Assurance EYe

Quarterly publication

July 2023

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The Journey to IPO

Road to IPO: fulfilling a dream and a new beginning?

Ask an entrepreneur on the podium of an IPO listing ceremony, how are you feeling? and the words 'a dream come true', 'a lifetime achievement', will echo around. It is a monumental journey for most. It is also a step into a realm of new possibilities, welcoming a large family of new shareholders and the continuation of a vision, with increased responsibility and public-market scrutiny to deliver value.

First and foremost, a decision to go public is to be carefully evaluated. There is a lot at stake when a company decides to go public, hence when companies choose to go for an IPO, they must ensure that they have the right maturity and looked at the scenario with a different lens - use of proceeds, the scale of operations, infrastructure, proper governance and the ability to employ raised capital efficiently. Selecting the right market for listing is crucial in an IPO journey. Each market has specific requirements (though overlapping on many fronts) and a company's market presence and recognition in those markets is another key ingredient.

The preparation for an IPO journey is akin to devising a strategic plan, where all vital stakeholders must align and collaborate. Just as in any well-coordinated endeavor, a company embarking on an IPO must ensure synchronization among its stakeholders. Just as expertise is showcased by a skilled individual, a company demonstrates its financial strength to attract investors. The seamless integration of all elements, similar to a successful collective effort, is crucial for a successful IPO process.

Market Landscape and Trends

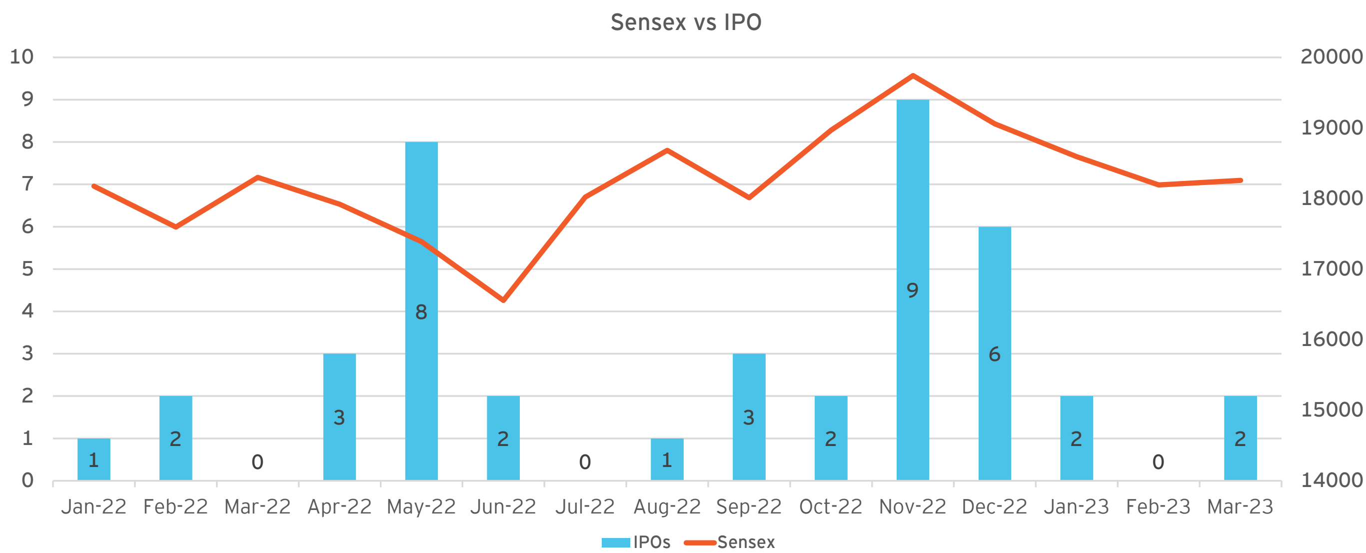
In Q1 2023, there were four IPOs in the main markets, marking an increase from three in Q1 2022. However, the proceeds raised through the main markets experienced an 89% decline compared to the previous year, totaling only US$107 million. Despite the decline in proceeds, the number of deals witnessed a commendable 33% surge. Consumer Products and Retail, Diversified Industrial Products, Banking and Capital Markets, and Technology dominated the IPO landscape in 2022, showcasing their prominence.

The primary market in the early few months of 2023 has witnessed subdued activity. But companies are seizing this opportunity to fortify themselves for a powerful IPO launch in the coming year.

News with lag

Degree of preparation and timing are both keys. It needs to be appreciated that companies require about 12-18 months, if not more, of preparation. It can take 9 to 12 months from an IPO kick-off to launch. There is significant under-current preparation that may not be visible to the eyes in the newspaper, but there is movement towards company intending to launch its public offering prior to general elections next year.

The IPO market's current trend resembles early 2022, where the performance of the secondary market influences IPO listings. IPO activity in 2022 saw significant growth during periods of high Sensex levels, especially in November. In addition, timing matters - companies tend to appear to launch their IPOs based on full-year March results or half-yearly September performance, as reflected by higher activity during May and November-December in the chart below:



Recent IPO experiences suggest a timeframe of 9-12 months, with SEBI approval averaging 3-4 months. Market volatility prompts companies to adjust IPO sizes, and preparation can take over 9 months.

In 2022, over 45 Companies filed their Draft Red Herring Prospectuses (DRHPs), with some successfully raising funds through IPOs. However, several companies withdrew their filings or had their offer documents returned by SEBI due to market conditions or regulatory compliance issues. Full compliance is essential before filing to meet regulatory requirements.

Although the flurry of technology IPOs have halted, in the broader context, India continues to remain a viable destination for companies to list. Standing as a testament to this, is the evolving presence of New Age Technology Companies (NATCs) in the Dow Jones Industrial average (or simply, the Dow), an index of 30 prominent companies listed on stock exchanges in the United States. In the past 60 years, NATCs have seen a consistent growth in their inclusion in the index from accounting for 0% of the index in 1959 to 10% in 1982, to 16.67% in 2003 and to 20% in 2022. This trend clearly places NATCs at a prominent place as the global economy develops and the Indian economy may move similarly.

The growth of this market sector is ever more crucial for a country like India which is taking rapid strides towards a developed and self-sufficient economy by creating employment opportunities and a wider social impact. While India has just taken a step into this market, the global economy has already seen the rise of NATCs and the enormous benefits that they bring with them.

Recent regulatory developments: The Securities and Exchange Board of India (SEBI) has introduced key amendments to enhance regulatory disclosures prescribed in Issue of Capital and Disclosure Requirements) Regulations, 2018, ('ICDR Regulations'). ICAI has also issued a Technical Guide on Disclosure and Reporting of Key Performance Indicators (KPIs) in Offer Documents. Key requirements included in the ICDR Regulations and the Technical Guide are as follows:

a) Historical Key Performance Indicators Disclosure as required by the ICDR Regulations: Where KPIs have been disclosed in an Offer Document, SEBI has mandated comprehensive disclosures. These disclosures are required for a period which is co-terminus with the period for which the restated financial information is disclosed. KPIs disclosed are required to be certified by statutory auditor(s) or Chartered Accountants or firm of Chartered Accountants or Auditor or Cost Accountants (holding a valid peer review certificate from the respective Board) and approved by the Audit Committee. As per the Technical Guide - apart from the Audit Committee approval, the KPI disclosure may also be approved by the Board of Directors. Companies should provide comparisons with India-listed or globally-listed peer companies. In cases where direct comparisons are not feasible, explanatory notes should be included. Additionally, Companies are required to disclose changes in KPIs over time due to business additions or dispositions. Annual disclosure of KPIs is obligatory for a minimum of one year after listing or until all issue proceeds have been utilized, whichever is later.

b) Independent directors' Committee Recommendation on Price Band: An independent directors' committee of the issuer is tasked with evaluating the justification of the proposed price band based on quantitative factors and KPIs compared to the Weighted Average Cost of Acquisition (WACA).

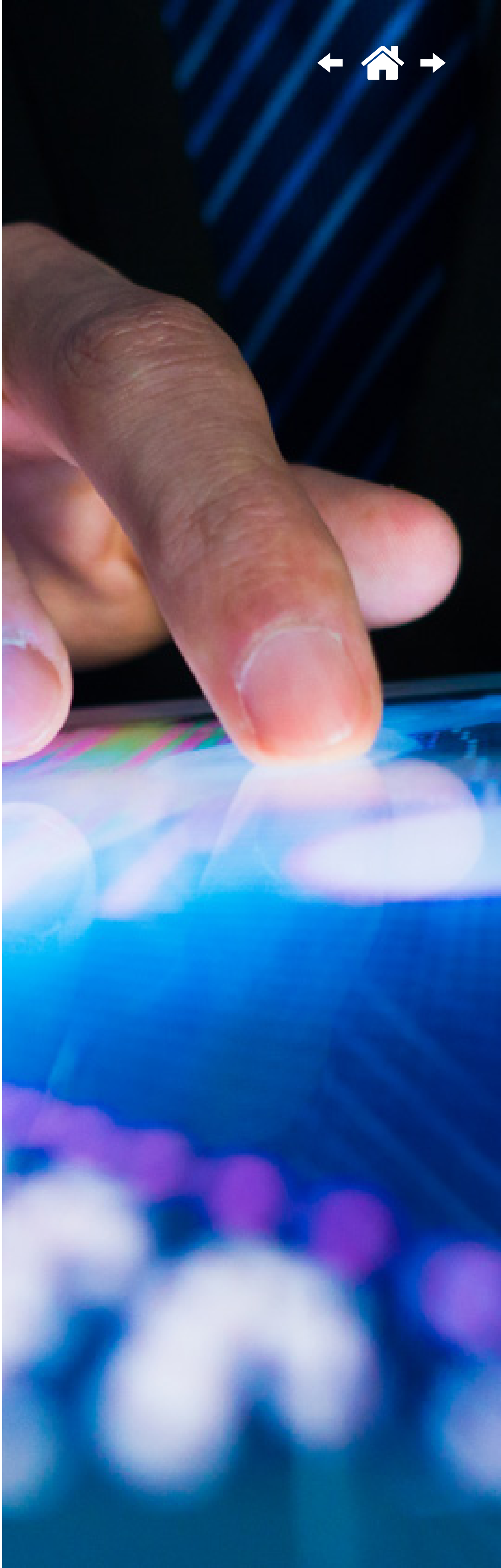
In addition to the above, additional changes are expected. Companies must remain vigilant about meeting the demanding standards for listing and operating as a publicly traded entity.

One key area where SEBI on 20 May 2023 brought out a consultation paper proposing the reduction of timeline for listing of shares in public issue from the existing T+6 days to T+3 days. SEBI in its Board Meeting dated 28 June 2023 has approved the proposal for reducing the time period for listing of shares in public issue from existing 6 days to 3 days, from the date of issue closure. The revised timeline of T+3 days shall be made applicable in two phases i.e. voluntary for all public issues opening on or after 1 September 2023 and mandatory on or after 1 December 2023.

The shortened timelines aim to benefit both issuers and investors. Issuers will gain faster access to raised capital, while investors will have the opportunity for early credit. This will particularly aid qualified institutional buyers, reduce costs, and expand the reach of retail investors. Furthermore, it will mitigate investor exposure to market volatility. Setting up a detailed project plan with inputs from various stakeholders, both internal and external to the company, will allow companies to approach the IPO journey in a structured manner. Factors such as business model (scale & Total Addressable Market), compelling equity story, capital structure, quality of the board of directors (established well in-advance of a planned IPO) and governance (not approaching as a simple checklist), restated financial statements and establishing the right listed-company ready operations/ controls, are some of the typical long lead items. Companies with higher standards of governance, better financial positioning and preparation are the companies that will find it easier to list and be ready to tap the markets at the right time.

Preparation of restated financial statements for 3 years and relevant stub period can be time consuming and often a cause for delay in filings. Availability of data and system reports to fulfil this requirement in a timely manner requires early planning. Similarly, as referred to above, financial and non-financial information such as KPI (including financial, operating and non-GAAP financial measures) need to correlate to the overall equity strategy of the company and how this compares to peers. In addition, the practice of ESG disclosure is gaining prominence with comparison to international benchmarks and ratings, with many large investment houses seeking such information before making investment decisions.

Overall, successful companies look at the longer-term horizon in treating IPO not as a monetizing event but as to springboard to more milestones and greater success. Importantly, it is cohesively bringing all factors together.



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Key Amendments to Indian Accounting Standards - An Overview

The Ministry of Corporate Affairs (MCA) on 31st March 2023 notified the Companies (Indian Accounting Standards) Amendment Rules, 2023, whereby certain important changes have been made to Indian Accounting Standards (Ind AS). All these changes are applicable from annual reporting periods beginning on or after 1 April 2023. We expect that some of these changes will require companies to re-evaluate the accounting currently followed and incorporate consequential impact carefully. In this article, we provide an overview of key changes and their likely impact.

Amendments to Ind AS 12 Income Taxes

Ind AS 12 Income Taxes prescribes accounting treatment for income taxes. It requires an entity to recognize a deferred tax liability or (subject to specified conditions) a deferred tax asset for all temporary differences between carrying amount of an asset or liability and its tax base, with very few exceptions. One such exception from recognition of deferred tax asset or liability relates to temporary differences arising on the initial recognition of an asset or a liability in a transaction which is not a business combination. The exception is generally referred to as the 'initial recognition exception', sometimes abbreviated to 'IRE'. The example below explains the rationale for the IRE.

Example: Rationale for initial recognition exception

An entity acquires an asset for INR1,000 which it intends to use for five years and then scrap (i.e., the residual value is nil). The tax rate is 40%. Depreciation of the asset is not deductible for tax purposes. On disposal, any capital gain would not be taxable, and any capital loss would not be deductible.

Although the asset is non-deductible, its recovery has tax consequences, since it will be recovered out of taxable income of INR1,000 on which tax of INR400 will be paid. The tax base of the asset is therefore zero, and a temporary difference of INR1,000 arises on initial recognition of the asset.

Absent the IRE, the entity would recognize a deferred tax liability of INR400 on initial recognition of the asset. A debit entry would then be required to balance the credit for the liability.

One possibility might be to recognize tax expense of INR400 immediately in the statement of profit and loss. One may argue that this is meaningless since the entity has clearly not suffered a loss simply by purchasing a non-deductible asset in an arm's length transaction for a price that (economically) must reflect the asset's non-deductibility.

A second possibility will be to gross up the asset amount to appropriately reflect the deferred tax amount using a mathematical formula. Therefore, the cost of an equivalent fully deductible asset would, all else being equal, be INR1,667. On this analysis, the entity would gross up the asset to INR1,667 and recognize deferred tax liability of INR667 (INR1,667 @ 40%).

To avoid such anomalies, Ind AS 12 does not allow the entity to recognize resulting deferred tax liability or asset, either on initial recognition or subsequent changes therein.

In practice, there was a divergence in the treatment of deferred tax balances relating to transactions which – at the time of the transaction – gave rise to equal and offsetting temporary differences (e.g., leases). To illustrate, consider that an entity has entered into a leasing transaction. Under Ind AS 116 Leases, it recognizes a right-of-use asset (lease asset) and a lease liability at the commencement date of a lease. Under the Income-tax Act, the entity will- be eligible for tax deductions only when it makes lease payments. In such cases, apparently, the following two views were prevalent:

a) Apply the IRE separately to both the asset and liability. Thus, no deferred tax asset or liability is recognized, and tax impacts get recognized in P&L in the period they are incurred.

b) Consider the asset and liability together – as part of an "integrally-linked" transaction for deferred tax purposes. The consequence is that no IRE applies, and deferred taxes are recognized.

A similar situation can arise in many other cases also, for example:

a) Decommissioning/ restoration obligations are recognized upfront and capitalised as the cost of the asset. Under the Income-tax Act, the entity will be allowed to deduction only on payment basis.

b) The parent has given an interest-free loan to its subsidiary. In accordance with Ind AS 109 Financial Instruments, it recognizes loan on day 1 at fair value, i.e., discounted amount. The difference between the fair value of the loan and the amount paid is treated as an additional investment in the subsidiary. However, the Income-tax Act does not recognize such fair value and additional investment accounting.

The amendments narrow the scope of the IRE such that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendment, however, does not change the fact that the IRE applies only to temporary differences arising on initial recognition of an asset or liability. It does not apply to new temporary differences that arise on the same asset or liability after initial recognition. When the exception has been applied to the temporary difference arising on initial recognition of an asset or liability, and there is a different temporary difference associated with that asset or liability at a subsequent date, it is necessary to analyse the temporary difference at that date between:

- Any amount relating to the original temporary difference (on which no deferred tax is recognized, and
- The remainder, which has implicitly arisen after the initial recognition of the asset or liability (on which deferred tax is recognized)

When the deferred tax asset and deferred tax liability are not equal

The amendment requires entities to recognize a separate deferred tax asset (DTA) and deferred tax liability (DTL) when the temporary differences arising on the initial recognition of an asset and liability are equal. Nevertheless, it is possible that those DTAs and DTLs are not equal, for example, because:

- An entity may recognize a deferred tax liability, but is unable to recognize an equal and offsetting deferred tax asset if it is unable to benefit from the tax deductions, or
- Different tax rates may apply to the taxable and deductible temporary differences

In the above scenarios, which are expected to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in the statement of profit and loss immediately.

Transition and effective date

An entity should apply the amendments for annual reporting periods beginning on or after 1 April 2023. An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also:

- Recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities,
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset, and
- Recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendment limits the use of the initial recognition exemption. This is likely to improve comparability and provide more relevant information to the users of financial statements about the tax consequences of relevant transactions. The amendments could, in a few cases, lead to the recognition of unequal amounts of deferred tax assets and liabilities, despite the gross deductible and taxable temporary differences being equal. In such cases, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

Amendments to Ind AS 1 Presentation of Financial Statements

The amendment replaces the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. It also provides guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Whilst there was no definition of the term 'significant' in Ind AS, 'material' is a defined term in Ind AS and is widely understood by the users of financial statements. Material accounting policy information is defined as follows in Ind AS 1 "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements."

The amendments also clarify that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Given below are some examples of circumstances in which an entity is likely to consider accounting policy information to be material.

Circumstance	Example
A change of accounting policy results in a material change to the information in the financial statements	The application of Ind As 116 Leases, in the initial year of application, results in the recognition of ROU asset and a lease liability for material amounts vis-à-vis operating lease accounting under the earlier Ind AS.
A choice of accounting policy is permitted by Ind ASs	Ind AS 27 Separate Financial Statements gives the entities an option to account for investments in subsidiaries, joint ventures, and associates either at cost or in accordance with Ind AS 109 Financial Instruments.
An entity develops an accounting policy in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors in the absence of an Ind AS that specifically applies.	Transactions involving contingent consideration are often very complex and payment is dependent on a number of factors. In the absence of specific guidance in Ind AS 38 Intangible Assets, entities should develop an appropriate accounting treatment based on other accounting principles and requirements.
Application of accounting policy requires significant judgements or assumptions.	Significant judgement is involved in determining the lease term of contracts with renewal and termination options.
It is difficult to understand material transactions, other events, or conditions because they require complex accounting, e.g., when more than one Ind AS is applied.	Accounting for complex financial instruments like compound financial instruments involving equity component and derivative.

Immaterial accounting policies

The amendments to Ind AS 1 also clarify that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information, for example, by giving the immaterial accounting policy information more prominence.

Under the amendments, it may be argued that, although a transaction, other events, or condition to which the accounting policy information relates may be material, it does not necessarily mean that the corresponding accounting policy information is material to the entity's financial statements. On the other hand, the amended Ind AS 1 highlights that other disclosures required by Ind AS may be material despite the corresponding accounting policy information being immaterial. For example, if an entity determines that accounting policy information for income taxes is immaterial to its financial statements, other disclosures required by Ind AS 12 Income Taxes may still be material.

How we see it

The replacement of 'significant' with 'material' accounting policy information in Ind AS 1 and the corresponding new guidance in Ind AS 1 may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires greater use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

The use of boilerplate disclosures for accounting policy information has been observed in practice. Entities should carefully consider whether "standardized information, or information that only duplicates or summarizes the requirements of the Ind AS" is material information and, if not, whether it should be removed from the accounting policies disclosures or given lower prominence to enhance the usefulness of the financial statements.

Amendments to Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The current version of Ind AS 8 does not provide a definition of accounting estimates. Accounting policies, however, are defined. Furthermore, the standard defines the concept of a "change in accounting estimates". A mixture of a definition of one item with a definition of changes in another has resulted in difficulty in drawing the distinction between accounting policies and accounting estimates in many instances. In the amended standard, accounting estimates are now defined as, "monetary amounts in financial statements that are subject to measurement uncertainty".

To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of Ind AS 8 has been amended to state that: "An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy". Accounting estimates typically involve the use of judgements or assumptions based on the latest available reliable information.

We expect that these amendments should provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the differentiation between accounting estimates and accounting policies. We would not expect the amendments to have a material impact on entities' financial statements. However, we expect that the amendments will provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

3

BRSR - SEBI Framework of Sustainability Reporting

Since the evolution of the era of industrialization, humans are at the forefront in exploiting the nature. The consequences of the actions of the past can easily be felt in the present and have led people to think and take action on saving the already degraded environment from future exploitation. Living up to one's commitments to sustainability and combating climate change is an urgent necessity for businesses and individuals alike. Recently, in May 2023, G7 leaders at a summit in Hiroshima, Japan, reiterated their commitment to the Paris Agreement's goal of limiting global temperature rise to 1.5°C. The International Sustainability Board has published first two standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, in June 2023.

Globally, disclosure regulations have advanced, holding businesses accountable for recognizing their environmental, social, and governance (ESG) obligations. In response to these international changes, the Securities and Exchange Board of India (SEBI) has announced guidelines for the top 1,000 listed entities (by market capitalization) to disclose their sustainability performance data and information from FY 2022-23 in Business Responsibility and Sustainability Report (BRSR) as part of its efforts to integrate sustainability considerations while making business decisions and sharing the same with their stakeholders. The goal of the new reporting format is to create connections between an organisation's financial performance and its sustainability performance. These disclosures are based on the principles covered in the National Guidelines on Responsible Business Conduct (NGRBC) issued by the Ministry of Corporate Affairs in 2019 which itself emanates from the UN Sustainable Development Goals. SEBI has also issued a [1]circular prescribing a format for BRSR disclosures and a Guidance Note on key aspects of BRSR.

Overview of BRSR disclosures

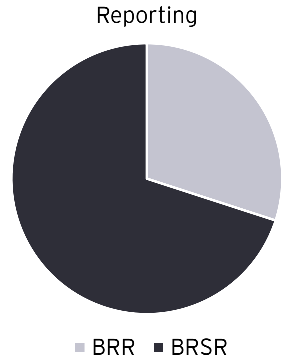
The BRSR disclosures are segregated into the following three different sections:

1. ***Section A: General Disclosures***
   Information relating to the listed entity like products/ services offered, operations, markets served by the entity, CSR details, etc. needs to be disclosed.
2. ***Section B: Management and Process Disclosures***
   This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.
3. ***Section C: Principle-Wise Performance Disclosures***
   This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions.

There are nine principles under which an entity needs to provide 'Essential' and 'Leadership' disclosures. Essential indicators need to be provided mandatorily and Leadership indicators are voluntary in nature.

We have analysed top 20 listed entities on National Stock Exchange (NSE) (by market capitalization as on 31 March 2023) which voluntarily presented the information relating to BRSR in FY 2021-22 to understand the emerging practices in disclosing the information under BRSR.

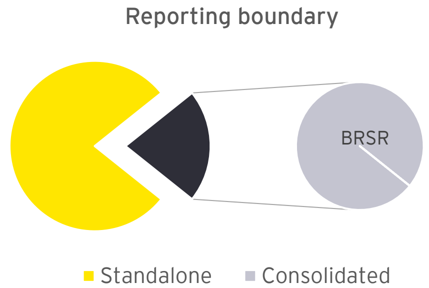
1 Reporting under BRSR



Voluntary disclosure of BRSR by 14 of the top 20 (i.e.70%) selected listed companies highlights the need for sustainability-related disclosures.

2 Reporting boundary

Entities are required to specifically state the reporting boundary in BRSR – i.e. whether the company has provided the disclosures on a standalone basis or a consolidated basis.



We noted that 11 out of 14 entities which have presented BRSR have disclosed information on a standalone basis. Within these 11 companies, included are 2 companies which have presented some information for a few of their affiliates in addition to the standalone entity-level information.

Remaining companies have also considered information pertaining to their global operations/ subsidiaries while disclosing information under BRSR.

1 https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html

3 Essential indicators and Leadership indicators

With respect to disclosures pertaining to section C wherein the companies need to provide principle-wise disclosures, all 14 companies have disclosed both essential as well as leadership indicators. The table highlights the proportion of companies that have disclosed all essential and leadership indicators:

All essential indicators are disclosed	Some essential indicators are disclosed
12	2

All leadership indicators are disclosed	Some leadership indicators are disclosed
6	8

4 Assurance of selected non-financial disclosures in BRSR

Assurance of BRSR was not mandatory till 2023. 13 Companies out of 14 (i.e. 93%), have specifically disclosed that the sustainability report or integrated report has been subject to assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (issued by International Auditing and Assurance Standards Board (IAASB)) / AA1000 Assurance Standard v3 issued by Accountability Standards Board. Some of the non-financial disclosures/ metrics disclosed in the BRSR also form part of such integrated reports. The table below highlights the number of companies whose sustainability report/ integrated report has been assured at a reasonable level or at limited level:

No assurance	Assurance at reasonable level	Assurance at limited level	Level of assurance not disclosed
1	2*	10*	2
**1 company is added to both assurance at reasonable level and assurance at limited level since the assurance provider provided reasonable assurance on Green House Gas Statements in accordance with ISAE 3410 and limited assurance as per ISAE 3000 (revised) on selected non-financial sustainability disclosures*			

It is to be noted that only 9 companies have included the assurance statement issued by an independent third party in their annual report.

Practical considerations in implementing the BRSR disclosures

Companies may consider the following while implementing the BRSR:

1. ***Reporting boundary – whether at standalone level or consolidated level?***

   The SEBI circular which mandated the disclosures in BRSR also provides a Guidance Note detailing out the guidance with respect to disclosure under BRSR. The guidance note gives an option to entities to either present the information in BRSR at the standalone entity level or at the consolidated level (i.e. for the standalone entity and for all the entities which form a part of its consolidated financial statements, taken together.) Companies disclosing information on a hybrid basis – some information on a standalone and some on a consolidated basis – may be questionable and draw unwanted attention from stakeholders. Such an approach would lead to incongruence and non-comparability of disclosures by the companies.

2. ***Lack of sectoral guidance on BRSR***

   The uniformity of questions across all sectors has been challenging for companies. The Companies believed that a detailed sectoral guidance would have been more relevant to reflect sustainability matters that are specific to each sector.

3. ***Adequacy of internal controls***

   BRSR disclosures would require companies to establish a comprehensive data management system as these disclosures can involve information which does not form part of financial reporting and relate to operational data.

   Adequate internal controls over the processes, systems and information produced by the company for disclosures in the BRSR would require a significant investment of resources. Unless robust controls are established the underlying data might be susceptible to errors. Lack of adequate skill set/ persons having sufficient knowledge could further accentuate issues with respect to sufficiency, adequacy, reliability, appropriateness, and correctness of the information. Unreliable and inaccurate information results in higher chances of unintentional errors and intentional 'green washing' incidents considering reasonable assurance are mandatory for top 150 listed companies (by market cap) from FY 2023-24.

4. Silo approach

BRSR disclosures encompass financial reporting (for example, financial information pertaining to CSR, products/ services (accounting for 90% of entity's turnover), contribution of exports, etc.) and include other matters as well – thereby requiring collaboration within departments to populate the information. Departments such as Finance, HR, IT, etc would need to feed relevant information to the team primarily responsible for the BRSR disclosures. Departments working in silos would need to closely collaborate and work towards achieving a common objective.

5. Lack of clarity on certain aspects in the guidance note

It is to be noted that the guidance has been given for some selected disclosure pointers only. Lack of guidance/clarity may lead to misinterpretations of the real ask and, hence misreporting. This could become one of the reasons for non-comparability of BRSR disclosures disclosed by different companies in the same sector. For example, the one pertaining to accessibility of premises/ offices to differently-abled employees and workers as per the requirements of the Rights to Persons with Disabilities Act, 2016. These are very subjective disclosures as even an elevator in the premises could be disclosed as serving the purpose.

Mitigating measures

For effective and efficient implementation of the disclosure requirements under BRSR, companies need to adequately address the issues and challenges they may face, some of which are mentioned above. Some steps which the management can adopt to suffice the purpose are listed below:

1 Allocating responsibility

Formation of Board level ESG Committee and core team with representations from various verticals of the entity to ensure compliance with BRSR.

2 Data coordination

Implementing an adequate system of coordination between different functional departments to curb data management issues. One way could be digitizing the relevant information which could be accessed by the relevant people from anywhere.

3 Developing detailed SOPs and KPIs

Management needs to prepare detailed SOPs and KPIs in relation to the non-financial disclosures being asked under BRSR to ensure consistency with the financial information presented in the annual report.

4 Consider sector specific guides basic aspects

To help the listed entities in understanding the disclosure requirements and concepts associated with BRSR, National Stock Exchange of India, in association with Stakeholder Empowerment Services, has conceptualised 38 sector specific integrated guides to the BRSR format. These comprehensive guides provide detailed explanation of each parameter in the format and the objective for such disclosures, along with an elaborate guidance on how to measure and report such parameters. To access these Guides – ***click here.*** These Guides provide guidance on certain basic aspects of reporting. However, a detailed guidance on various sectoral aspect would be necessary for effective implementation.

5 Assess risk and implement adequate internal controls

It is indispensable for the companies, to assess and analyze the underlying risks and appropriately design and implement sufficient and adequate internal controls over the processes, systems and information produced by them to ensure reliable, complete and accurate data. For example, controls to ensure uniformity of disclosures between financial statements and BRSR, controls to ensure that information produced by the entity is complete and accurate, etc. Periodic internal audits to ensure that adequate internal controls are being designed and implemented can add to information credibility.

6 Independent assurance

Independent assurance on the BRSR information would certainly enhance the reliability of BRSR information. It might also be noted that SEBI in its Board Meeting dated 29 March 2023 has decided to mandate reasonable assurance of BRSR Core (a limited set of sustainability related disclosures) for top 150 listed entities (by market capitalization) starting from FY 2023-24. The mandate to provide reasonable assurance will be extended to top 1000 listed entities by FY 2026-27. Further, SEBI has also decided to introduce ESG disclosures and assurance (BRSR Core only) for the value chain of listed entities, with certain thresholds that shall be specified.

In light of the above SEBI has amended the provisions of the Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 where it mandates the assurance of BRSR Core of the listed entities and their value chain. The manner of disclosures, inclusions in the value chain and clarity on assurance provider would be further notified by SEBI through separate circular(s). The amendment also highlights the voluntary compliance by other listed entities including entities listed on SME Exchange. Taking these amendments into consideration, companies should focus on the readiness for independent assurance. The first step towards a reasonable assurance is to have adequate internal controls over the relevant processes and systems to ensure reliable information is provided to the assurance provider. The ICAI has also issued Standard on Sustainability Assurance Engagements ('SSAE') 3000 "Assurance Engagements on Sustainability Information" The effective date of application of SSAE 3000 on voluntary basis for assurance reports covering periods ending on 31 March 2023 and on mandatory basis for assurance reports covering periods ending on or after 31 March 2024.

4

Key considerations for issuing ESOPs to Promoters

Employee Stock Options (ESOPs) have been one of the tools for rewarding employees. It has been used by many companies including start-ups for employee retention as well as enabling employees to share in the value growth of the organization like an equity shareholder. Issue of ESOPs is governed by the provisions of section 62 of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014 ("Companies Rules 2014"). Further, if a Company is listed, the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 also apply.

Issue of ESOPs to Promoters or Promoter Group has always been discouraged by corporate law. Corporate law does not permit issue of ESOPs to promoters/promoter group or directors who directly or through their relatives hold more than 10% of the outstanding shares of the company. Probably the intention has been that ESOPs are intended to compensate genuine employees of the company and are not intended to be issued to promoters in the garb of employees.

However, the Companies Act contains an exception through a proviso to Rule 12 of Companies Rules 2014, which is very significant and which has its implications. The Proviso states that the said limitation does not apply to a start-up company defined as per notification no GSR 180(E), dated February 17, 2016 issued by the Department of Industrial Policy and Promotion. As per the notification subsequently amended on February 19, 2019, a company is considered as start-up which (a) has requisite registration with the regulatory authorities; (b) it is not more than 10 years old from the date of its incorporation or registration; (c) turnover of the entity does not exceed Rs 100 crores; and (d) it is engaged in innovation, employment generation etc.

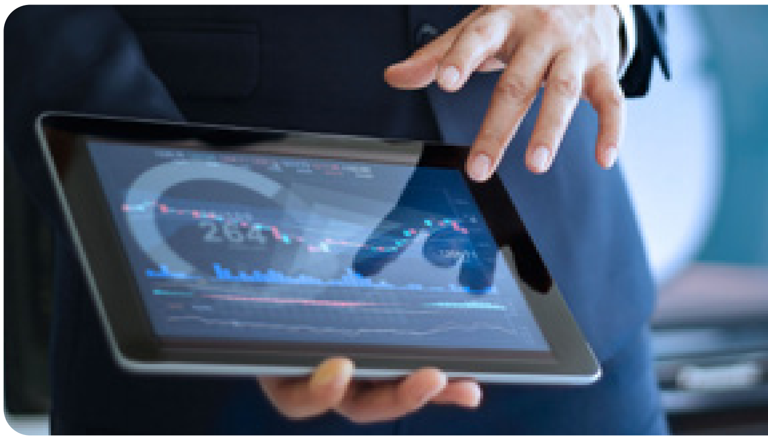
This exception of the Companies Act creates a few dichotomies as well as requires to factor-in various considerations, a few of which are discussed below:

1 ESOPs given to promoters at significant discount to fair value and subsequently turnover increases beyond INR100 crores

The rules define a start-up as an entity satisfying multiple conditions important of which are that it is a start-up for 10 years from its incorporation and turnover is <100 crores. For example, if a promoter is granted an ESOP at face value of INR10 and fair value is INR100 vesting over 10 years (1000 ESOPS vesting per year). Let us say in year 4, the turnover touches INR120 crore and hence it does not remain a start-up by definition. By the end of year 3, 3000 ESOPs have got vested. It is unclear whether the balance 7000 ESOPs can continue to vest on the grounds that they were granted when the entity fulfilled the definition of start-up (view 1) or they get cancelled and cannot vest since for FY 4 and onwards the entity does not fulfil the definition of start-up (view 2). If view 1 is taken which is beneficial to promoters, there could be a significant abuse because promoters will grant significant ESOPs for the entire period in year 1 and it would vest over 10 years and if it gets listed prior to 10 years, the promoters will get ESOPs in a listed company in breach of the intention of SEBI guidelines. A clarification in this respect from MCA and SEBI would help this being implemented in the right spirit.

2 Income tax deductibility

Currently there is no limit up to which ESOPs can be issued to promoters in case of start-ups. So theoretically promoters can issue significant ESOPs to themselves at discount to fair value and book the differential between exercise price and fair value as cost in the P&L as permitted by Accounting Standards. Deduction of ESOP cost, including the timing and amount, has been one of the contentious issues by the Income tax authorities. There has been a recent decision of the Karnataka HC which allowed deduction of ESOP expenses. Presumably, the issue out there did not evaluate eligibility to claim deduction where ESOPs are issued to a promoter shareholder. It remains to be seen whether the company can claim a deduction of ESOP costs which are issued at a significant discount to the promoters (effectively shareholders). This could become a litigative issue in future with authorities claiming that this is not even an expenditure because it relates to a transaction with shareholders and is like a gift to the promoter and hence like a distribution rather than an expenditure.



3 Perquisite tax- A big miss sometimes

One other critical aspect which needs to be factored in is the taxability in future at the time of exercise. Typically, ESOPs get taxed as perquisite (salary) at the time of exercise based on fair market value (FMV) on the date of exercise less exercise price.

If an ESOP which was issued to a promoter at face value of 10 in Year 1 when FMV was INR100. INR90 would have been booked as ESOP cost in the books of accounts – the amount of deduction and timing to be claimed in the hands of the company to be planned. Now, let us say in year 4 the promoter exercises the vested ESOPs and the FMV on the date of exercise is INR300. In that case INR300-INR10 is treated as perquisite in the hands of the employee/promoter. Generally, in many cases the amounts at stake are large. If the amount of perquisite along with other sources of income exceeds INR2 crore the effective tax rate would be 39% and if the income exceeds INR5 crore then the effective tax rate would be 42.74% (assuming that such person has not opted for new tax regime). This can be a big surprise for many promoters since this is a personal tax liability and may force them to sell their shares to generate cash to pay the tax – subject to deferral as provided under the provisions of the Act. Hence, this needs to be planned well to balance between the deduction in Profit and Loss (litigative at 35%/25%) and the extra tax that needs to be paid as perquisite at 39% or 42.74% including other alternatives that could be explored.

However, in order to ease the burden of payment of taxes by the employees of the eligible start-ups, Finance Act, 2020 provides that taxes are required to be paid within fourteen days from (a) after the expiry of forty eight months from the end of the relevant assessment year; or (b) from the date of the sale of such specified security; or (c) from the date of which such person ceases to be the employee, whichever is the earliest on the basis of rates in force of the financial year in which the said specified security is allotted or transferred.

Generally, companies at start-up stage may not take much precautions when doing such transactions and sometimes may not be able to anticipate the potential value of their own companies in future. But when the stakes become large they can add a significant amount of tax burden and hassle to promoters. Hence it is important to plan this well in advance knowing the consequences in the future.

5

Accounting solutions

This section provides practical application issues with reference to share based payment transactions.

Issue 1 - Determination of Grant date

Fact Pattern

On 1 January, Company A hires a Managing Director. As part of the offer letter, an entity is obliged to provide the Managing Director ESOPs which will vest over the following three years. The award is subject to board approval, which is given two months later on 1 March.

Issue

What is grant date? From which date ESOP expenses should be recognized in profit and loss account?

Accounting considerations

The determination of grant date is critical to the measurement of equity-settled share-based transactions with employees, since grant date is the date at which such transactions must be measured.

To determine grant date, analogy can be taken from guidance given in implementation guidance which accompanies IFRS 2 as the said implementation. guidance is equally relevant for Ind AS since there are no GAAP differences in this respect.

As per Ind AS 102 and IFRS 2, grant date is defined as *"The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained"*.

IFRS 2 and the accompanying implementation guidance emphasise that a grant occurs only when all the conditions are understood and agreed by the parties to the arrangement and any required approval process has been completed. Thus, for example, if an entity makes an award 'in principle' to an employee of options for whose terms are subject to review or approval by a remuneration committee or the shareholders, 'grant date' is the later date when the necessary formalities have been completed.

The implementation guidance to IFRS 2 further emphasises that, "the word 'agree' is used in its usual sense, which means that there must be both an offer and an acceptance of that offer…". Therefore, there cannot be a grant unless an offer by one party has been accepted by the other party. The guidance notes that agreement will be explicit in some cases (e.g., if an agreement has to be signed), but in others it might be implicit, such as when an employee starts to deliver services for the award.

The implementation guidance to IFRS 2 further notes that employees may begin rendering services in consideration for an award before it has been formally ratified. For example, a new employee might join the entity on 1 January and be granted options relating to performance for a period beginning on that date, but subject to formal approval by the remuneration committee at its next quarterly meeting on 15 March. In that case, the entity would typically begin expensing the award from 1 January based on a best estimate of its fair value, but would subsequently adjust that estimate so that the ultimate cost of the award was its actual fair value at 15 March. This reference to formal approval could be construed as indicating that, in fact, IFRS 2 requires not merely that there is a mutual understanding of the award (which might well have been in existence since 1 January), but also that the entity has completed all processes necessary to make the award a legally binding agreement.

View point

Considering guidance above, in order for a grant to have been made, there must not merely be a mutual understanding of the terms – but there must also be a legally enforceable arrangement. Thus, if an award requires board or shareholder approval for it to be legally binding on the reporting entity, for the purposes of Ind AS 102, it has not been granted until such approval has been given, even if the terms of the award are fully understood at an earlier date. Hence in the example, grant date is 1 March as that is the date when board has approved ESOP plan.

However, if services are effectively being rendered for an award from a date earlier than the grant date as defined in Ind AS 102, the cost of the award should be recognized over a period starting with that earlier date. An estimate of the grant date fair value of the award is used (e.g., by estimating the fair value of the equity instruments at the end of the reporting period), for the purposes of recognizing the services received during the period between service commencement date and grant date. In the present case, the company will accrue for ESOP expenses from 1 Jan onwards based on estimate of grant date fair value. ESOP cost should be trued up once grant date fair value is crystallized.

Issue 2 - Awards vesting in tranches along with IPO condition

Fact Pattern

Company A issues an award to employees at the beginning of year 1 with graded vesting over four years. The award will vest 25% in each year of service over the four-year period. In addition to the service condition there is an Initial public offering (IPO) condition that must be met at the end of year 4.

Issue under consideration

Whether IPO condition is vesting or non-vesting condition?

Accounting considerations

Ind AS 102 defines service condition as " A vesting condition that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, it has failed to satisfy the condition. A service condition does not require a performance target to be met"

Implementation guidance paragraph 11 of IFRS 2 states "In some situations, share options or other equity instruments granted might vest in instalments over the vesting period. For example, suppose an employee is granted 100 share options, which will vest in instalments of 25 share options at the end of each year over the next four years. To apply the requirements of the IFRS, the entity should treat each instalment as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ (because the length of the vesting period affects, for example, the likely timing of cash flows arising from the exercise of the options)". This guidance is equally relevant for Ind AS as there is no GAAP difference.

Ind AS 102 defines vesting condition as "A condition that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share based payment arrangement. A vesting condition is either a service condition or a performance condition".

Ind AS 102 further defines performance condition as " A vesting condition that requires:

a) the counterparty to complete a specified period of service (ie a service condition); the service requirement can be explicit or implicit; and

b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).

The period of achieving the performance target(s):

a) shall not extend beyond the end of the service period; and

b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period.

A performance target is defined by reference to:

a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or

b) the price (or value) of the entity's equity instruments or the equity instruments of another entity in the same group (including shares and share options) (ie a market condition).

A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.

Considering the above guidance,

- the award that vests in instalments will be treated as four different tranches because each tranche has a different vesting period with different fair values.
- IPO condition will be a non-vesting condition and factored in the grant date fair value of tranches 1 to 3 as the service period is not as long as the duration of the IPO condition. However, for tranche 4, the service and performance conditions are for the same duration, therefore the IPO Condition will be treated as a non-market performance condition and not factored into the grant date fair value but factored into the number of awards that will vest for tranche 4.

View point

IPO condition is a non-vesting condition for Tranche 1 to 3 and non-market vesting condition for Tranche 4. The impact of treating the IPO condition differently results in an expense being recognized for the first three tranches regardless of the IPO condition being met, so long as the service condition is met, as the likelihood of not meeting the IPO condition is factored into the grant date fair value. In contrast for tranche 4 if the IPO condition is not met but the service condition is met, no expense will be recognized as the non-market performance condition has not been met.

6

Regulatory Updates

MCA/NFRA UPDATES

Statutory Auditors' responsibilities in relation to Fraud in a Company

NFRA vide circular dated 26 June 2023 have inter-alia provided that the Statutory Auditor is duty bound to submit Form ADT-4 to the Central Government u/s 143 (12) of the Companies Act, 2013 even in cases where the Statutory Auditor is not the first person to identify the fraud/suspected fraud. To access the circular, click here.

Extension of due date in filing of Return of Deposits ('Form DPT3') for year ended 31 March 2023

MCA vide circular dated 21 June 2023 have decided to allow companies to file the Return of Deposits in Form DPT-3 for the financial year ended on 31 March 2023 without paying additional fees up to 31 July 2023 (earlier filing date: 30 June 2023). To access the MCA circular, click here.

Report on Corporate Social Responsibility (CSR)

MCA vide notification dated 31 May 2023, has provided that for FY 2022-2023, Form CSR-2 (Report on CSR) must be filed separately on or before 31 March 2024. To access the MCA notification click here

No objection by Central Government in fast track of scheme of merger / amalgamation

MCA has amended Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, to provide the time limit within which the Central Government may issue its order confirming the scheme of merger/amalgamation under section 233 of the Companies Act, 2013. Further, If the Central Government does not issue confirmation order within the prescribed time limit, then the Scheme will automatically be deemed to be approved. To access the MCA notification, click here

SEBI UPDATES

Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

SEBI has notified various amendments to the Listing Regulations including the following:

- Continuation of a director on the Board of Directors
- Vacancies in respect of certain Key Managerial Personnel
- Disclosure requirements for certain types of agreements binding listed entities
- Timeline for submission of financial results subsequent to the listing.
- Sale, lease or disposal of an undertaking outside Scheme of Arrangement.

These amendments come into force from 30th day from their publication in the Official Gazette (i.e. 14 June 2023) except for certain amendments which come into force from the respective dates stated in the amendment notification.
To access the SEBI notification, click here.

Amendments to SEBI (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2018

SEBI has notified various amendments to SEBI (ICDR) Regulations, 2018 including the norms relating to underwriting of shares and disclosure of industry overview in an offer document.

These amendments are effective from the date of their publication in the Official Gazette i.e., 23 May 2023.

To access the SEBI notification, click here.

SEBI Board Meeting

SEBI has taken the following key decisions at its Board Meeting held on 28 June 2023

- Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days
- Introduction of provisions related to listing/ voluntary delisting of non-convertible debt securities.
- Additional disclosures from Foreign Portfolio Investors that fulfil certain criteria of the asset management company
- Investment in Corporate Debt Market Development Fund
- Valuation of investments

To access the SEBI Board Meeting, click here

Amendments to SEBI (Credit Rating Agencies) Regulations, 1999

SEBI notified amendments to SEBI (Credit Rating Agencies) Regulations, 1999, providing guidelines and rules on the registration of ESG Ratings providers, their eligibility criteria, conditions thereof, code of conduct, transparency, governance and prevention of conflict of interest, rating process and monitoring, procedure for review of ratings, and the disclosure required.

These provisions are applicable to ESG rating providers covered in the Fourth Schedule of the notification. To access the notification click here

No Bank Guarantees (BGs) created out of clients' funds by stock brokers / clearing members

SEBI has decided to implement the following measures in order to safeguard the interests of the investors, unless exempted:

- Beginning 1 May 2023, no new BGs shall be created out of clients' funds by stock brokers / clearing members.
- Existing BGs created out of clients' funds shall be wound down by 30 September 2023.

Further SBs/CMs are required to provide a certificate, by its statutory auditor confirming the implementation of this circular and such certificate shall be submitted to stock exchanges/clearing corporations by 16 October 2023. To access the circular click here.

SEBI introduces Legal Entity Identifier (LEI) for issuers

SEBI vide circular dated 3 May 2023, has introduced the LEI system for issuers that have listed or are planning to list non-convertible securities, securitized debt instruments and security receipts. LEI is designed to create a global reference data system that uniquely identifies every legal entity, in any jurisdiction, that is party to a financial transaction. Presently, RBI directions mandate non-individual borrowers having aggregate exposure of above Rs. 25 crores, to obtain LEI code.

Issuers having outstanding listed non-convertible securities, outstanding listed securitized debt instruments and security receipts as on 31 August 2023, shall report/ obtain and report the LEI code in the Centralized Database of corporate bonds, on or before 1 September 2023.

The circular shall come into force with immediate effect.

To access the circular click here.

Disclosure of information in Private Placement Memorandum (PPM) by Alternative Investment Funds (AIFs)

PPM template(s), inter-alia, provides for disclosure with respect to Direct Plan for investors, and constituents of fees that may be charged by the AIF/ scheme of AIF, including distribution fee/ placement fee. In order to provide flexibility, transparency in expenses and curb mis-selling investing in AIFs, SEBI vide issued circular dated 10 April 2023 has modified the norms relating to Direct Plan for schemes of AIFs and trail model for distribution commission in AIFs. These provisions should be complied with for investors on-boarded in AIFs/schemes of AIFs from 1 May 2023 onwards. To access the circular, click here

Further, SEBI vide circular dated 10 April 2023 has modified the norms relating to information disclosed in PPM under the term 'Excuse and Exclusion' for excusing or excluding an investor from an investment of the AIF. To access the circular on Guidelines, click here

Introduction of norms for REITs/ InvITs

SEBI has issued the following in respect of REITs/ InvITs:

- Manner of achieving minimum public unitholding for REITs, (To access the circular click here)
- Format of Compliance Report on Governance for REITs, (To access the circular click here) and InvITs (To access the circular click here)
- Format for Annual Secretarial Compliance Report for REITs, (To access the circular click here) and InvITs, (To access the circular click here)

These requirements come into the force from the date of mentioned in the respective circulars.

Amendments to SEBI (Mutual Funds) Regulations, 1996 (Mutual fund regulations)

SEBI has notified various amendments to the mutual fund regulations including the following:

- Definition of liquid net worth, Net Asset Value
- Specifies the qualifications and experience required by key personnel
- Constitution of Unit Holder Protection Committee in the form and manner and with a mandate as may be specified by the Board
- Meeting of the board of directors of the trustee company and the board of directors of the asset management company
- Investment in Corporate Debt Market Development Fund
- Valuation of investments

The amendments come into the force the dates mentioned in the notification. To access the notification, click here

Master Circulars

SEBI has issued the following Master circulars:

- listing obligations and disclosure requirements for Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper. To access the Master Circular, click here
- Scheme of Arrangement. To access the Master Circular, click here
- Issue of Capital and Disclosure Requirements. To access the Master Circular, click here

Disclosure of risk with respect to trading by individual traders in Equity Futures and Options Segment

SEBI vide circular dated 19 May 2023 decided to introduce "Risk disclosures" with respect to trading in equity Futures and Options segment accordingly, all stock brokers should display the 'Risk disclosures' on their websites and also maintain the Profit and Loss data of their clients on continuous basis. The formats for risk disclosures on derivatives and Profit and Loss data of their clients are given in the mentioned circular. To access the Circular click here

RBI UPDATES

Framework for acceptance of Green Deposits

RBI has issued a framework to encourage regulated entities to offer green deposits to customers, protect the interest of the depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of credit to green activities/projects. The Framework also prescribes certain disclosures relating to portfolio-level information in the annual financial statements regarding the use of the green deposit funds.

The framework came into effect from 1 June 2023. To access the RBI notification, click here

Guidelines on Default Loss Guarantee (DLG) in Digital Lending

RBI vide notification dated 8 June 2023 has decided to permit arrangements between Regulated Entities and Lending Service Providers or between two Regulated Entities involving default loss guarantee, subject to the prescribed guidelines. To access the RBI notification, click here

ICAI UPDATES

Compendium of Indian Accounting Standards (Year 2023-2024)

ICAI has issued Compendium of Indian Accounting Standards (Year 2023-2024) by incorporating amendments to Ind AS which were effective from annual period beginning on or after 1 April 2023. To access the ICAI notification click here

Technical guide on disclosure and reporting of Key Performance Indicators (KPIs) in offer documents

ICAI has issued a technical guide to provide guidance to issuer companies for disclosing KPIs in offer documents as stated in SEBI ICDR Regulations and the role and responsibilities of practitioners while providing independent assurance on KPIs. To access the technical guide, click here

Technical Guide on Accounting for Not-for-Profit Organisations (NPOs)

ICAI has issued revised edition of Technical Guide on Accounting for NPOs in view to provide guidance on accounting treatment to be followed in various types of transactions carried out by NPOs as well as to harmonize the diverse accounting practices. To access the Technical Guide click here Further, ICAI has also issued Illustrative excel formats for Financial Statements of NPOs, To access the formats, click here

IRDAI UPDATES

Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers

IRDAI has issued the following Guidelines

- IRDAI (Remuneration of Non-Executive Directors of Insurers) Guidelines, 2023.
- IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023.

These Guidelines shall replace and supersede the extant guidelines issued and shall come into effect from FY 2023-24, To access the guidelines click here.

We acknowledge contribution from

- Adarsh Ranka
- Jigar Parikh
- Deepa Agarwal
- Paul Alvares
- Sohil Gala
- Saunak Saha
- Vishal Bansal
- Veenit Surana
- Manan Lakhani
- Nilanjan Paul
- Geetanshu Bansal
- Devika Jain
- Sajjadhussein Mistry
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