciliation for infrastructure sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**8,769**	**144,163**
Revenue	84	(6,852)
Property, plant and equipment	(1,107)	7,785
Financial instruments	(1,670)	(8,137)
Foreign exchange fluctuation	-	-
Business combinations	-	(197)
Employee benefits	(15)	-
Income taxes	14	(294)
Proposed dividend	-	3,076
Others	(604)	(6,680)
Total adjustments	(3,298)	(11,299)
Amount as per Ind AS	**5,471**	**132,864**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

The key impact areas for companies covered in the infrastructure sector are property, plant and equipment, financial instruments and consolidation-related adjustments.

Four out of the seven companies in this sector have reported adjustments in relation to property, plant and equipment (including investment property); one of these companies appears to have elected to fair value its property, plant and equipment on the date of transition. Another company, out of the above four companies, has addressed the qualification to the auditors' opinion relating indirect expenses, borrowing costs and depreciation on property, plant and equipment under AS and has disclosed this separately in its profit reconciliation.

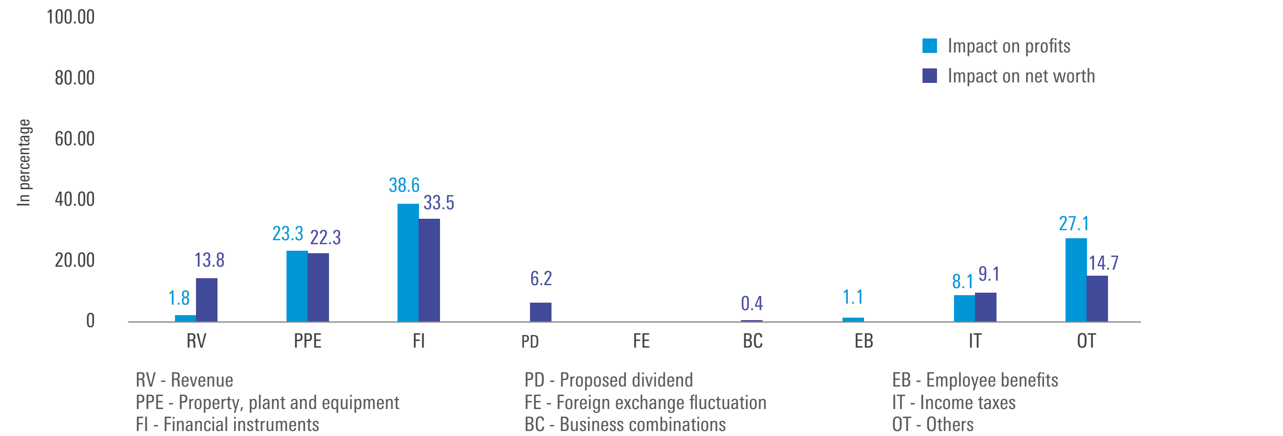
Amortised cost measurement, expected credit losses in relation to financial assets and fair valuation of investments have resulted in a reduction of reported profits.

Key adjustments relating to consolidation include identification of new subsidiaries by one entity on application of the principles of consolidation under Ind AS while another company has reversed the gain recognised on the divestment of its stake in a subsidiary. Other consolidation related impacts include consolidation of additional entities including staff welfare trusts/employee welfare trusts, impact of transition to Ind AS of group companies and other unexplained consolidation adjustments.

In addition to the impacts reported above, one additional significant adjustment reported to net worth includes a revenue recognition related adjustment (change to project accounting and revenue recognition from project development) reported by a real estate company.

The company which has chosen to fair value property, plant and equipment on the date of transition has also recognised a significant reduction on account of fair valuation/remeasurement of financial instruments.

The chart below highlights the standard-wise impact on profit and net worth for the infrastructure sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



RV - Revenue
PPE - Property, plant and equipment
FI - Financial instruments
PD - Proposed dividend
FE - Foreign exchange fluctuation
BC - Business combinations
EB - Employee benefits
IT - Income taxes
OT - Others

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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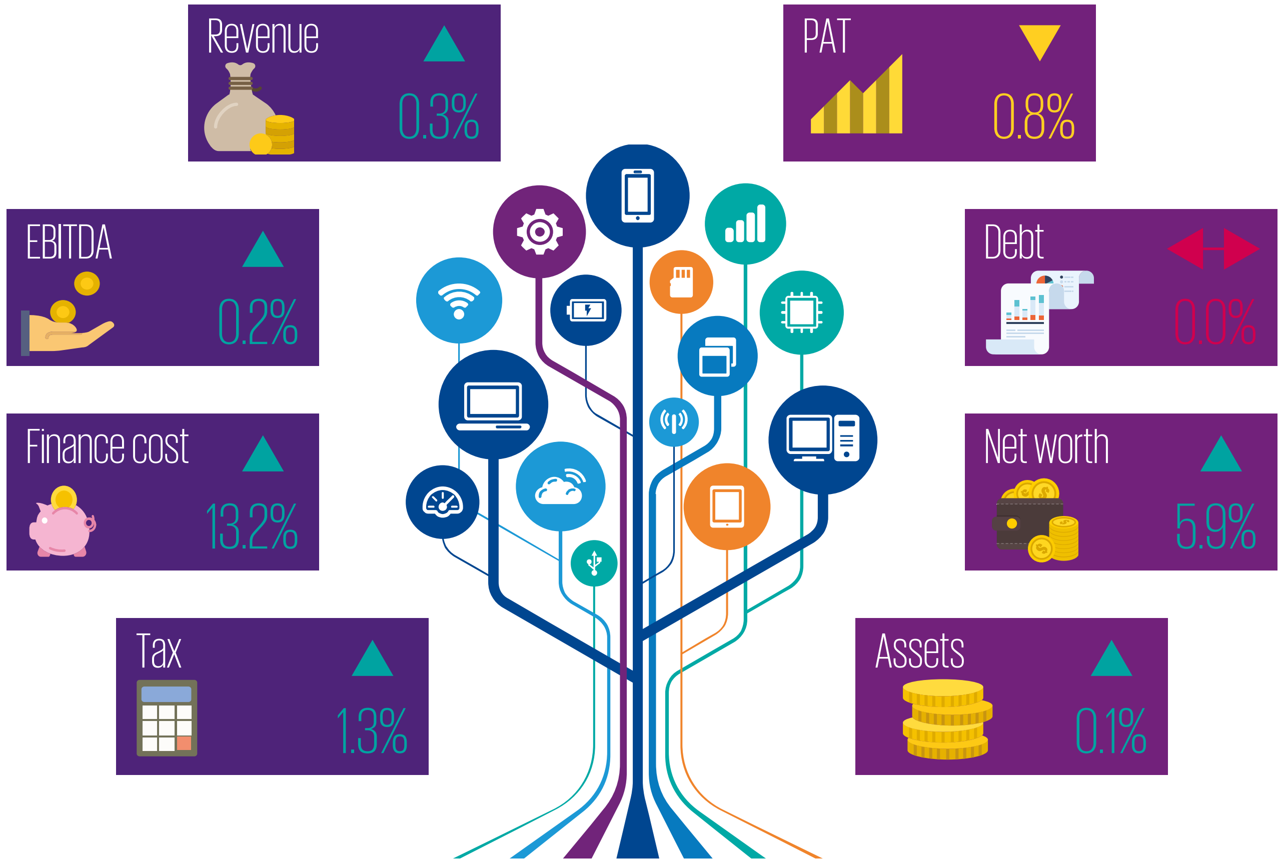
IT consulting and software



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in IT consulting and software sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 17 presents aggregated profit and net worth reconciliation for IT consulting and software sector

(Amount in INR crore)

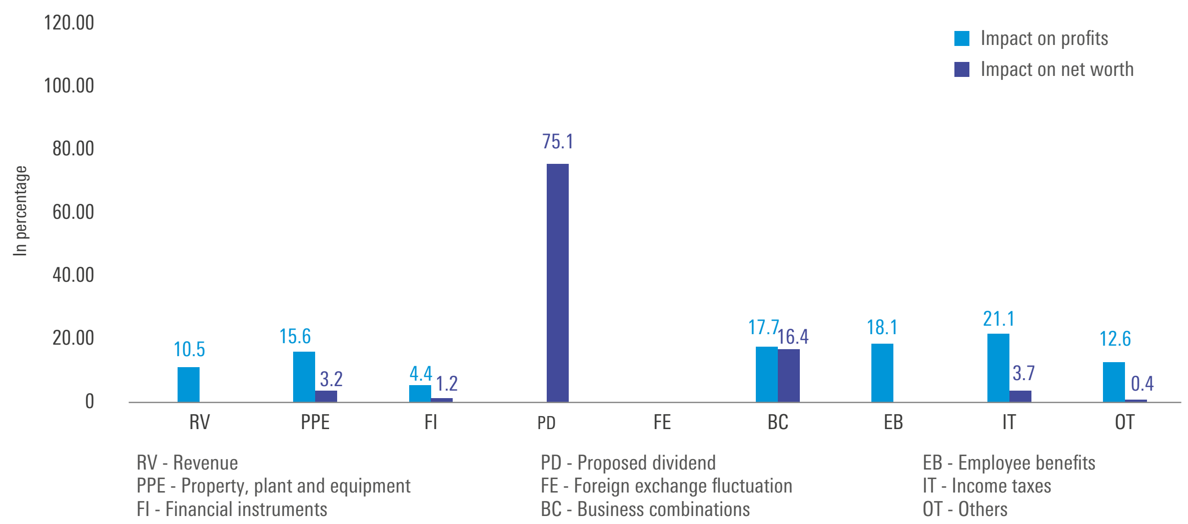
Description	Profit	Net worth
Amount as per AS	**55,864**	**210,775**
Revenue	168	-
Property, plant and equipment	(136)	(462)
Financial instruments	(28)	192
Foreign exchange fluctuation	-	-
Business combinations	(283)	(200)
Employee benefits	186	4
Income taxes	(177)	(442)
Proposed dividend	-	12,039
Others	(181)	16
Total adjustments	(451)	11,147
Amount as per Ind AS	**55,413**	**221,922**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

The quantum of differences between AS and Ind AS profits and net worth on account of adoption of Ind AS (excluding proposed dividend) is not as significant as compared to other sectors.

Two of the five companies covered in this sector appear to have restated past business combinations while only one of the companies appear to have fair valued property, plant and equipment on date of transition (without any impact on profits). Two of the companies have also reported the consolidation of new entities.

The chart below highlights the standard-wise impact on profit and net worth for the IT consulting and software sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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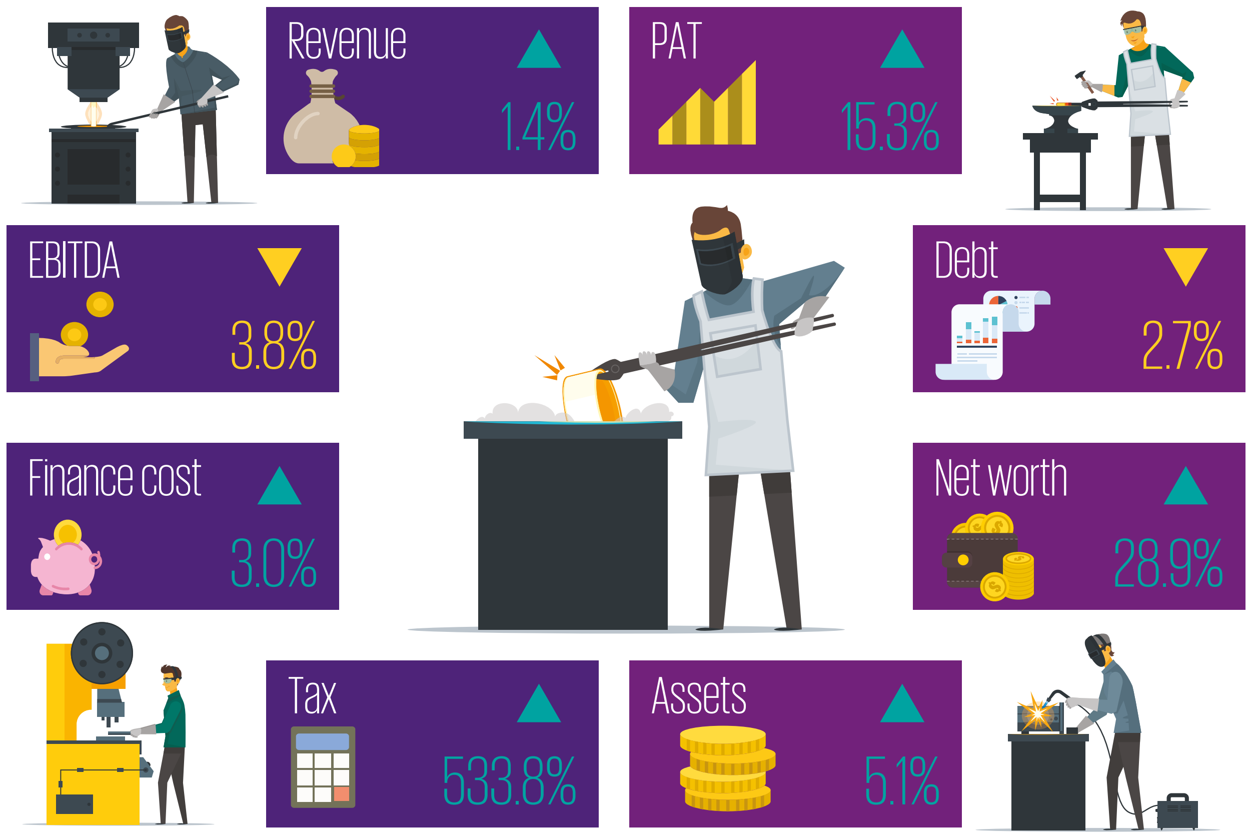
Metals



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in metals sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 18 presents aggregated profit and net worth reconciliation for metals sector

(Amount in INR crore)

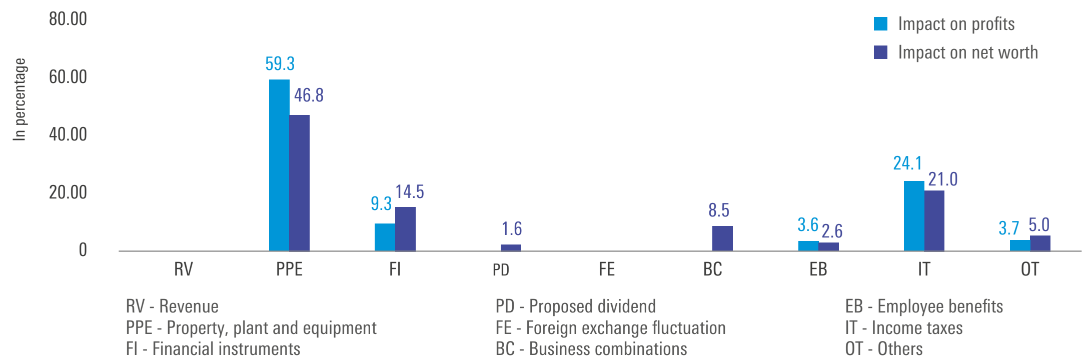
Description	Profit	Net worth
Amount as per AS	**(8,556)**	**261,942**
Revenue	-	-
Property, plant and equipment	(16,089)	39,108
Financial instruments	(2,926)	12,799
Foreign exchange fluctuation	-	-
Business combinations	-	(7,677)
Employee benefits	(1,853)	2,241
Income taxes	12,371	(18,944)
Proposed dividend	-	1,414
Others	(1,576)	3,870
Total adjustments	(10,073)	32,811
Amount as per Ind AS	**(18,629)**	**294,753**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

The key impact areas for companies covered in the metal sector and the overview of the adjustments for such areas are as follows:

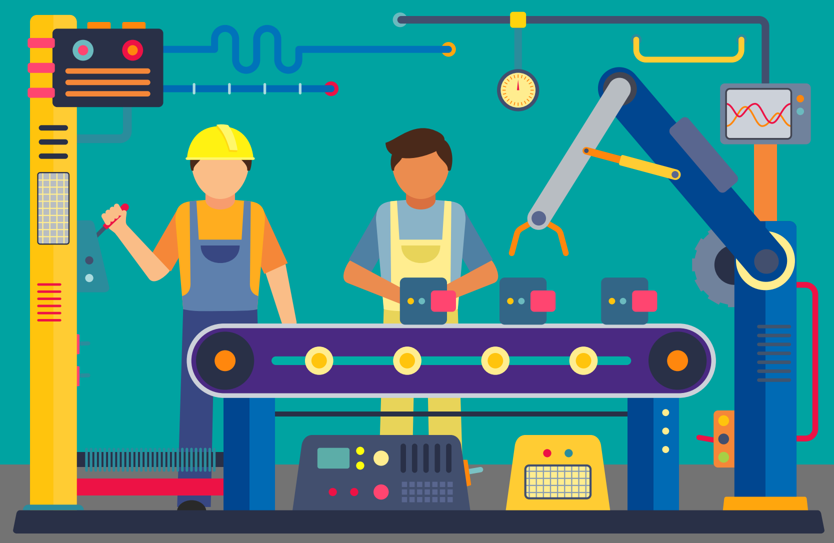
- Three out of the seven companies in this sector appear to have fair valued their property, plant and equipment. For one of these companies, the fair valuation has resulted in an increase in profits by INR7,207 crores. The positive impact of such fair valuation on the net worth of these three companies aggregates INR39,171 crores.
- In addition to the adjustment referred to above, one of the companies has also reported a INR21,332 crore reduction in profit on account of impairment of oil and gas/mining assets (net of reversal of impairment of goodwill).
- Impact of designating an investment as fair value through other comprehensive income (and consequent reversal on gain on sale of such equity instruments), reported by one large steel company, constitutes the most significant component (for profit) relating to financial instruments.
- The net worth of five out of seven companies covered in this sector has increased by approximately INR12,799 crores primarily on account of fair valuation surplus on financial assets such as investments.
- The adjustment relating to income taxes, as discussed earlier in this document, represents deferred tax asset recognised by one company aggregating INR12,735 crores. This has resulted in an increase in both profit and net worth for the year.
- Accordingly, while the profits of the companies in this sector have reflected a significant reduction, the net worth of these companies has increased primarily on account of the fair valuation of the property, plant and equipment and fair value of investments.
- Further, one of the companies covered in this sector appears to have chosen to restate its past business combination(s) thereby allocating goodwill to fair value adjustments and consequently, amortising such fair value adjustments till the date of transition through retained earnings.

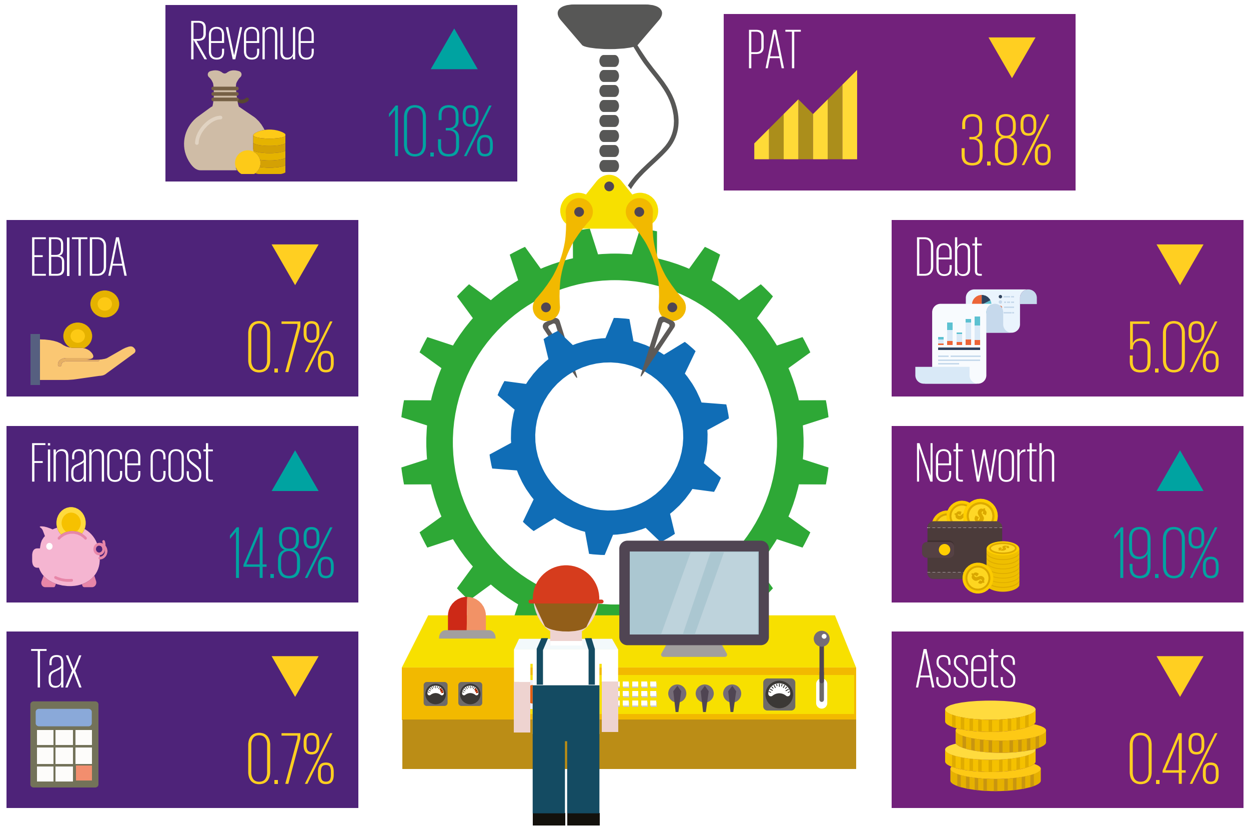
The chart below highlights the standard-wise impact on profit and net worth for the metals sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Other manufacturing





The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in other manufacturing sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 19 presents aggregated profit and net worth reconciliation for other manufacturing sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**16,246**	**125,012**
Revenue	55	75
Property, plant and equipment	59	(30)
Financial instruments	599	4,587
Foreign exchange fluctuation	-	-
Business combinations	(242)	(509)
Employee benefits	(385)	5
Income taxes	(88)	(264)
Proposed dividend	-	9,639
Others	(548)	(1,442)
Total adjustments	(550)	12,061
Amount as per Ind AS	**15,696**	**137,073**

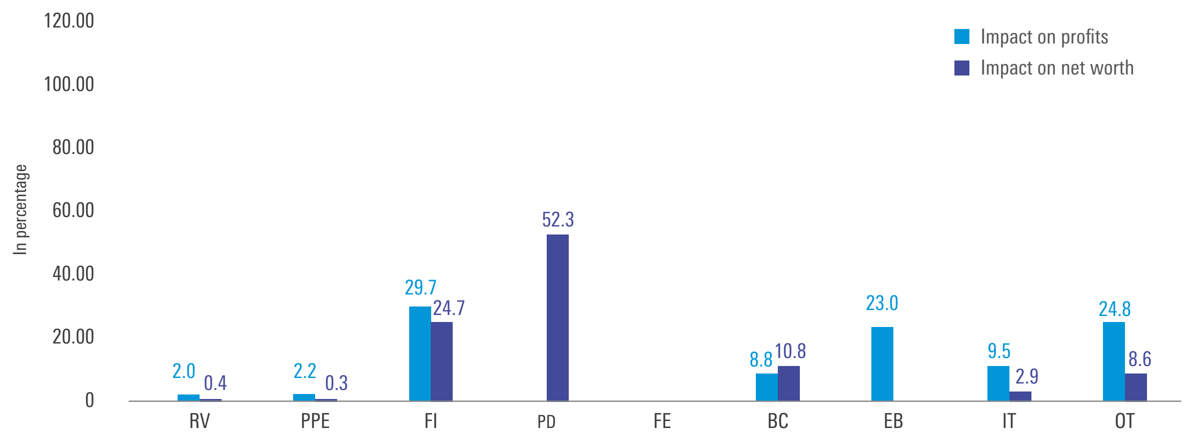
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Fair valuation of financial instruments has resulted in an increase in both the profits and net worth of six out of seven companies in this sector.

Three out of the seven companies in this sector have chosen to restate past business combinations, while one of these also appears to have reset foreign currency translation to zero.

Other adjustments also include certain consolidation-related adjustments.

The chart below highlights the standard-wise impact on profit and net worth for the other manufacturing sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



RV - Revenue
PPE - Property, plant and equipment
FI - Financial instruments
PD - Proposed dividend
FE - Foreign exchange fluctuation
BC - Business combinations
EB - Employee benefits
IT - Income taxes
OT - Others

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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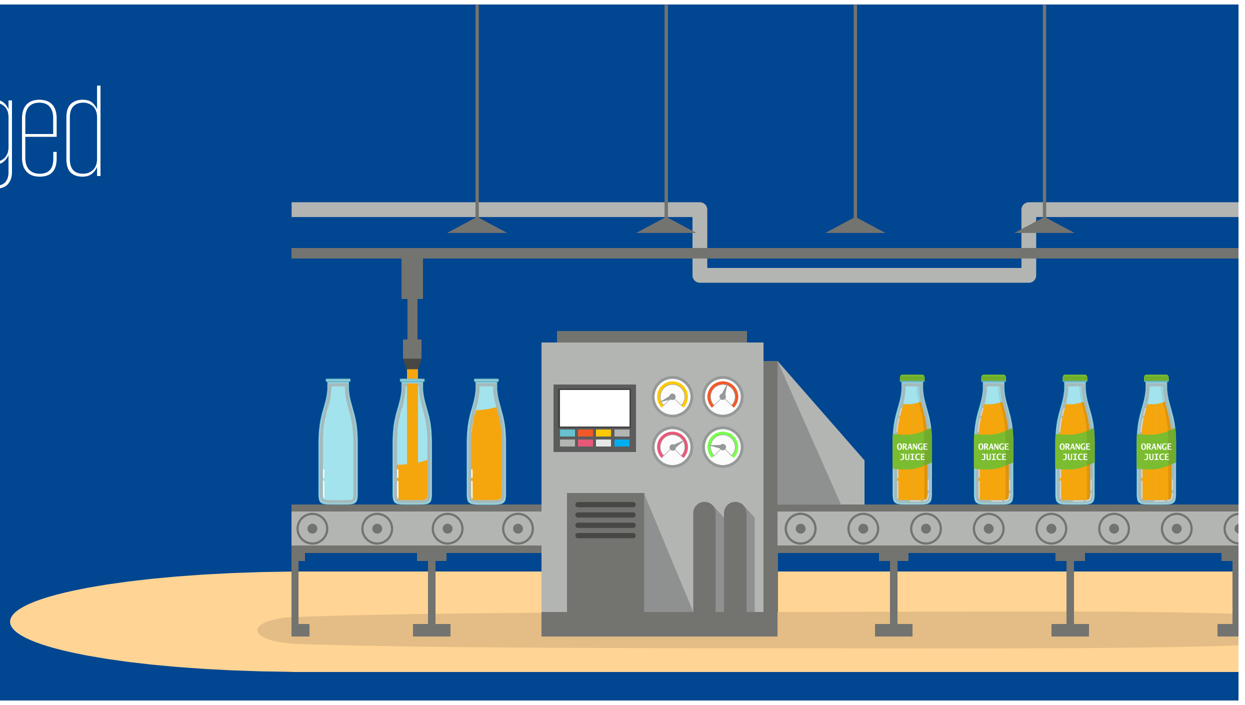
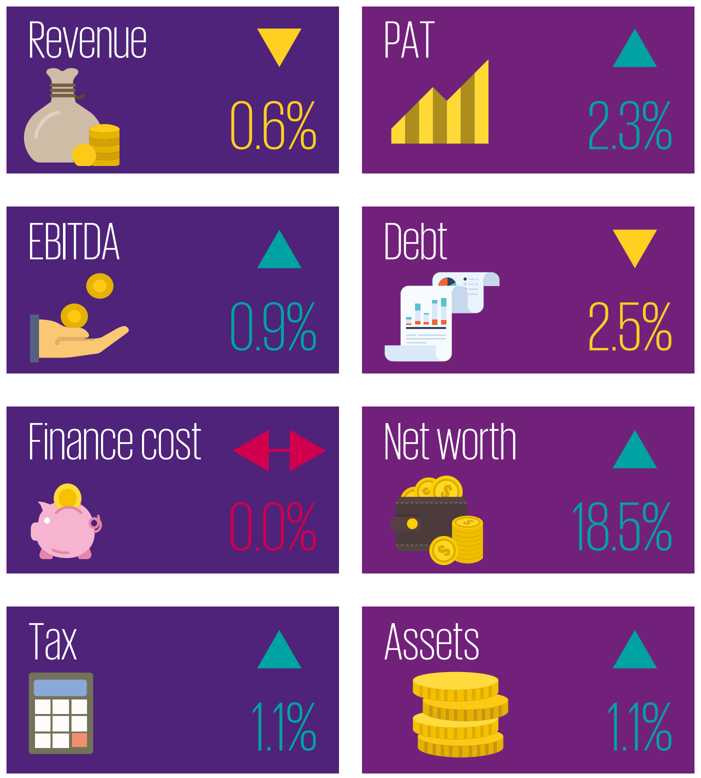
Packaged foods





The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in packaged foods sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 20 presents aggregated profit and net worth reconciliation for packaged foods sector

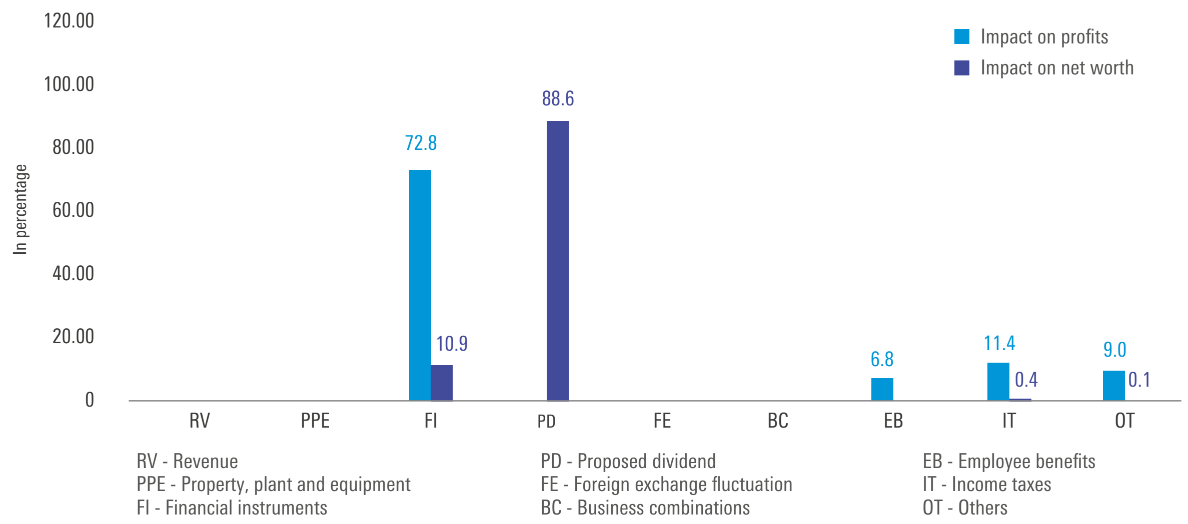
(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**806**	**1,769**
Revenue	-	-
Property, plant and equipment	-	-
Financial instruments	24	35
Foreign exchange fluctuation	-	-
Business combinations	-	-
Employee benefits	(2)	-
Income taxes	(4)	1
Proposed dividend	-	289
Others	3	-
Total adjustments	21	325
Amount as per Ind AS	**827**	**2,094**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Fair value measurement requirement in relation to financial instruments has had a significant impact on this sector. Further, share-based payments is the other contributor to the adjustments to profit. One out of two companies in this sector is yet to publish Ind AS results (as this company has a different Ind AS transition date which is post 1 April 2015). Therefore, the impact highlighted in this table may not represent the overall sector impact.

The chart below highlights the standard-wise impact on profit and net worth for packaged sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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Personal products

The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in personal products sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 21 presents aggregated profit and net worth reconciliation for personal products sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**8,101**	**22,773**
Revenue	-	-
Property, plant and equipment	7	56
Financial instruments	(295)	191
Foreign exchange fluctuation	-	-
Business combinations	(70)	(70)
Employee benefits	8	313
Income taxes	(57)	(254)
Proposed dividend	-	2,993
Others	(211)	(999)
Total adjustments	(618)	2,230
Amount as per Ind AS	**7,483**	**25,003**

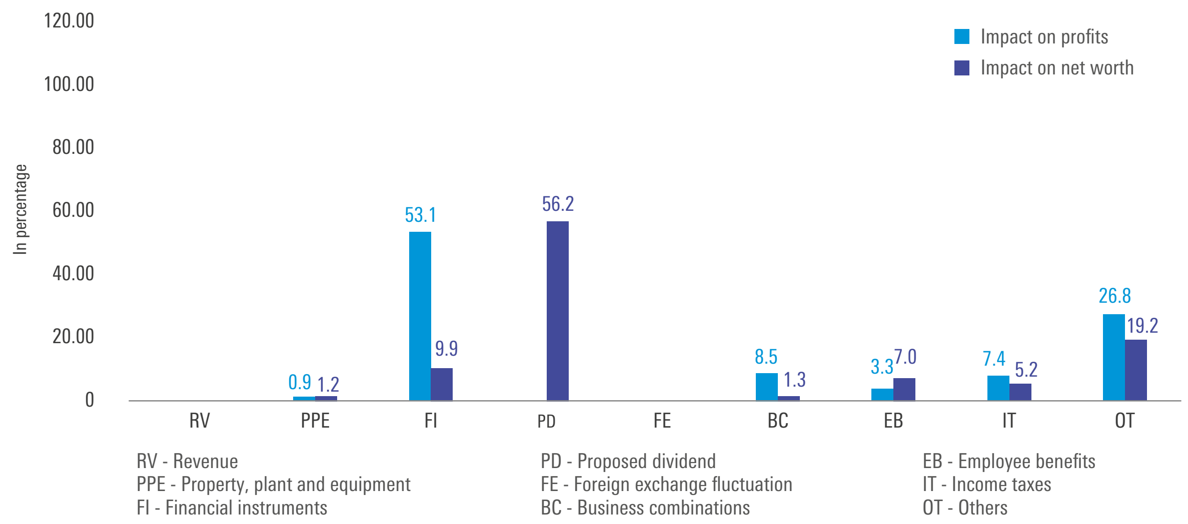
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Fair value measurement requirement in relation to financial instruments has had a significant impact on this sector too (four out of six companies).

There are significant profit neutral adjustments to revenue which have been reported voluntarily by certain companies in this sector. These are related to discounts, incentives, etc. provided to customers which under Ind AS are specifically required to be adjusted in revenue.

Additionally, certain companies have also been impacted by the recognition of employee stock options.

The chart below highlights the standard-wise impact on profit and net worth for the personal products sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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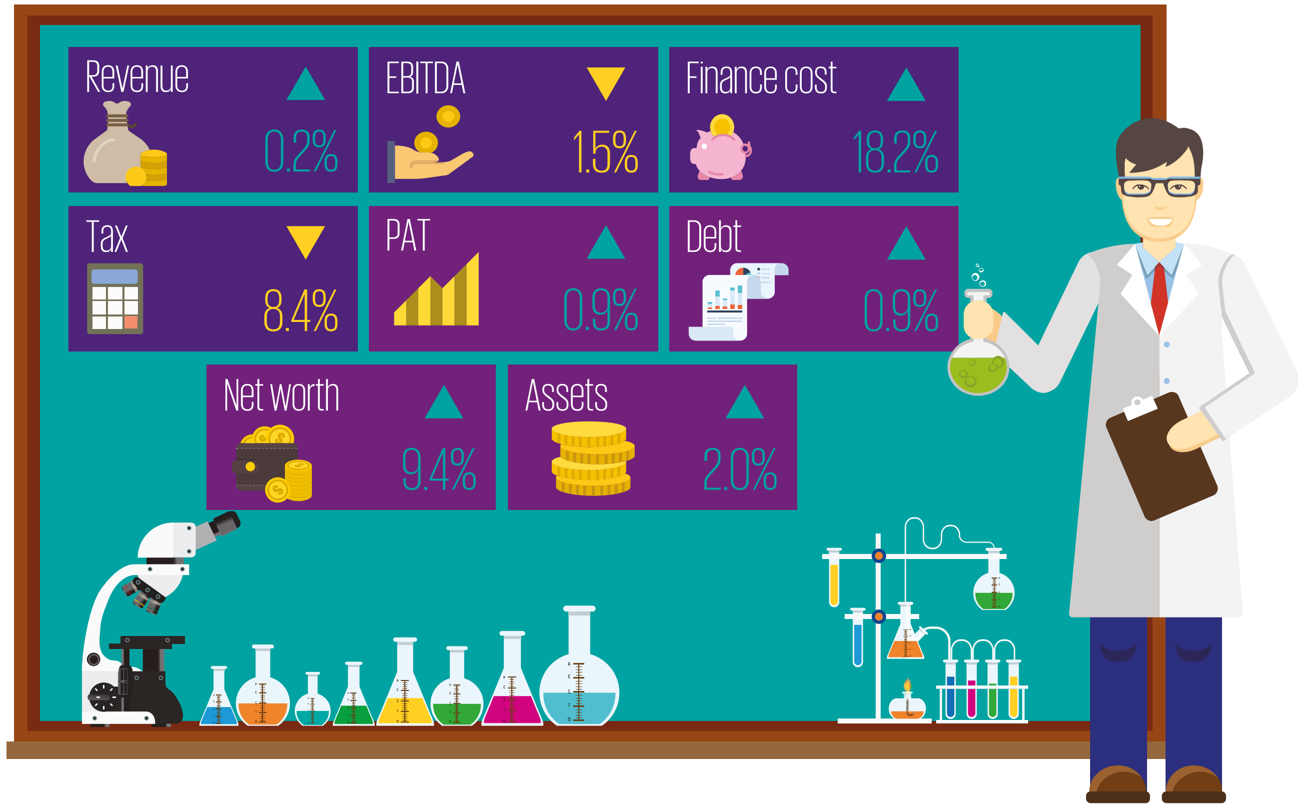
Pharmaceuticals



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in pharmaceutical sector sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 22 presents aggregated profit and net worth reconciliation for pharmaceuticals sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**15,980**	**81,178**
Revenue	-	(248)
Property, plant and equipment	37	(213)
Financial instruments	47	608
Foreign exchange fluctuation	33	-
Business combinations	(240)	(335)
Employee benefits	43	13
Income taxes	380	2,064
Proposed dividend	-	1,417
Others	(155)	130
Total adjustments	145	3,436
Amount as per Ind AS	**16,125**	**84,614**

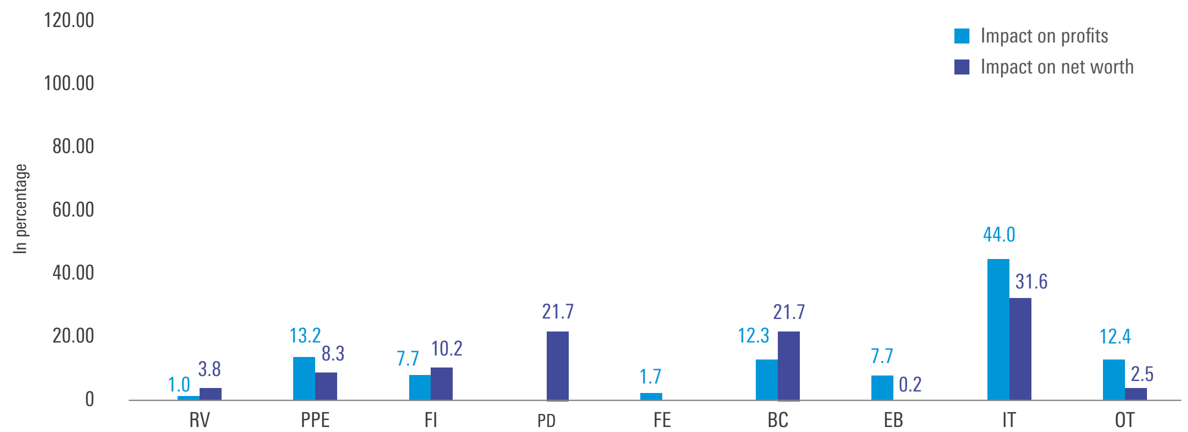
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

The results of the pharmaceutical sector are mainly affected by deferred taxes computation. This may be primarily on account of consolidation related adjustments e.g. elimination of unrealised profit on inventory transferred within the group.

While companies in this sector typically have a significant exposure to derivatives, the impact of transitioning to Ind AS has not been significant from a financial instruments perspective as certain companies were already applying principles of IFRS for reporting under AS.

Certain companies have also had adjustments due to restatement of past business combination and other consolidation related adjustments.

The chart below highlights the standard-wise impact on profit and net worth for the pharmaceuticals sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



RV - Revenue
PPE - Property, plant and equipment
FI - Financial instruments
PD - Proposed dividend
FE - Foreign exchange fluctuation
BC - Business combinations
EB - Employee benefits
IT - Income taxes
OT - Others

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

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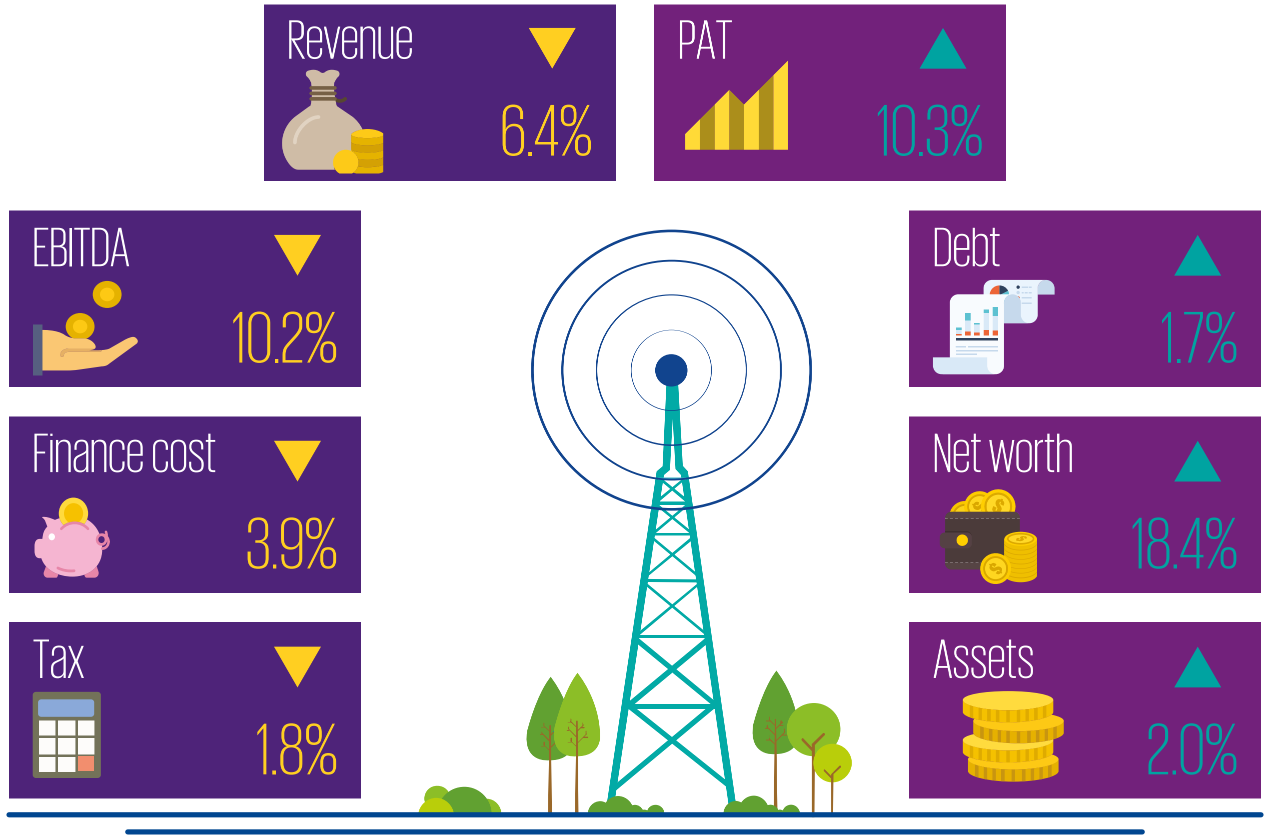
Telecom and telecom services



The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies in telecom and telecom services sector as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 23 presents aggregated profit and net worth reconciliation for telecom and telecom services sector

(Amount in INR crore)

Description	Profit	Net worth
Amount as per AS	**10,600**	**127,585**
Revenue	10	(1,636)
Property, plant and equipment	(202)	3,820
Financial instruments	(813)	(2,122)
Foreign exchange fluctuation	-	-
Business combinations	2,710	16,776
Employee benefits	(26)	581
Income taxes	(903)	(1,691)
Proposed dividend	-	1,793
Others	(882)	(2,603)
Total adjustments	(106)	14,918
Amount as per Ind AS	**10,494**	**142,503**

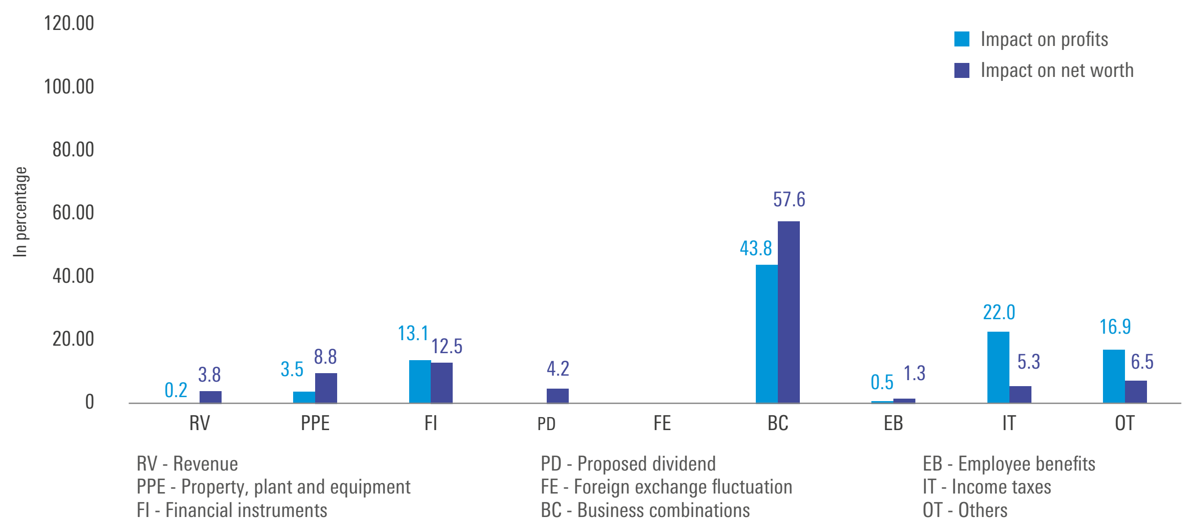
(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

One of the companies in the telecom and telecom services sector has chosen to fair value property, plant and equipment and also restate its past business combinations.

In addition, goodwill which was amortised under AS has now been reversed under Ind AS by another telecom company.

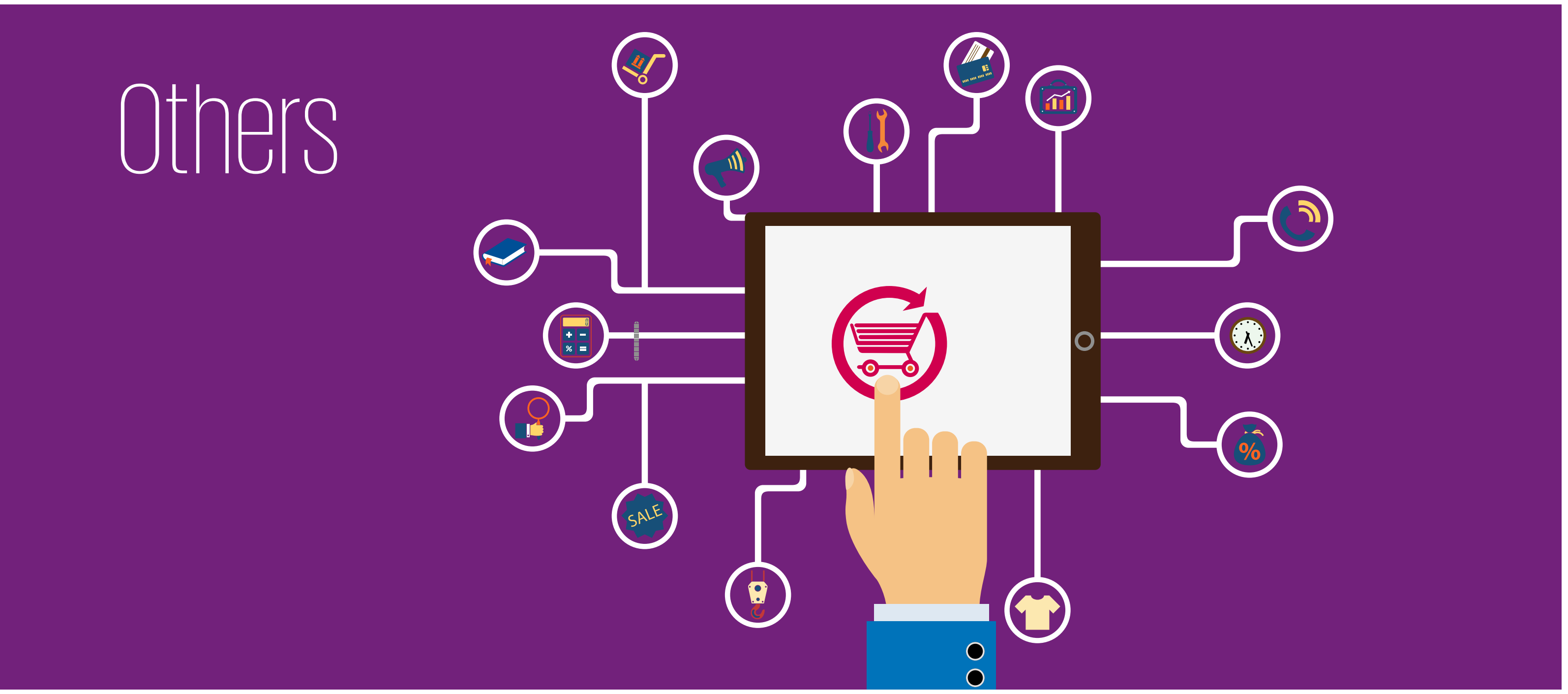
Other significant adjustments to net worth are revenue recognition related adjustments reported by one of the companies.

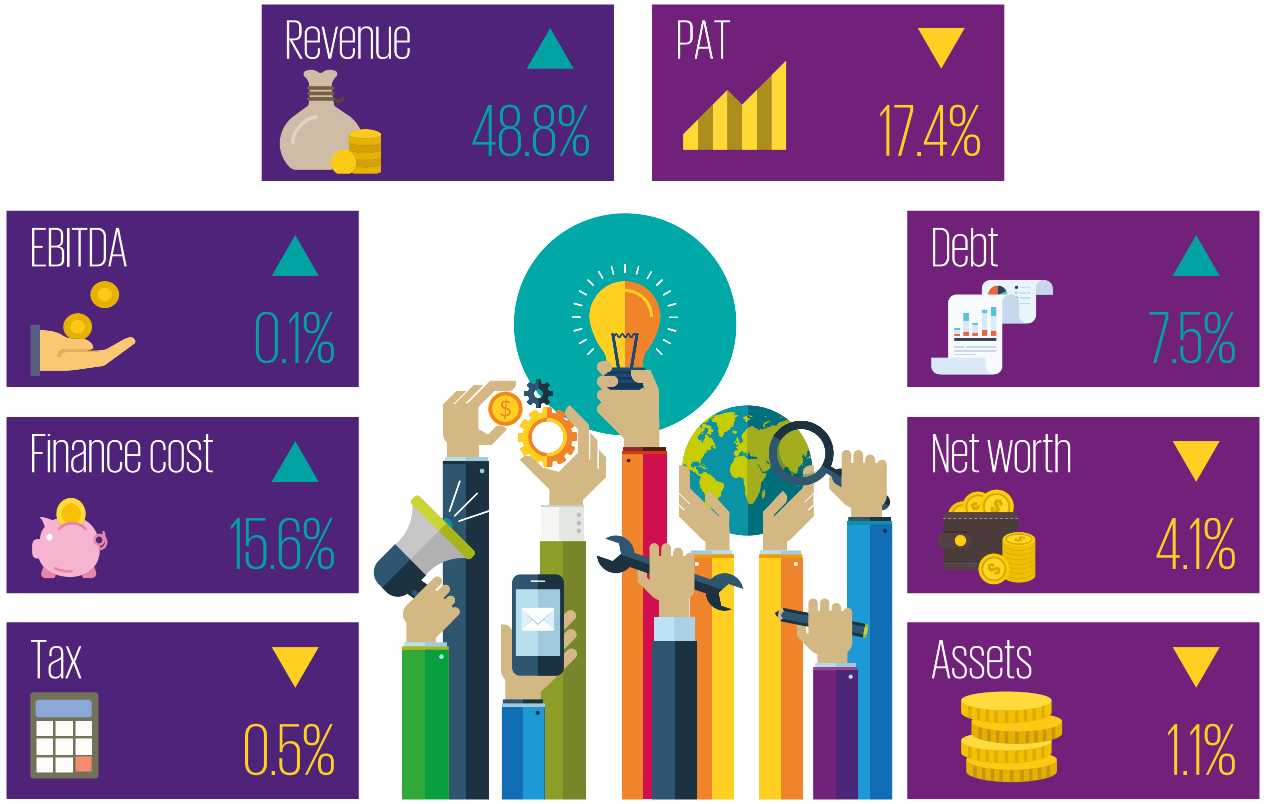
The chart below highlights the standard-wise impact on profit and net worth for the telecom and telecom services sector – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Others





The impact of the transition to Ind AS presented above is based on the reported consolidated results for companies as per AS and Ind AS for the year ended 31 March 2016.

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Table 24 presents aggregated profit and net worth reconciliation for others

(Amount in INR crore)

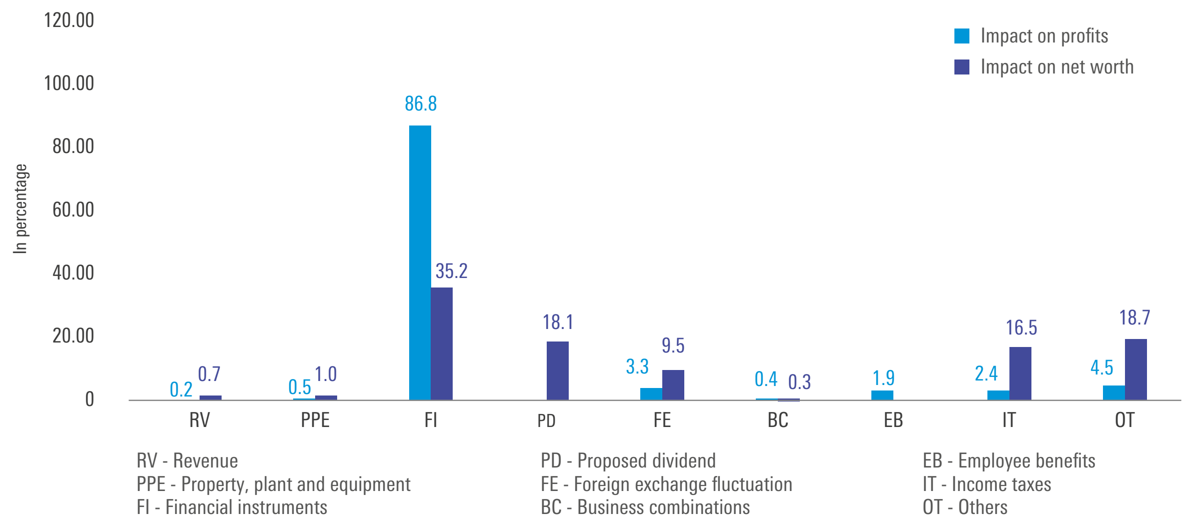
Description	Profit	Net worth
Amount as per AS	**5,848**	**24,708**
Revenue	(4)	(12)
Property, plant and equipment	7	(13)
Financial instruments	(1,044)	411
Foreign exchange fluctuation	(42)	(156)
Business combinations	3	1
Employee benefits	24	-
Income taxes	14	236
Proposed dividend	-	296
Others	57	30
Total adjustments	(985)	793
Amount as per Ind AS	**4,863**	**25,501**

(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

In general, the contribution of various standards to profit reconciliations reported by companies in this group is consistent with the overall trend. However, one company has reported a relatively large adjustment in relation to the reversal of profit on the disposal of an investment measured at fair value under Ind AS. Significant adjustments reported by companies in this section include fair value measurement of derivatives and fair value measurement of preference shares issued.

In terms of first-time adoption, one of the companies has applied the requirements of Ind AS 16 retrospectively, thereby recognising higher depreciation through retained earnings and reducing future depreciation expense.

The chart below highlights the standard-wise impact on profit and net worth for the others – determined with reference to value of adjustment in Ind AS reconciliation (on an absolute basis).



(Source: KPMG in India's analysis, 2017 based on the primary data gathered from BSE 100 companies up to 30 May 2017)

Chapter IV - Looking ahead

India's journey of convergence with IFRS was initiated in 2007 when the Institute of Chartered Accountants of India (ICAI) released a concept paper on the process of convergence with IFRS. The efforts put in by various stakeholders since then have culminated into the 31 March 2017 financial results being published by the top listed companies in India in compliance with Ind AS. It is, therefore, appropriate that all stakeholders concerned should reflect on this journey and congratulate themselves on their contribution in bringing about one of the most significant changes in financial reporting in India.

Publishing the first annual results marks almost the end of this process of convergence with many companies also having finalised the disclosures forming part of the Ind AS financial statements. The release of the annual reports would clearly mark the end of this 10 year long journey for stakeholders in the financial reporting space here in India. The second part of this publication would cover the analysis of the disclosures and exemptions chosen by the covered companies.

In hindsight, while the impacts relating to the various standards such as financial instruments, share-based payments, business combinations, consolidation, etc. all appear to have made their mark on the financial results of India Inc., what has been most telling are the choices which some of the companies made on first-time adoption and the absence of any clear explanation of the thought process or even the details of such choices so far. This is where the annual report assumes significance and it would be worthwhile to assess the level of disclosures and more importantly levels of transparency around the choices/exemptions on first-time adoption.

The end of one journey, however, marks the beginning of another new one. The covered companies would now have to gear up to deal with the new standards on the horizon such as revenue recognition, leases, etc. and it would be interesting to see how they gear up for this transition having the benefit of hindsight on their transition to Ind AS.

The treatments adopted in the first year of transition may yet further evolve especially with clarifications from the Expert Advisory Committee of the ICAI (EAC), Ind AS Transition Facilitation Group (ITFG), etc. This may become particularly tricky with the requirements to restate financial statements in relation to changes in accounting policies, errors etc.

We look forward to presenting the second part of this publication in the near future. We at KPMG in India hope that you have found this series of publications to be insightful and relevant.

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