

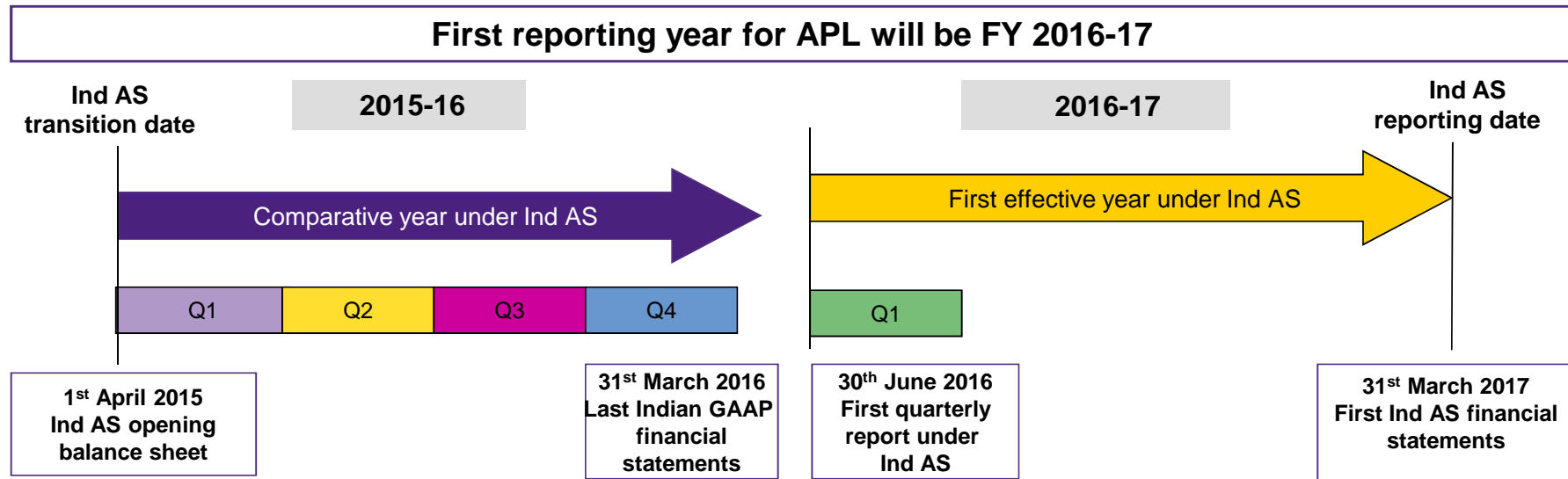
Asian Paints Limited

Transition to Indian Accounting Standards (Ind AS)



Ind AS Applicability to APL

- Ind AS are Indian Accounting Standards which are in line with globally recognized accounting standards i.e. International Financial Reporting Standards (IFRS).
- The Institute of Chartered Accountants of India (ICAI) in 2011 issued IFRS converged standards, referred to as Indian Accounting Standards or “Ind AS”.
- Ind AS is applicable to all companies whose net worth \geq Rs. 500 crores for year ended 31st March, 2017.
- This requires comparatives for year ended 31st March, 2016 and the opening balance sheet as at 1st April, 2015 (transition date) to be Ind AS compliant.



Key Impact Areas on Financials Results

(Statement of Profit and Loss and Other Comprehensive Income for the year ended 31st March, 2016)



Revenue Recognition – Ind AS 18

Accounting under Ind AS:

Excise duty is not required to be reduced from Revenue in the Statement of Profit and Loss but needs to be considered as part of expenses.

| | | For the year ended 31 st March, 2016 | | Rs. in crores |
|-------------------------|----------|---|--------------|---------------|
| Area | Impact | Standalone | Consolidated | |
| Revenue from Operations | Increase | 1533.50 | 1640.00 | |
| Expenses | Increase | 1533.50 | 1640.00 | |

| | | For the quarter ended 30 th June, 2016 | | Rs. in crores |
|-------------------------|----------|---|--------------|---------------|
| Area | Impact | Standalone | Consolidated | |
| Revenue from Operations | Increase | 391.70 | 421.86 | |
| Expenses | Increase | 391.70 | 421.86 | |

Revenue Recognition – Ind AS 18

Accounting under Ind AS:

Revenue is measured at fair value of consideration received taking into account the amount of any trade/cash discount and volume/promotional rebates given by the Company to its customers. Hence, the following are deducted from Revenue:

- Cash discounts
- Sales promotional spends towards customer

| | | For the year ended 31 st March, 2016 | | Rs. in crores |
|-------------------------|----------|---|--------------|---------------|
| Area | Impact | Standalone | Consolidated | |
| Revenue from operations | Decrease | 870.85 | 932.08 | |
| Other expenses | Decrease | 870.85 | 932.08 | |

| | | For the quarter ended 30 th June, 2016 | | Rs. in crores |
|-------------------------|----------|---|--------------|---------------|
| Area | Impact | Standalone | Consolidated | |
| Revenue from Operations | Decrease | 240.90 | 265.98 | |
| Other expenses | Decrease | 240.90 | 265.98 | |

Financial Instruments: Investments – Ind AS 109

Accounting under Ind AS:

- The Company has opted to carry its investments in subsidiaries and associate at cost.
- The Company has opted to recognize investments in non-current equity instruments at fair value, by accounting the fair value gain/loss in Other Comprehensive Income (OCI).
- Investments in certain fixed income bearing debt instruments have been recognized at fair value by accounting the fair value gain/loss in OCI.
- All other investments have been recognized at fair value by accounting the fair value gain/loss in the Statement of Profit and Loss.

| Area | Impact | For the year ended 31 st March, 2016 | |
|--|----------|---|--------------|
| | | Standalone | Consolidated |
| Other Income (Net fair valuation gain) | Increase | 24.13 | 23.17 |
| OCI (Net fair valuation loss) | Decrease | 18.98 | 18.98 |

Intangible Assets – Ind AS 38

Accounting under Ind AS:

- Goodwill is not amortised under Ind AS, but considered only for impairment testing on annual basis.
- Certain other intangible assets are considered to have indefinite useful life and hence not amortised under Ind AS. Such intangible assets are required to be tested for impairment on annual basis.

| Area | Impact | For the year ended 31 st March, 2016 | |
|---------------------------------------|----------|---|--------------|
| | | Standalone | Consolidated |
| Depreciation and amortisation expense | Decrease | 3.85 | 8.90 |

Employee Benefits – Ind AS 19

Accounting under Ind AS:

- The cost of re-measurement of the net defined benefit liability (gratuity) arising primarily due to change in actuarial assumptions is recorded in Other Comprehensive Income (OCI).
- Under the previous GAAP (Generally Accepted Accounting Principles), the same was recorded in the Statement of Profit Loss.

| Area | Impact | For the year ended 31 st March, 2016 | |
|---------------------------|-----------------------|---|--------------|
| | | Standalone | Consolidated |
| Employee benefits expense | Increase / (Decrease) | 2.63 | (0.05) |
| OCI (net of tax) | Increase / (Decrease) | 1.72 | (0.14) |

Income Taxes: Deferred Tax – Ind AS 12

Accounting under Ind AS:

Under Ind AS 12, deferred tax is recognized on difference between carrying amount of each asset/liability and its corresponding tax base. This impacts the deferred tax expense/(benefit) in the Statement of Profit and Loss.

| Area | Impact | For the year ended 31 st March, 2016 | |
|-------------|-----------------------|---|--------------|
| | | Standalone | Consolidated |
| Tax expense | Increase / (Decrease) | (0.03) | 8.89 |

Business Combinations – Ind AS 103

Accounting under Ind AS:

- The Group has elected to adopt Ind AS 103, Business Combinations with effect from 1st January, 2015. Hence, the acquisition of Kadisco Paints and Adhesive Industry Share Company in February, 2015, which was previously accounted at cost (under previous GAAP) has now been accounted at fair value under Ind AS.
- The above has resulted in recognition of fair value impact on existing assets and recognition of certain additional intangible assets which were earlier recognized as 'goodwill on consolidation' under the previous GAAP. Consequent depreciation on such fair valuation/intangible assets has been charged to the Consolidated Statement of Profit and Loss.

| Area | Impact | For the year ended 31 st March, 2016 | |
|---------------------------------------|----------|---|--------------|
| | | Standalone | Consolidated |
| Depreciation and amortisation expense | Increase | - | 4.22 |

Consolidated Financial Statements – Ind AS 110

Accounting under Ind AS:

The Group has the following two joint ventures with PPG Industries Inc., USA.

1. Asian Paints PPG Private Limited (APPPG)
2. PPG Asian Paints Private Limited (PPGAP)

Under the previous GAAP, the above joint ventures (JV) were consolidated as per the proportionate consolidation method wherein all the items of the Statement of Profit and Loss and Balance Sheet were consolidated proportionate to the Group's share in equity of the JVs.

Based on definition of 'control' under Ind AS, the accounting treatment for consolidating the above two entities is as follows:

| Entity | Previous GAAP | Ind AS |
|--------|--|---|
| APPPG | Consolidated as JV (proportionate consolidation) | Consolidated as Subsidiary (100% consolidation of all items) |
| PPGAP | Consolidated as JV (proportionate consolidation) | Accounted as Associate (only share in profits will be added to Group's profit after tax) |

The impact of the same on the below mentioned items of Consolidated Financial Results is as follows:

| Area | Impact | For the year ended 31 st March, 2016 | |
|---|--------------|---|--|
| | | Rs. in crores | |
| | | Consolidated | |
| Total Income from operations | Net Decrease | 375.92 | |
| Profit after tax and share of associate | Net Increase | 2.87 | |

Impact on all line items of Consolidated Statement of Profit and Loss is given in a separate column on page no. 14

Unaudited Financials Results under Ind AS

For the year ended 31st March, 2016



Statement of Profit & Loss (unaudited) for the year ended 31st March, 2016

Rs. in crores

| S No. | Particulars | Amounts as per Previous GAAP | Change under Ind AS | Amounts as per Ind AS |
|-----------|---|------------------------------|---------------------------|-----------------------|
| | Revenue from Operations | 12,482.30 | 662.65 | 13,144.95 |
| | Operating income | 187.23 | - | 187.23 |
| 1 | Total Income from Operations | 12,669.53 | 662.65 | 13,332.18 |
| 2 | Expenses: | | | |
| | (a) Cost of materials consumed | 5,865.94 | - | 5,865.94 |
| | (b) Purchases of stock-in-trade | 524.42 | - | 524.42 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 194.51 | - | 194.51 |
| | (d) - Excise duty | - | 1,533.50 | 1,501.85 |
| | - Excise duty on change in inventories | (31.65) | - | |
| | (e) Employee benefits expense | 664.20 | 2.63 | 666.83 |
| | (f) Depreciation and amortisation expense | 238.36 | (3.85) | 234.51 |
| | (g) Other expenses | 2,972.55 | (870.85) | 2,101.70 |
| | Total expenses | 10,428.33 | 661.43 | 11,089.76 |
| 3 | Profit from operations before other income, finance costs and exceptional items (1-2) | 2,241.20 | 1.22 | 2,242.42 |
| 4 | Other income | 225.30 | 24.13 | 249.43 |
| 5 | Profit from ordinary activities before finance costs and exceptional items (3+4) | 2,466.50 | 25.35 | 2,491.85 |
| 6 | Finance costs | 23.40 | - | 23.40 |
| 7 | Profit from ordinary activities after finance costs but before exceptional items (5-6) | 2,443.10 | 25.35 | 2,468.45 |
| 8 | Exceptional Items | 65.35 | - | 65.35 |
| 9 | Profit from ordinary activities before tax (7-8) | 2,377.75 | 25.35 | 2,403.10 |
| 10 | Tax expense | 780.32 | (0.03) | 780.29 |
| 11 | Net Profit from ordinary activities after tax (9-10) | 1,597.43 | 25.38 | 1,622.81 |
| 12 | Other Comprehensive Income (OCI) (Net of tax) | - | (17.26) | (17.26) |
| 13 | Total Comprehensive Income (11+12) | 1,597.43 | 8.12 | 1,605.55 |
| | % to Total Income from Operations | As per Previous GAAP | Increase/ Decrease | As per Ind AS |
| | Profit from operations before other income, finance costs and exceptional items | 17.69% | ↓ | 16.82% |
| | Net Profit from ordinary activities after tax | 12.61% | ↓ | 12.17% |

The above changes are explained in detail under the section 'Key Impact Areas on Financial Results'

Consolidated Statement of Profit & Loss (unaudited) for the year ended 31st March, 2016

Rs. in crores

| S No. | Particulars | Amounts as per Previous GAAP | Subsidiary / Associate Accounting adjustments | Other Changes under Ind AS | Amounts as per Ind AS |
|-----------|---|------------------------------|---|----------------------------|-----------------------|
| | Revenue from Operations | 15,354.37 | (399.59) | 707.92 | 15,662.70 |
| | Operating income | 203.42 | (13.91) | - | 189.51 |
| 1 | Total Income from Operations | 15,557.79 | (413.49) | 707.92 | 15,852.21 |
| 2 | Expenses: | | | | |
| | (a) Cost of materials consumed | 7,334.74 | (140.17) | - | 7,194.57 |
| | (b) Purchases of stock-in-trade | 723.20 | (67.68) | - | 655.52 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 202.64 | (3.03) | - | 199.61 |
| | (d) - Excise duty | - | (37.58) | 1,640.00 | 1,571.08 |
| | - Excise duty on change in inventories | (31.34) | - | - | |
| | (e) Employee benefits expense | 1,017.84 | (27.60) | (0.05) | 990.19 |
| | (f) Depreciation and amortisation expense | 287.97 | (7.74) | (4.67) | 275.56 |
| | (g) Other expenses | 3,502.09 | (97.23) | (932.08) | 2,472.78 |
| | Total expenses | 13,037.14 | (381.02) | 703.19 | 13,359.31 |
| 3 | Profit from operations before other income, finance costs and exceptional items (1-2) | 2,520.65 | (32.47) | 4.72 | 2,492.90 |
| 4 | Other income | 200.72 | (10.50) | 23.17 | 213.39 |
| 5 | Profit from ordinary activities before finance costs and exceptional items (3+4) | 2,721.37 | (42.97) | 27.89 | 2,706.29 |
| 6 | Finance costs | 40.51 | 0.15 | - | 40.66 |
| 7 | Profit from ordinary activities after finance costs but before exceptional items (5-6) | 2,680.86 | (43.12) | 27.89 | 2,665.63 |
| 8 | Exceptional Items | 52.45 | - | - | 52.45 |
| 9 | Profit from ordinary activities before tax (7-8) | 2,628.41 | (43.12) | 27.89 | 2,613.18 |
| 10 | Tax expense | 849.14 | (13.66) | 8.89 | 844.37 |
| 11 | Net Profit from ordinary activities after tax (9-10) | 1,779.27 | (29.46) | 19.00 | 1,768.81 |
| 12 | Share of profit of associates | - | 32.33 | - | 32.33 |
| 13 | Net Profit after taxes and share of profit of associates (11+12) | 1,779.27 | 2.87 | 19.00 | 1,801.14 |
| | Attributable to: | | | | |
| 13(a) | Shareholders of the Company | 1,726.21 | (0.53) | 18.10 | 1,743.78 |
| 13(b) | Non Controlling Interest | 53.06 | 3.40 | 0.90 | 57.36 |
| 14 | Other Comprehensive Income (OCI) (Net of tax) | - | 0.53 | (25.04) | (24.51) |
| 15 | Total Comprehensive Income (11+12) | 1,779.27 | 3.40 | (6.04) | 1,776.63 |
| | Attributable to: | | | | |
| 15(a) | Shareholders of the Company | 1,726.21 | - | 0.76 | 1,726.97 |
| 15(b) | Non Controlling Interest | 53.06 | 3.40 | (6.80) | 49.66 |

The above changes are explained in detail under the section 'Key Impact Areas on Financial Results'

Disclaimer

This presentation is intended to provide information on the key impacts of transition to Ind AS on the Company's reported net profit. The information presented herein includes the Ind AS compliant financial results (unaudited) based on the principles / interpretations and regulations known to date and may be affected by changes to Ind AS or the interpretation thereof published / notified hereafter. This presentation does not incorporate the disclosures as per SEBI circular CIR/CFD/CMD/15/2015 dated November 30, 2015 as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

THANK YOU

