Assurance EYe

Reporting Insights

October 2022

Enter

Building a better working world

Table of Content

1. Accounting for Production Linked Incentive (PLI) Scheme

The Production Linked Incentive (PLI) scheme was originally introduced by the Government of India in March 2020 covering three sectors[1], viz., (i) mobile manufacturing and electric components, (ii) pharmaceutical (critical key starting materials/ active pharmaceutical ingredients), and (iii) medical device manufacturing. Since then, the coverage of PLI has been expanded, with schemes being rolled out for multiple sectors to boost India's manufacturing capabilities and encourage export-oriented production. Presently, PLI Schemes cover various sectors including auto components, automobile, aviation, chemicals, electronic systems, food processing, medical devices, metal and mining, pharmaceuticals, renewable energy, telecom, textiles and apparels and white goods. The PLI scheme aims at incentivizing companies to boost domestic manufacturing and attract large investments which ultimately help India in increasing export, reducing impact and generating employment.

There are peculiarities and differences in the PLI scheme applicable to each industry. For e.g., as per the scheme applicable for white goods, PLI incentive and eligibility criteria for air conditioners (ACs) – AC components (large investments) are as below:

Year	PLI @ of incremental sales	Minimum Cumulative Incremental Investments (Rs. crores)	Minimum net Incremental Sales (Rs. crores)
2021-22	-	150	-
2022-23	6%	300	750
2023-24	6%	400	1,500
2024-25	5%	500	2,000
2025-26	5%	600	2,500
2026-27	4%	-	3,000

For availing PLI benefit, a company may make an investment in greenfield or brownfield projects. The company should also make incremental investment in purchase/ production of plant and machinery, technical transfer fee, research, and development expenses, etc.

We understand that whilst conditions related to incremental investment and incremental sales have been prescribed for most sectors, the exact quantum, incentives, and certain conditions vary, depending upon the underlying sector, type of product and fulfillment of criteria. Each eligible entity desirous of availing an incentive under the PLI scheme needs to evaluate its compliance based on specific notification, guidelines and other requirements prescribed by the government.

From an accounting perspective, PLI incentive meets the definition of a government grant under Indian Accounting Standard (Ind AS 20) Accounting for Government Grants and Disclosure of Government Assistance and, therefore, is treated as such.

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Recognition criteria

As per paragraph 8 of Ind AS 20, government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grant will be received.

The evaluation of whether and when an entity meets the recognition criteria under Ind AS 20 requires exercise of judgment based on the requirements of the scheme and entity specific facts, including but not limited to progress on the application made by the entity, its ability to meet prescribed criteria as well as additional requirements, if any, laid by the approving authority, interpretation issues involved and others. The entity should start applying government grant accounting only if it can demonstrate its ability to meet prescribed requirements for receiving incentive under the PLI scheme.

If the recognition criteria is met, certain peculiar issues might arise in applying the principles under Ind AS 20. This article looks at those issues and possible views. In preparing this article, whilst PLI Scheme applicable to white goods has been referred to, we believe that similar consideration would apply in other cases also.

1 Gazette Notification No.CG-DL-E-01042020-218990 dated April 01, 2020
Gazette Notification No. CG-DL-E-21072020-220617 dated July 21, 2020

Asset related grant vs. income related grant

As per paragraph 3 of Ind AS 20, grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets, and grants which are not the asset related grant are considered as income related grants.

Considering the nature of the grant and the fact that the PLI scheme contains conditions both related to incremental investment and incremental sales, one may argue the following views on this matter.

View 1: PLI scheme is an asset related grant

One may argue that incremental investment/ acquisition of asset is the primary eligibility condition because without making incremental investment, the grant would not be received. Therefore, the condition relating to the acquisition of asset is a primary condition. Incremental sales are the result of the investment made by an entity and hence, consequent incremental sales is only an incidental condition. Thus, PLI is an asset related grant.

View 2: PLI is a grant related to income

The PLI scheme specifies two conditions for entities to become eligible for such grant, i.e., incremental investment and incremental sales. One may argue that whilst it is true that without acquisition of the assets, the eligible criteria will not commence, however, it can only be completed after the entity is able to achieve incremental sales. Thus, incremental sale is a primary condition, and hence it is an income related grant. This view can be supported by the following further arguments:

- The amount of grant is determined as a percentage of incremental sales, thereby suggesting that incremental sale is a very important condition.
- The PLI scheme is aimed at helping companies achieve better performance. It is intended to ensure level playing field for Indian companies by compensating them for challenges faced resulting from higher operating costs and thereby, enabling companies to price their product in a more competitive manner.
- Even without the PLI scheme, entities can make investments; however, without appropriate support for their operating margin, practically it is not economically viable for entities to make such investments.

View 3: PLI is a combination of asset related and income related grant

As per paragraph 19 of Ind AS 20, it may be appropriate to allocate part of a grant on one basis and part on another in cases where grants are received as part of a package of financial or fiscal aids. Care is needed in identifying the conditions giving rise to costs and expenses which determine the periods over which the grant will be earned.

Considering paragraph 19 and the fact that entities need to satisfy both conditions related to incremental investments as well as they have to carry out incremental sales, one may argue that it has elements of both asset related grant and income related grant. Hence, the grant should be split between these two components on an appropriate basis.

Based on discussion above, we believe that there are arguments in favor of applying either View 1 or View 2. Whilst View 3 has some merit, no reasonable basis exists for splitting the grant between the two components and it will involve an arbitrary allocation of the grant. In the absence of a clear basis, risks associated with arbitrary allocation are likely to exceed potential benefits. Hence, view 3 may not be applied in practice. It is pertinent to note that the classification of the grant as related to an asset or to income will require exercise of judgement and careful examination of the facts, objectives, and conditions attached to the scheme. The purpose of the grant and the costs for which the grant is intended to compensate would also be required to be ascertained carefully.

PLI incentive considered as an asset related grant – subsequent accounting treatment

As per paragraphs 24 and 29 of Ind AS 20, grants related to assets should be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset and grants related to income are presented as part of profit or loss, either separately or under a general heading such as ‘Other income’. Alternatively, income related grants can be deducted from the related expense presented in the financial statements.

Considering the above guidance, the following options exist on the matter:

- PLI grant is reduced from the carrying of the respective assets. This will automatically result in recognition of grant income over the useful life of the asset through reduced depreciation.

- PLI grant is treated as deferred income to be presented as a liability in the balance sheet. Such deferred income is recognized in profit or loss on a systematic basis over the useful life of the asset. Under this option, there are below two options with regard to presentation of grant amortization in profit or loss:
  - As reduction from depreciation expense on the relevant asset, or
  - Under general heading such as 'Other income'

If an entity opts to include the grant amortization under 'Other income', a related questing arises whether such amortization should be presented as 'Other income' only or it can also be presented as 'Other operating revenue.' This issue is not specifically addressed in authoritative guidance. We believe that one may make below key arguments to support 'Other operating revenue' presentation:

- Ind AS 20 has in-built flexibility with regard to presentation of government grant and presentation as 'Other income' is only an example. The overarching principle is that such a grant cannot be clubbed with the revenue from contracts with customers. The entity considers this aspect and other factors such as nature of grant, cost the grant is intending to compensate, linkage with operating activities, and decides an appropriate heading under which grant is presented. Since grant is closely related to operating activities and intends to compensate for higher operating costs / lower revenue, it can be argued that the grant arises from the company's operating activities and should be presented as 'Other operating revenue.'
- Recognition of grant under Ind AS 20 is based on the key principle that it is matched with related activity/ income/ expense. It may be argued that the said principle is also maintained regarding the presentation of grants.
- The Guidance Note on Ind AS Schedule III provides the following guidance with regard to 'Other operating revenue'.

  "9.1.8. The term 'other operating revenue' is not defined. This would include revenue arising from a company's operating activities, i.e., either its principal or ancillary revenue-generating activities, but which is not revenue arising from sale of products or rendering of services. Whether a particular income constitutes 'other operating revenue' or 'other income' is to be decided based on the facts of each case and detailed understanding of the company's activities."

PLI as an income related grant – subsequent accounting treatment

Attention is drawn to paragraphs 12 and 29 of Ind AS 20, income related grants should be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the related expenses and it could be presented either separately or under a general heading such as 'Other income' in the profit and loss. Alternatively, income related grants can be deducted from the related expense presented in the profit and loss.

In the context of PLI, it may be difficult to identify any specific expense which the grant is intended to compensate. In the absence of any other criteria, one may argue that the entity is incurring overall expenses in terms of higher production cost and the same are being compensated through PLI incentive. Hence, PLI grant income is recognized in the profit or loss based on actual/ estimated sales during the year.

Regarding presentation in profit or loss, attention is drawn to guidance under the previous issue relating to subsequent accounting treatment of a PLI incentive considered as an asset related grant. Considering similar arguments, one may take a view that the amount can be presented under the head 'Other operating revenue/ Other income'.

Accounting in the quarterly financial results

Ind AS 34 Interim Financial Reporting provides as below:

"37. Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year.

38. Examples include dividend revenue, royalties, and government grants. Additionally, some entities consistently earn more revenues in certain interim periods of a financial year than in other interim periods, for example, seasonal revenues of retailers. Such revenues are recognized when they occur."

Based on the above, at each reporting date including at the end of each quarter, an entity will need to assess and exercise judgement whether grant conditions are expected to be met. If the assessment indicates that there is a reasonable assurance that the condition will be met and the company will become eligible for the grant, recognition will be made on the same basis as that used for year-end financial statements in the quarterly results as well.

How we look at it

The recognition and presentation of the grant received by entities under the PLI scheme may vary industry to industry as conditions attached to the qualifying criteria and subsequent disbursal could be different across industries. This would need a careful assessment and exercise of judgement after careful examination of facts of the scheme for the respective industries.

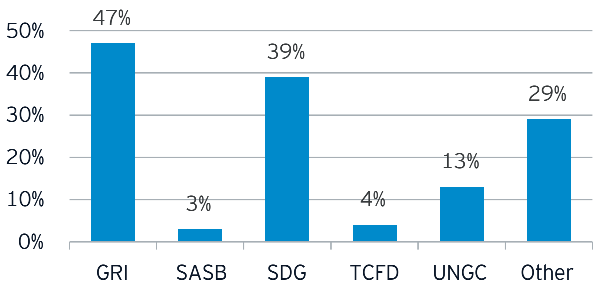
Considering that incentive will be provided to the entities for the number of years after it becomes eligible to receive them, the assessment will have to be revisited to identify if there is any change in the fact pattern and whether the treatment evaluated for the recognition and presentation of the grant in the balance sheet or profit and loss at the time of receiving the grant continue to be appropriate in the subsequent periods.

2. The new dawn in climate change disclosures

The environmental, social and governance (ESG) movement is experiencing historically high stakeholder interest. Recognizing public concerns over climate change, numerous companies and governments committed to ambitious net zero pledges. In tandem, investors identified the huge potential associated with funding the transition to a low-carbon economy. The ESG movement faces difficult questions associated with a lack of standardization, regulation, and common purpose and values.

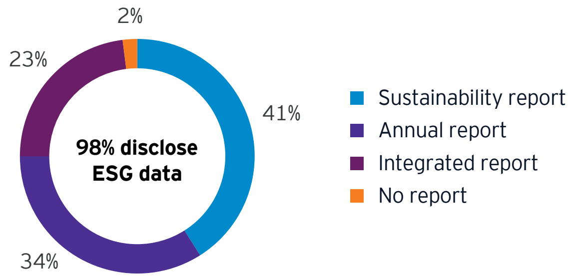
In India, broader legislative intent in the ESG space has been ahead of the curve, especially under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. For example, from FY 2022 to 2023 top 1,000 listed companies are required to provide Business Responsibility and Sustainability Report against nine principles covering both environmental and social aspects such as climate action. This report has evolved from the National Guidelines on Responsible Business Conduct principles issued by the MCA, which itself emanates from the UN Sustainable Development Goals. Further, top 500 listed companies can voluntarily adopt Integrated Reporting. However, absence of a common framework continues to hinder comparability of ESG information.[2] A snapshot of ESG disclosures of 100 Indian companies with the largest market capitalization as of March 2021 is as follows:

ESG reporting framework/standard



Global Reporting Initiative (GRI); Sustainability Accounting Standards Board (SASB); UN Sustainable Development Goals (SDG); Task Force on Climate-related Financial Disclosures (TCFD); UN Global Compact (UNGC)

Method of ESG disclosure



The IFRS Foundation Trustees announced the creation of the International Sustainability Standards Board (ISSB), a new standard-setting board to issue standards on sustainability-related financial disclosures. The ISSB has now published its first two proposed IFRS Sustainability Disclosure Standards, which—once finalized—will form a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors when assessing enterprise value. Similar proposals on sustainability information have also been made by other standard setters—e.g.,[3]Securities and Exchange Commission ('SEC') and [4]the European Financial Reporting Advisory Group.

This article is intended to provide an overview of the proposals made by ISSB, certain differences in the proposals of SEC and European Union and contribute to the dialogue within the ESG information ecosystem.

General Requirements for Disclosure of Sustainability-Related Financial Information-(Proposed IFRS S1)

The General Requirements Exposure Draft sets out the core content for a complete set of sustainability-related financial disclosures, establishing a comprehensive baseline of sustainability-related financial information. This Exposure Draft proposes the disclosure of information about significant sustainability-related risks and opportunities. The General Requirements Exposure Draft proposes companies to present fairly a complete set of sustainability-related financial disclosures. Fair presentation is the faithful representation of information about sustainability-related risks and opportunities, applying the principles set out in the General Requirements Exposure Draft. A company would be required to disclose sustainability-related financial information as a part of its general purpose financial reporting. The proposed Standard would require the sustainability-related financial information to be reported at the same time as the financial statements are reported.

The proposed Standard requires disclosure of material information about sustainability-related risks and opportunities across a company's value chain. The proposed Standard sets out requirements related to prescribed matters including comparative information, use of financial data and assumptions, sources of estimation and outcome uncertainty and statement of compliance which were adapted from the relevant IFRS.

2 IFAC publication - The State of Play In Sustainability Assurance- page 32
3 SEC proposed rule - The Enhancement and Standardization of Climate-Related Disclosures for Investors
4 European sustainability reporting standard (ESRS)

Contents

The proposals define materiality differently and would apply a materiality threshold differently to various disclosures. The SEC proposal would primarily apply a disclosure threshold based on its definition of materiality, although the threshold is not applied consistently throughout the proposal. That definition is based on the US Supreme Court precedent.

The proposed ESRS uses the concept of "double materiality," which means a disclosure is material if it is material from what is called an "impact" perspective, a financial perspective or a combination of both. Materiality would be the threshold for all disclosures, except for the prescribed disclosures, which would be required regardless of materiality.

The ISSB's definition of materiality would align with the definition of materiality in IFRS standards for financial statements. This threshold would be applied to all disclosure requirements in the proposed standards.

Climate Related Disclosures (Proposed IFRS S2)

The proposed standard on Climate-related Disclosures propose a company to disclose information that would enable an investor to assess the effect of climate-related risks and opportunities on its enterprise value. The Exposure Draft would require a company to center its disclosures on the consideration of:

Governance

The proposed standard would require disclosure of information about the governance processes, controls, and procedures the company uses to monitor and manage climate-related risks and opportunities. The company would be required to disclose a description of the governance body, such as a board or committee, with an oversight of climate-related risks and opportunities.

- What are the terms of reference for the company's climate-monitoring governance body?
- What is management's role in assessing and managing climate-related risks and opportunities?
- How does the company ensure that it has people with the right skills and competencies available to oversee its strategies?

The General Requirements Exposure Draft emphasizes that companies are required to provide information that enables investors to assess the connections between various sustainability-related risks and opportunities, including the specific risks and opportunities set out in the Climate Exposure Draft. When a company integrates its oversight of sustainability-related risks and opportunities, the company should also integrate its disclosures on governance rather than providing separate governance disclosures for each significant sustainability-related risk and opportunity.

Strategy

The proposed Standard would require companies to disclose information about how climate change could reasonably be expected to affect their business model, strategy and cash flows over the short, medium or long term, their access to finance and their cost of capital. For example, continuing to operate a particular line of the company's business might be harmful to its reputation and could limit its ability to access financing.

Climate-related risks and opportunities

A company would be required to identify physical risks and transition risks. For physical risks, the company would be required to explain whether the risks are acute or chronic.

Physical risks	Transition risks
▶ Acute physical risks could include the increased severity of extreme weather events, such as cyclones and floods, putting a company's assets at risk, or disrupting its supply chain. ▶ Chronic physical risks include rising sea levels or rising mean temperatures. These changes in the climate could affect a company's strategy.	▶ Risks associated with a company's transition to a lower-carbon economy. ▶ Transition risk includes policy or legal, market, technology, and reputation.

Strategy and decision-making

A company would be required to disclose a description of its plans for responding to climate-related transition risks and opportunities, such as:

- how it plans to achieve any climate-related targets, including how these plans will be resourced and how it will review targets.
- how it expects to adapt or mitigate climate-related risks (for example, through changes in production processes, workforce adjustments, changes in materials used, product specifications).
- how it expects to adapt or mitigate indirect climate-related risks in its value chain (for example, by working with customers and supply chains or use of procurement).
- whether carbon-offsetting is part of its plan. If it is, a company would be required to disclose specific information to enable an investor to assess the offset schemes.

Financial position, financial performance, and cash flows

A company would be required to include in its disclosures an explanation of how significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance, and cash flows. For example, the company might disclose a material asset impairment as a consequence of the company's strategy for managing a transition risk. Equally, it could be the investment in new technologies to take advantage of a climate-related opportunity.

A company would also be required to explain how it expects its financial position to change over time, given its strategy to address significant climate-related risks and opportunities. Examples include the financial accounting consequences of increased revenue from, or costs of, products and services aligned with a lower-carbon economy, physical damage to assets from climate events, and the costs of climate adaptation or mitigation. When providing quantitative information, companies are permitted to disclose single amounts or ranges of amounts.

Proposals by ISSB, SEC and the European Commission would require disclosures of climate-related impacts on the financial statements, but the nature and location of the disclosures would differ:

- SEC proposal would require registrants to disclose prescribed matters in an audited note to the financial statements e.g., impacts (positive and negative) of severe weather events and other natural conditions and transition activities on each financial statement line item, unless the aggregate impact on an absolute value basis is less than 1% of the total for the line item.
- The proposed ESRS would require an entity to disclose in its management report how material climate-related risks and opportunities have affected its financial performance, financial position and cash flows and how the entity expects financial performance, financial position and cash flows to change over the short, medium and long term (which is defined as up to 5 years, more than 5 to 10 years and more than 10 years, respectively) under the effects of material climate-related risks and opportunities.
- The ISSB proposal would require an entity to disclose, as part of its general purpose financial reporting (e.g., management's commentary in an entity's annual report), the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short-, medium- and long-term (which are undefined in the proposal), including quantitative information unless it is unable to do so.

Climate resilience

The proposed Standard would require a company to use climate-related scenario analysis to assess its risks and opportunities when it is able to, but it also addresses other quantitative methods. The Climate Exposure Draft proposes requiring the company to disclose how its climate-related analysis aligns with the latest international agreement on climate change—for example, the Paris Agreement, which sets a goal of limiting the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees.

The SEC proposal would not require a registrant to use a scenario analysis to assess its resilience to climate-related risk. The proposed ESRS would require an entity to use a climate-related scenario analysis, with at least one scenario in line with the Paris Agreement. The ISSB proposal would require an entity to use a climate-related scenario analysis or, if it is unable to perform such an analysis, alternative methods or techniques (e.g., quantitative analysis, stress tests), to assess the resilience of its business strategy.

Metrics and targets

A company would be required to disclose the metrics and targets it uses to manage its significant climate-related risks and opportunities.

Green House Gas (GHG) emissions

The proposed Standard would require a company to disclose its absolute gross [5]Scope 1, [6]Scope 2 and [7]Scope 3 GHG emissions, in metric tons of CO2 equivalent, and the intensity of those emissions. The company would be required to calculate these emissions using the GHG Protocol. A consolidated group would be required to disclose GHG emissions by associates and joint ventures separately from those by the consolidated group.

All three proposals would require disclosure of Scope 1 and Scope 2 GHG emissions, but the proposed ESRS and ISSB standards would subject these disclosures to the general materiality thresholds while the SEC would require them in all cases. The nature of the required disclosures would also differ.

The SEC proposal would require an entity to disclose its Scope 3 emissions if they are material or if the entity has set an emissions target that includes Scope 3 emissions. Smaller reporting companies (as defined by the SEC) would not be required to disclose Scope 3 emissions. The ISSB and ESRS proposal would require entities to disclose Scope 3 emissions, subject to the general materiality threshold included in the proposal.

Industry-based disclosures

The proposed Standard includes industry-based disclosure requirements. A company would identify the requirements applicable to its business model and associated activities. The proposed Standard includes 77 industry classifications across 11 sectors, such as alcoholic beverages, appliance manufacturing and 'medical equipment and supplies.'

Disclosure topics included in the requirements relate to climate-related risks or opportunities for each industry group, and a set of metrics is associated with each disclosure topic. The disclosure topics represent the climate-related risks and opportunities most likely to be significant to companies in that industry, and the associated metrics that are most likely to result in the disclosure of information relevant to an assessment of enterprise value.

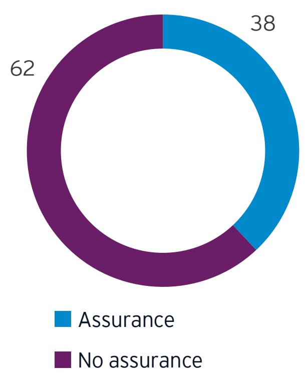
The SEC proposal does not preclude the use of industry-specific standards. The proposed ESRS is expected to eventually include sector-specific requirements. The ISSB proposal would require that entities comply with sector- and industry-specific requirements.

5 Emissions that a company makes directly – for example while running its boilers and vehicles
6 Emissions made indirectly - for example when the electricity or energy bought for heating and cooling buildings, is being produced on its behalf.
7 Emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

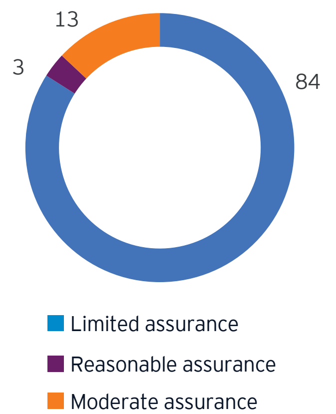
Assurance

Assurance is a key facet in increasing trust in the quality and accuracy of ESG information. Though building trust is the responsibility of all stakeholders, the role of assurance cannot be underestimated. Assurance increases the confidence of decision-makers in the accuracy and reliability of the reported information and ensures robust enforcement, required to build trust and address issues such as greenwashing. [8]A snapshot of assurance on ESG disclosures of 100 Indian companies with the largest market capitalization as of March 2021 is as follows:

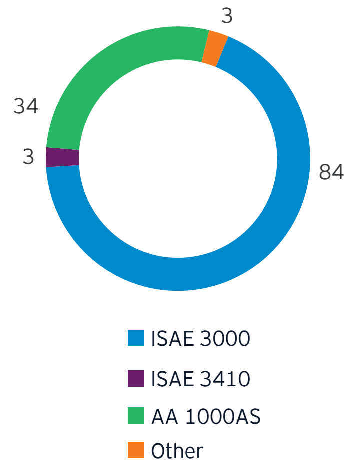
Assurance provided



Assurance type



Assurance standard



SEC proposes that disclosures in the annual report about Scope 1 and Scope 2 emissions would initially be subject to limited assurance and later reasonable assurance for both accelerated and large accelerated filers with phased-in effective dates. The CSRD would require an independent assurance provider to provide limited assurance (with a transition to reasonable assurance after 6 years) over all the sustainability disclosures included in management's report, not just the disclosures about Scope 1 and Scope 2 emissions. The ISSB proposal does not address assurance.

As evident above, there is a lack of a common language for sustainability reporting. The risk of fragmentation exists for assurance standards too. As demand for assurance on "sustainability branded" assurance standard reporting grows, there is an urgent need for globally accepted sustainability / ESG assurance standards that can be used by all assurance professionals.

International Auditing and Assurance Standards Board has supported developing a standard(s) for assurance on sustainability reporting and agreed that specific guidance would be provided on the most critical challenges as part of the initial standard-setting effort including guidance on fraud risk andmanagement bias, forward-looking information, and assurance reporting. The Board on balance supported, as a first step, developing the standard(s) for assurance on sustainability reporting standard consistent with ISAE 3000 (Revised). In India, the Institute of Chartered Accountants of India has issued a draft of Standard on Assurance Engagements (SSAE 3000) – as an umbrella standard applicable to all assurance engagements on sustainability information and draws reference from ISAE 3000.

8 IFAC publication - The State of Play In Sustainability Assurance - page 32

How we look at it

Proposed climate-related disclosures

- This Exposure Draft of ISSB is expected to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities for enterprise value, to understand an entity's use of resources and strategy for managing risks and opportunities, as well as to evaluate an entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.
- To ensure that the overall objectives of the Exposoure Draft are realized and to help promote the further integration and alignment of climate-related reporting, we believe that modifications are required, such as greater clarity on the definitions of terms used (such as 'significant', 'material', 'relevant', 'vulnerable', climate related) and additional illustrative guidance and examples to assist entities in interpreting and implementing the requirements.
- Many of the terms used in the Exposoure Draft, whilst perhaps familiar in the context of sustainability reporting, may be interpreted and applied differently in the context of financial reporting. Most notably, the concept of materiality from a sustainability perspective which encompasses the concepts of double and dynamic materiality. ISSB should provide additional clarification on the topic of materiality and how to reconcile the application of materiality in various approaches.

Independent assurance

- Assurance is a key feature in increasing trust in the quality and accuracy of sustainability information. The rise of independent assurance – coupled with enhanced standards and increased automation and reporting rigor – has the potential to further build trust in sustainability information and among ecosystem stakeholders.
- As sustainability reporting standards evolve a new, globally consistent assurance standard for sustainability reporting is needed to prevent standards fragmentation and consistency, which will be expected, and assumed, by users of the reporting.

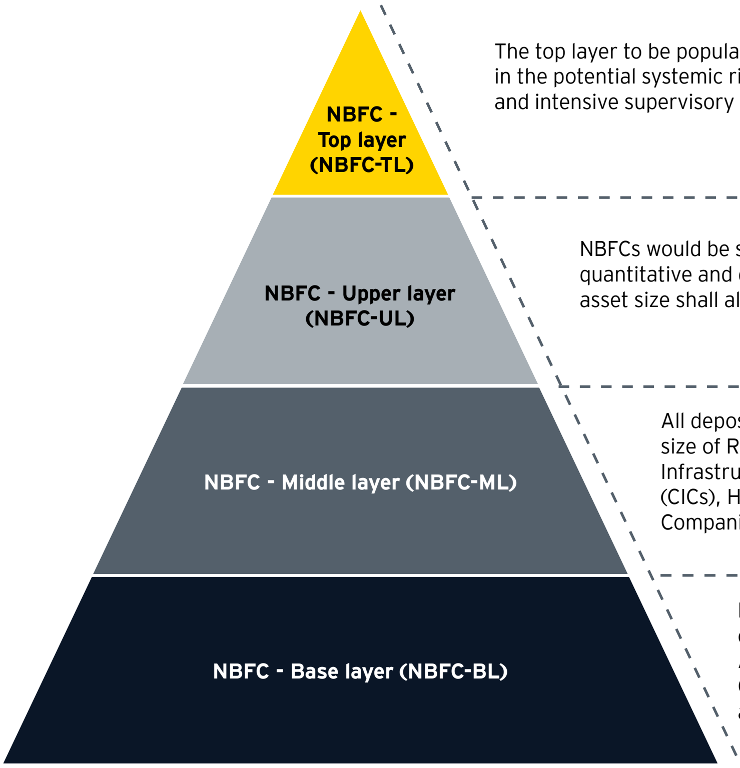
3. Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs

In October 2021, the Reserve Bank of India (RBI) had prescribed a 'scale-based regulation' (SBR) that encompasses different facets of regulation of NBFCs – covering capital requirements, governance standards, prudential regulation, etc. These guidelines are effective from 1 October 2022. However, the amendments regarding ceiling on an IPO funding are effective from 1 April 2022.

On 23 February 2022, guidelines for implementation of core financial services solutions were issued. Further RBI vide circular dated 11 April 2022, issued a framework for Compliance Function and Role of Chief Compliance Officer in NBFC-Upper layer and NBFC-Middle layer.

Thereafter, on 19 April 2022, RBI issued circulars on large exposure framework for NBFCs – Upper layer, capital requirements for NBFCs – Upper layer, regulatory restrictions on loans and advances and disclosures in notes to accounts of the financial statements of NBFCs. On 29 April 2022, RBI issued guidelines on compensation policy of key managerial personnel and members of senior management of all NBFCs under SBR framework, except those categorized under 'Base Layer' and government-owned NBFCs, which is effective from 1 April 2023. On 6 June 2022, RBI issued guidelines on provisioning for standard assets, which are applicable for NBFC – Upper layer.

Regulatory structure for NBFCs shall comprise the four layers as defined in the pyramid below:



The top layer to be populated only if RBI is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the upper layer. There will be enhanced and intensive supervisory engagement with these NBFCs.

NBFCs would be specifically identified by RBI through parametric analysis of certain quantitative and qualitative criteria. The top 10 eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.

All deposit taking NBFCs (NBFC-Ds), Non-deposit taking NBFCs with asset size of Rs. 1000 crore or more, Standalone Primary Dealers (SPDs), Infrastructure Debt Fund - NBFCs (IDF-NBFCs), Core Investment Companies (CICs), Housing Finance Companies (HFCs), Infrastructure Finance Companies (NBFC-IFCs) and certain government owned NBFCs.

Non-deposit taking NBFCs with asset size of less than Rs. 1000 crore, NBFC-Peer to Peer Lending Platform (NBFC-P2P), NBFC-Account Aggregator (NBFC-AA), Non-Operative Financial Holding Company (NOFHC), NBFCs not availing public funds and not having any customer interface and certain government-owned NBFCs.

RBI will come out with separate regulations for NBFCs not availing public funds and not having customer interface in due course. Till such time, the extant regulations will continue to apply. This article provides an overview of changes prescribed in the SBR regulations

Changes under SBR for all the layers in the regulatory structure:

Following is an overview of changes applicable for NBFCs in all the layers in respect of Net Owned Fund (NOF) requirement:

NBFCs	Current NOF (Rs.)	By 31 March 2025 (Rs.)	By 31 March 2027 (Rs.)
NBFC-ICC	2 crore	5 crore	10 crore
NBFC-MFI	5 crore (2 crore in NE Region)	7 crore (5 crore in NE Region)	10 crore
NBFC-Factors	5 crore	7 crore	10 crore
NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface	2 crore	2 crore	2 crore
NBFCs - IDF, IFC, MGCs, HFC, and SPD	No Change	No Change	No Change

<table>
<tr><th>Particulars</th><th>NBFC - Base Layer
NBFC - BL</th><th>NBFC - Middle Layer
BFC - ML</th><th>NBFC - Upper Layer
NBFC - UL</th><th>Applicable date</th></tr>
<tr><td>NPA Classification</td><td colspan="3">NPA classification norm stands changed to the overdue period of more than 90 days for all categories of NBFCs. Since NBFCs, which will fall in NBFC-UL and NBFC-ML category is already required to follow the overdue period of 90 days for NPA classification, there will be no change in NPA classification norm for them. A glide path is provided to NBFCs in Base Layer to adhere to the 90 days NPA norm as under:
<table><tr><th>NPA Norms</th><th>Timeline</th></tr><tr><td>>150 days overdue</td><td>By 31 March 2024</td></tr><tr><td>>120 days overdue</td><td>By 31 March 2025</td></tr><tr><td>> 90 days</td><td>By 31 March 2026</td></tr></table>The above glide path will not be applicable to NBFCs which are already required to follow the 90-day NPA norm.</td><td>Timeline mentioned in the adjacent column</td></tr>
<tr><td>Ceiling on IPO Funding</td><td colspan="3">There shall be a ceiling of Rs. 1 crore per borrower for financing subscription to IPO. NBFCs can fix more conservative limits.</td><td>1 April 2022</td></tr>
<tr><td>Extant regulatory guidelines for NBFCs</td><td>NBFCs in the base layer (NBFC-BL) shall be subject to regulations as currently applicable to NBFC-ND, except for the changes mentioned in the framework. NBFC-P2P, NBFC-AA, and NOFHC shall be subject to extant regulations governing them.</td><td>NBFCs in the middle layer (NBFC-ML) shall continue to follow regulations as currently applicable for NBFC-ND-SIs, NBFC-Ds, CICs, SPDs and HFCs, as the case may be, except for the changes mentioned in the framework.</td><td>NBFCs lying in the upper layer (NBFC-UL) shall be subject to regulations applicable to NBFC-ML as well, in addition to the changes mentioned in the framework.</td><td>NA</td></tr>
</table>

NBFCs need to ensure availability of adequate capital so that they comply with the glide path for meeting the minimum NOF requirements.

Presently, non-systemically important, non-deposit taking NBFCs classify advances with an overdue period of more than 180 days as NPA. All other NBFCs have an NPA threshold of advances overdue more than 90 days. The RBI has now harmonized the NPA classification requirement for all NBFCs to 90 days. The new NPA classification norms may result in an increase in the NPA in the books of NBFC-BL (non-systemically important, non-deposit taking NBFCs) and consequently an increase in the provisions.

Revisions in capital guidelines:

As per the extant RBI guidelines, all NBFCs and HFCs are required to maintain a minimum Tier I and Tier II capital ratio, which shall not be less than 15 percent of the aggregate risk-weighted assets. Following is an overview of new capital guidelines prescribed under SBR framework:

<table>
<tr><th>Particulars</th><th>NBFC - Base Layer
NBFC - BL</th><th>NBFC - Middle Layer
BFC - ML</th><th>NBFC - Upper Layer
NBFC - UL</th><th>Applicable date</th></tr>
<tr><td>Introduction of Internal Capital Adequacy Assessment Process (ICAAP)</td><td>Not applicable</td><td colspan="2">ICAAP on similar lines as prescribed for commercial banks under Pillar 2. NBFCs-UL and NBFC-ML are required to make a thorough internal assessment of the need of capital, which shall factor in credit risk, market risk, operational risk, and all other residual risks as per methodology to be determined internally.</td><td>1 October 2022</td></tr>
<tr><td>Differential standard asset provisioning norms</td><td>Not applicable</td><td>Not applicable</td><td>NBFC-UL shall maintain provisions in respect of 'standard' assets at the following rates for the funded amount outstanding:
<table>
<tr><th>Category of Assets</th><th>Rate of Provision</th></tr>
<tr><td>Individual housing loans and loans to Small and Micro Enterprises (SMEs)</td><td>0.25 percent</td></tr>
<tr><td>Housing loans extended at teaser rates</td><td>2.00 per cent, which will decrease to 0.40 per cent after 1 year from the date on which the rates are reset at higher rates (if the accounts remain 'standard')</td></tr>
<tr><td>Advances to Commercial Real Estate – Residential Housing (CRE - RH) Sector</td><td>0.75 percent</td></tr>
<tr><td>Advances to Commercial Real Estate (CRE) Sector (other than CRE-RH)</td><td>1.00 percent</td></tr>
<tr><td>Restructured advances</td><td>As stipulated in the applicable prudential norms for restructuring of advances</td></tr>
<tr><td>All other loans and advances not included above, including loans to Medium Enterprises</td><td>0.40 per cent</td></tr>
</table>
Housing finance companies are already following the above provision matrix as per Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. Hence, there will be no change in provision rates if any NBFC-HFC company is identified as NBFC-UL by RBI.</td><td>1 October 2022</td></tr>
</table>

Particulars	NBFC - Base Layer NBFC - BL	NBFC - Middle Layer BFC - ML	NBFC - Upper Layer NBFC - UL	Applicable date
			NBFCs following Ind AS for the preparation of the financial statements continue to compute impairment allowances as required under Ind AS, subject to norms prescribed in RBI circular on "Implementation of Indian Accounting Standards" dated 13 March 2020.	
Common Equity Tier 1 capital	Not applicable	Not applicable	NBFC-UL (except CICs) shall maintain on an ongoing basis Common Equity Tier 1 capital of at least 9 percent of risk-weighted assets. RBI will specifically identify the NBFCs to be covered in NBFC-UL. Common equity tier 1 (CET 1) ratio = common equity tier 1 capital/ total risk-weighted assets	1 October 2022
Leverage	Not applicable	Not applicable	In addition to the CRAR, NBFC-UL will also be subjected to leverage requirement. A suitable ceiling for leverage will be prescribed by RBI subsequently for these entities as and when necessary.	Clarification on this matter is awaited

The NBFCs will need to consider the following revised capital guidelines:

- NBFCs will need to establish a detailed ICAAP framework and policy to ensure availability of adequate capital to support all risks in business and apply better risk management techniques for monitoring and managing their risks.
- Similar to banks, NBFC-UL will also be required to maintain CET 1 capital. This is likely to enhance the capabilities of NBFCs to absorb losses due to an increase in the quality of regulatory capital.
- NBFC-UL will need to follow the differential standard asset provisioning requirements w.e.f. 1 October 2022. They will need to ensure appropriate systems and processes are in place to enable compliance with these requirements.
- NBFCs-UL must monitor further clarifications on leverage requirements from RBI and comply with the leverage ceiling once prescribed.

Revisions in Prudential Guidelines:

RBI has prescribed certain prudential guidelines in the SBR framework to manage the risk exposure of NBFCs. Following is an overview of prudential guidelines prescribed under the SBR framework:

<table>
<tr><th>Particulars</th><th>NBFC - Base Layer
NBFC - BL</th><th>NBFC - Middle Layer
BFC - ML</th><th>NBFC - Upper Layer
NBFC - UL</th><th>Applicable date</th></tr>
<tr><td>Concentration of credit/ investment</td><td>Not applicable</td><td colspan="2">NBFC-UL shall follow large exposure framework limits issued by RBI circular dated 19 April 2022, as mentioned below:

(as % of eligible capital base*)
<table>
<tr><th>Exposure to /by</th><th>NBFC-UL (Other than IFC**)</th><th>NBFC-UL (IFC)</th></tr>
<tr><td>Single Counterparty</td><td>▶ 20%
▶ additional 5% with Board approval
▶ additional 5% if exposure towards Infrastructure loan/investment
(Single counterparty limit shall not exceed 25% in any case)</td><td>▶ 25%
▶ additional 5% with Board approval</td></tr>
<tr><td>Group of connected Counterparties</td><td>▶ 25%
▶ additional 10% if exposure towards Infrastructure loan/ investment</td><td>▶ 35%</td></tr>
</table>
*Eligible capital base means Tier 1 Capital
** Infrastructure finance company

NBFC-ML shall follow the merged lending and investment exposure limits as prescribed in SBR regulation as mentioned below:
<table>
<tr><th colspan="2">Revised Limit (as a percentage of Tier 1 Capital)</th></tr>
<tr><td>Single group of borrowers/parties</td><td>25%</td></tr>
<tr><td>Single group of borrowers/parties</td><td>40%</td></tr>
</table>
</td><td></td></tr>
<tr><td>Sensitive Sector Exposure (SSE)</td><td>Not applicable</td><td colspan="2">Board approved internal limits to be fixed for SSE, separately for capital market and commercial real estate exposures. No change in norms for HFCs, they will continue to follow current regulations. RBI will specifically identify the NBFCs to be covered in NBFC-UL.</td><td>1 October 2022</td></tr>
<tr><td>Internal exposure limits</td><td>Not applicable</td><td>Not applicable</td><td>Board approved internal exposure limits to be set for important sectors (other than sensitive sectors) to which credit is extended. RBI will specifically identify the NBFCs to be covered in NBFC-UL.</td><td>1 October 2022</td></tr>
</table>

<table>
<tr><th>Particulars</th><th>NBFC - Base Layer
NBFC - BL</th><th>NBFC - Middle Layer
BFC - ML</th><th>NBFC - Upper Layer
NBFC - UL</th><th>Applicable date</th></tr>
<tr><td>Regulatory restrictions on loans</td><td>NBFCs in Base layer shall have a Board approved policy on grant of loans to directors, senior officers, and relatives of directors and to entities where directors or their relatives have major shareholding. The Board approved policy shall include a threshold beyond which loans to above mentioned persons shall be reported to the Board. Further, NBFCs shall disclose in their Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per template provided in the circular.</td><td colspan="2">Unless sanctioned by the Board of Directors/ Committee of Directors, NBFCs shall not grant loans and advances aggregating Rs. 5 crores and above to:
▶ their directors (including the Chairman/ Managing Director) or relatives of directors
▶ any firm in which any of their directors or their relatives is interested as a partner, manager, employee, or guarantor.
▶ any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee, or guarantor.
The proposals for credit facilities of an amount less than Rs. 5 crore to above borrowers may be sanctioned by the appropriate authority in the NBFC under powers vested in such authority, but the matter should be reported to the Board.
Loans and advances to Senior Officers of the NBFC shall be reported to the Board.
Loans and advances to real estate sector shall be disbursed after ensuring that borrower has obtained prior permission from government/ local government/ other statutory authorities for the project</td><td>1 October 2022</td></tr>
<tr><td>Disclosures in financial statements</td><td colspan="3">All NBFCs shall disclose in their annual financial statement, aggregate amount of such sanctioned loans and advances as per below format:
Loans to Directors, Senior Officers, and relatives of Directors
(Rs. crore)
<table>
<tr><th></th><th>Current year</th><th>Previous year</th></tr>
<tr><td>Directors and their relatives</td><td>xx</td><td>xx</td></tr>
<tr><td>Entities associated with directors and their relatives</td><td>xx</td><td>xx</td></tr>
<tr><td>Senior officers and their relatives</td><td>xx</td><td>xx</td></tr>
</table></td><td></td></tr>
</table>

NBFCs need to identify and monitor their existing exposures to the capital market sector, commercial real estate sector and other important sectors as identified by the Board of Directors which will help in addressing credit risk concentration. Further, NBFCs will need to put in place reporting processes for timely and accurate reporting of large exposures to RBI, as per the format prescribed by RBI.

Further, the requirements relating to restrictions on loans to directors and their relatives and senior officers and disclosures thereof will bring in transparency around such loans and advances provided.

Revisions in Governance Guidelines:

To strengthen the governance framework of NBFCs, RBI has prescribed various governance guidelines under SBR framework. Below is an overview of governance guidelines prescribed under SBR framework:

Particulars	NBFC - Base Layer NBFC - BL	NBFC - Middle Layer BFC - ML	NBFC - Upper Layer NBFC - UL	Applicable date
Key Managerial Personnel (as defined in Section 2 (51) of Companies Act, 2013)	Not applicable	Except for directorship in a subsidiary, Key Managerial Person shall not hold any office (including directorships) in any other NBFC ML or NBFC UL. A timeline of two years is provided with effect from 01 October 2022, to ensure compliance with these norms. It is further clarified that they can assume directorship in NBFC-BLs.		1 October 2024
Compensation of Key Managerial (KMP) And Senior Management in NBFCs	Not applicable	NBFCs are required to put in place a Board approved compensation policy. The policy shall at the minimum include: (a) constitution of a Remuneration Committee, (b) principles for fixed/ variable pay structures, and (c) malus/ clawback provisions. The Board of NBFCs should delineate the role of various committees, including Nomination and Remuneration Committee (NRC). The RBI has provided guidelines which intends only to provide broad guidance to NBFCs and their NRCs in formulating their compensation policy. While formulating the compensation policy, it must be ensured that all statutory mandates and the rules and directions issued under them are fully complied with.		1 April 2023
Compliance function and Chief compliance officer (CCO)	Not applicable	NBFCs in the middle and upper layer are required to have an independent compliance function and appoint a Chief Compliance Officer (CCO). NBFC-UL and NBFC-ML shall put in place a Board approved policy by 1 April 2023 and establish compliance function, including appointment of CCO by 1 October 2023.		1 April 2023 and 1 October 2023
Independent director (ID)	Not applicable	IDs are restricted from being on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. A timeline of two years is provided with effect from 1 October 2022, to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.		1 October 2024
Removal of independent directors	Not applicable	Not applicable	NBFCs in the upper layer are required to report to the RBI in case any ID is removed/ resigns before the completion of his/her normal tenure. Earlier NBFCs were not required to report removal/resignation by an ID.	1 October 2022
Additional governance matters	Not applicable	Additional governance matters to be complied with include: ▶ Delineate the role of various committees ▶ Formulate a whistle blower mechanism ▶ Ensure good corporate governance practices in subsidiaries		Detailed circular is awaited from RBI
Qualification of Board members	Not applicable	Not applicable	NBFCs in the upper layer pose higher systemic risk and need to maintain highest corporate governance standards, they need to ensure that composition of Board of directors has relevant educational qualification and experience. Specific expertise of board members would be a prerequisite for appointment of directors depending on the type of business pursued by the NBFC-UL.	1 October 2022

<table>
<tr><th>Particulars</th><th>NBFC - Base Layer
NBFC - BL</th><th>NBFC - Middle Layer
BFC - ML</th><th>NBFC - Upper Layer
NBFC - UL</th><th>Applicable date</th></tr>
<tr><td>Risk Management Committee (RMC)</td><td>Could be at board or executive level</td><td>Board level RMC</td><td>Board level RMC</td><td>1 October 2022</td></tr>
<tr><td>Listing and disclosures</td><td>Not applicable</td><td>Not applicable</td><td>Once an NBFC is identified for inclusion as NBFC-UL, it must get listed within three years of identification as NBFC-UL. The RBI vide press release dated 30 September 2022 announced the list of NBFCs in the upper layer under SBR. To access the press release, click here

Further, within three months of being advised by the RBI regarding its inclusion as NBFC-UL, they should put in place a Board approved policy for adoption of the enhanced regulatory framework and develop a detailed implementation plan for complying with the new regulations

The Board of Directors shall ensure that the stipulations prescribed for the NBFC-UL are adhered to within a maximum time-period of 24 months from the date of advice regarding classification as a NBFC-UL from the Reserve Bank. The period of 3 months provided to develop an implementation plan shall be subsumed within 24 months. Once an NBFC is categorized as NBFC-UL, it shall be subject to enhanced regulatory requirement, at least for a period of 5 years from its classification in the layer, even in case it does not meet the parametric criteria in the subsequent year/s. In other words, it will be eligible to move out of the enhanced regulatory framework only if it does not meet the criteria for classification for 5 consecutive years.</td><td>Board approved policy - within 3 months from date of advice

Enhanced regulatory requirements - Within 24 months from date of advice

Listing within three years from date of identification as NBFC-UL</td></tr>
<tr><td rowspan="2">Disclosures in financial statements</td><td colspan="3">List of existing disclosures with amendments:
▶ Exposure to capital market
▶ Sectoral exposure
▶ Disclosure of complaints from customers
▶ Related party disclosure
▶ Exposure to real estate sector (currently applicable to Systemically Important NBFCs and HFC. Now it is applicable to all NBFCs)</td><td rowspan="2">31 March 2023</td></tr>
<tr><td colspan="2">List of new disclosure requirements.
▶ Intra-group exposure
▶ Unhedged foreign currency exposure</td><td>List of new disclosure requirements:
▶ Corporate governance disclosure
▶ Disclosure on modified opinion expressed by auditors, its impact on various financial items and views of management on audit qualifications. *
▶ Items of income and expenditure of exceptional nature. *
▶ Breach of a covenant
▶ Divergence in asset classification
▶ Intra-group exposure
▶ Unhedged foreign currency exposure
*Clarification on disclosures of modified opinion and exceptional income and expenses is awaited.</td></tr>
</table>

Particulars	NBFC - Base Layer NBFC - BL	NBFC - Middle Layer BFC - ML	NBFC - Upper Layer NBFC - UL	Applicable date
Core Financial Services Solution	NBFC – BL may voluntarily consider implementation of a Core Financial Services Solution for their own benefit.	NBFCs ML and NBFCs UL with 10 and more 'Fixed point service delivery units' as on 1 October 2022 have to implement 'Core Financial Services Solution (CFSS)', akin to the Core Banking Solution (CBS) adopted by banks, by 30 September 2025. However, NBFC-UL shall ensure that the CFSS is implemented at least in 70 percent of 'Fixed point service delivery units' on or before 30 September 2024.		30 September 2025 (70% units of NBFC-UL by 30 September 2024)
Experience of board of Directors	At least one of the directors in the board should have relevant experience of having worked in a bank/ NBFC. This is a new requirement for all NBFCs.			1 October 2022

How we look at it

- NBFCs need to ensure that appropriate steps are taken as per the SBR to strengthen the governance framework and necessary policies and governance functions are aligned with new SBR requirements.
- Large unlisted NBFCs, which may be identified by RBI as NBFC-UL, will have to assess the listing readiness status and prepare a comprehensive plan for listing.
- Further, NBFCs in each layer will also need to comply with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable while complying with the above mentioned SBR requirements.
- NBFCs should gear up for significant additional disclosures to be provided in the financial statements. This may require NBFCs to enhance/modify the financial reporting process so that such additional disclosures can be provided.
- NBFCs should establish a definitive framework for managing change in IT systems to implement the Core Financial Services Solution.

In addition to the above key changes, there are various other changes prescribed under the SBR framework and subsequent circulars issued by RBI, which are effective from various dates as prescribed in those circulars. Further, clarification on certain matters under the regulations is awaited and NBFCs need to monitor the same.

The SBR has been introduced keeping in mind the changing risk profiles of NBFCs considering that the sector has witnessed exponential growth and considerable evolution in terms of size, complexity, and interconnectedness within the financial sector. Considering the significant changes in regulatory framework, it is imperative for the NBFCs within each layer to put in place a detailed plan of action, robust policies, and processes, and gear up for the implementation of changes as soon as possible to ensure compliance with the various requirements of the SBR framework.

4. Accounting solutions

This section provides practical application issues with reference to leases.

Accounting for payments between the lessor and the lessee to obtain a lease

Fact pattern

1. Lessor pays or commits to pay (payable):
   a) a new lessee to incentivize the lessee to enter into a lease.
   b) for alterations to the leased asset specific to the new lessee, which is owned by the new lessee.
2. A new lessee pays the lessor (at or before lease commencement) in order to secure the right to obtain a lease agreement.

In this fact pattern, the leased asset meets the definition of property, plant, and equipment in Ind AS 16.

Issue

What is the accounting treatment, from both the lessor's and the lessee's perspectives, in respect of the payments mentioned above in the fact pattern?

View point

Appendix A of Ind AS 116 defines lease payments:

"Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:

a) fixed payments (including in-substance fixed payments), less any lease incentives

b) variable lease payments that depend on an index or a rate

c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

For the lessor, lease payments also include any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. Lease payments do not include payments allocated to non-lease components."

1. Lessor payments/payables:

Appendix A of Ind AS 116 defines lease incentives as:

"Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee."

Accordingly, the payments 1(a) and 1(b) in the fact pattern meet the definition of a lease incentive.

Accounting by the lessee

Paragraph 24 of Ind AS 116 states:

"The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability, as described in paragraph 26

b) any lease payments made at or before the commencement date, less any lease incentives received

c) any initial direct costs incurred by the lessee;and

d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period."

Paragraph 27 of Ind AS 116 states:

"At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments (including in-substance fixed payments as described in paragraph B42), less any lease incentives receivable *b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (as described in paragraph 28)*

c) amounts expected to be payable by the lessee under residual value guarantees

d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors described in paragraphs B37–B40);and

e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease."

At lease commencement, the lessee deducts the lease incentives received or receivable (payment 1(a) or payment 1(b) from the cost of the right-of-use asset. Lease incentives receivable are also included in the measurement of the lease liability (and when payment is received, the lease liability is adjusted accordingly).

Therefore, a separate financial asset is not recognized due to the existence of a lease incentive receivable. After lease commencement, when the lessee receives the lease incentive payment, the amount received is debited with an offsetting credit entry to the lease liability.

Accounting by the lessor

In case the lease is classified as a finance lease:

Paragraph 70 of Ind AS 116 states:

"At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

a) fixed payments (including in-substance fixed payments as described in paragraph B42), less any lease incentives payable;

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;

d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors described in paragraph B37); and

e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease."

Ind AS 116 requires the lessor to deduct, at the commencement date, any lease incentives payable from the lease payments included in the measurement of the net investment in the lease.

Accordingly, when the incentive is paid after lease commencement (i.e., it was payable but not paid on or before the lease commencement date), the incentive payable is debited with an offsetting credit entry to the net investment in the lease.

If lease incentives have been paid to the lessee at or prior to the commencement date, they will be included in the calculation of the gain or loss on disposal (selling profit or loss for a manufacturer or dealer lessor) on a finance lease. Accordingly, the measurement of the net investment in the lease is not affected by the incentive paid. In other words, after the payment is made, the amount of the net investment in the lease is the same, whether the incentive is payable or paid at lease commencement.

Appendix A of Ind AS 116 defines initial direct costs as:

"Incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease."

If lease incentives have been paid to the lessee at or prior to the commencement date, the entity should assess if the lease incentives meet the definition of initial direct costs.

In case the lease is classified as an operating lease:

Paragraph 81 of Ind AS 116 states:

"A lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished."

The lessor should therefore account for the payment 1(a) or 1(b) as part of the lease payments, which are recognized as income on either a straight-line basis or another systematic basis.

2. Lessee payment

For both the lessee and lessor, the payments in the fact pattern meet the definition of lease payments that were paid at or before the commencement date.

Accounting by the lessee

Paragraph 24 of Ind AS 116 states:

"The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability, as described in paragraph 26

b) any lease payments made at or before the commencement date, less any lease incentives received

c) any initial direct costs incurred by the lessee; and

d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying *asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period."*

Accordingly, the lessees should therefore include any lease payment made before the commencement date in the cost of the right-of-use asset.

Accounting by the lessor

In case the lease is classified as a finance lease:

Paragraph 68 of Ind AS 16 states:

"The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is de-recognised (unless Ind AS 116 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue."

Paragraph 69 of Ind AS 16 states:

"The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g., by sale, by entering into a finance lease or by donation). The date of disposal of an item of property, plant, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115. Ind AS 116 applies to disposal by a sale and leaseback."

Paragraph 71 of Ind AS 16 states:

"The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item."

The lessor will therefore account for the prepaid lease payment as part of the net disposal proceeds and recognize any gain or loss in profit or loss when the item is de-recognized.

Hence, Ind AS 16 requires the gain or loss arising from the derecognition of an item of property, plant, and equipment to be determined as the difference between the net disposal proceeds and the carrying amount of the item. Further, Ind AS 16 requires that the gain or loss is included in profit or loss when the item is de-recognized.

In case the lease is classified as an operating lease:

Paragraph 81 of Ind AS 116 states:

"A lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished."

The lessor should therefore recognize the lease payments (including a payment from the lessee prior to the commencement date) as income on either a straight-line basis or another systematic basis.

The payments or payables in the fact pattern meet the definition of lease incentives in Ind AS 116 Leases.

Lessee accounting for non-recoverable value added tax (VAT) payments

1. Are non-recoverable VAT lease payments included in the initial measurement of the lease liability when VAT is a tax collected by the lessor on behalf of the tax authority in a jurisdiction?
2. Do such non-recoverable VAT payments meet the definition of an initial direct cost (IDC)?
3. Are such non-recoverable VAT payments in the scope of Appendix C to Ind AS 37 and if so, can a lessee recognize an asset in its balance sheet?

Fact pattern

A lessee enters into a two-year contract to lease a building from a lessor for a monthly payment of Rs. 1,000 plus the applicable VAT in advance. If the VAT tax rate changes in the future, the lessee would be required to pay Rs. 1,000 plus the applicable VAT at the prevailing tax rate at the time of payment.

Under the tax regulations of many jurisdictions, VAT is a tax collected by the lessor on behalf of the tax authority. Assume that under the local tax law, 50% of the VAT paid by a lessee can be included in the lessee's VAT return as input tax due to the particular type of principal business activities in which the lessee is engaged (e.g., financial services). Therefore, 50% of the lessee paid VAT is considered non-recoverable.

Issue / View point

1. Are non-recoverable VAT lease payments included in the initial measurement of the lease liability when VAT is a tax collected by the lessor on behalf of the tax authority in a jurisdiction?

Appendix A of Ind AS 116 Leases defines lease payments as:

"Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:

a) fixed payments (including in-substance fixed payments), less any lease incentives

b) variable lease payments that depend on an index or a rate

c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.."

Paragraph 27 of Ind AS 116 requires these lease payments, which are not paid on commencement date, to be included in the initial measurement of the lease liability by the lessee for the right to use the underlying asset during the lease term.

As the contract specifically states that the lessee would need to pay a monthly fixed amount of Rs. 1,000 plus VAT in advance and the VAT invoice would state the VAT amount, it is clear to both the lessor and the lessee how much VAT is collected in each invoice and will be passed on to the tax authority (and not retained by the lessor). These payments for both the recoverable and non-recoverable VAT to the lessor are not payments relating to the right to use the underlying asset during the lease term. That is, such payments are not reimbursement of the lessor's cost for providing the right to use the underlying asset. Rather, the lessor is obliged to collect the VAT on behalf of the tax authority and remit only the collected amounts to the tax authority, regardless of the amount to be claimed by the lessee.

Accordingly, non-recoverable VAT payments are not lease payments included in the initial measurement of the lessee's lease liability. They are payments collected by the lessor on behalf of the tax authority, and they are not reimbursement of the lessor's cost for providing the right to use the underlying asset.

2. Do such non-recoverable VAT payments meet the definition of an initial direct cost (IDC)?

Appendix A of Ind AS 116 defines initial direct costs as:

"Incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease."

The definition of initial direct costs therefore requires the costs to be:

a) incurred to obtain a lease; and

b) incremental in nature.

In the fact pattern above, the VAT payments are not obligations that arise to obtain the lease. Rather, such costs are incurred as a consequence of using the asset during the lease term and thus do not meet the definition of an initial direct cost. Hence, the timing of the first non-recoverable VAT payment in this example (i.e., paid in advance) may not result in a different conclusion. That is, non-recoverable VAT payments made in arrears should not have a different accounting conclusion from an arrangement that includes a non-recoverable VAT payment on or before lease commencement.

Accordingly, such non-recoverable VAT payments made by lessee do not meet the definition of an IDC because they are incurred as a consequence of using the asset during the lease term and they are not obligations that arise to obtain the lease.

3. Are such non-recoverable VAT payments in the scope of Appendix C to Ind AS 37 and if so, can a lessee recognize an asset on the balance sheet?

Paragraph 2 of Appendix C to Ind AS 37 states:

"This Appendix addresses the accounting for a liability to pay a levy if that liability is within the scope of Ind AS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain."

Paragraph 4 of Appendix C to Ind AS 37 states:

"For the purposes of this Appendix, a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e., laws and/or regulations), other than:

a) those outflows of resources that are within the scope of other Standards (such as income taxes that are within the scope of Ind AS 12 Income Taxes); and

b) fines or other penalties that are imposed for breaches of the legislation."

In this fact pattern, the non-recoverable VAT payment is

a) an outflow of cash imposed by the tax authority

b) not a tax based on income, and hence, not in the scope of Ind AS 12 Income Taxes

c) not considered being fines or other penalties that are imposed for breaches of the legislation

Accordingly, the non-recoverable VAT payment is in the scope of Appendix C to Ind AS 37.

Paragraph 8 of Appendix C to Ind AS 37 states:

"The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation."

As non-recoverable VAT falls within the scope of Appendix C to Ind AS 37, entities are required to recognize a liability for the non-recoverable VAT when the obligating event occurs. Entities should consider the legislation to determine the activity that triggers the payment of the non-recoverable VAT.

Paragraph 3 of Appendix C to Ind AS 37 states:

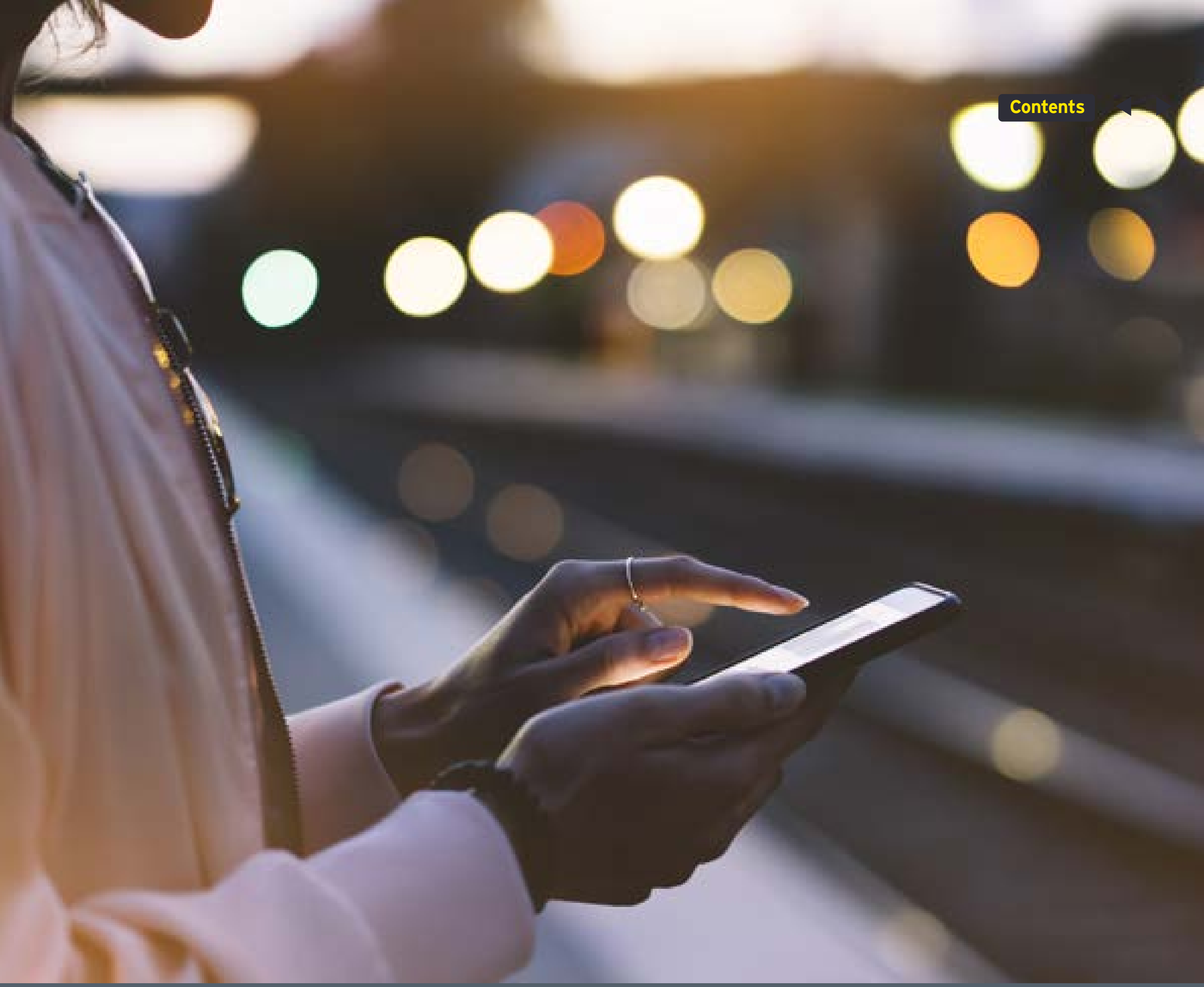
"This Appendix does not address the accounting for the costs that arise from recognising a liability to pay a levy. Entities should apply other Standards to decide whether the recognition of a liability to pay a levy gives rise to an asset or an expense."

In addition, paragraph 14 of Appendix C to Ind AS 37 states:

"An entity shall recognise an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy."

In case the non-recoverable VAT payment is not a prepayment of a levy, entities should assess whether another standard permits the inclusion of the non-recoverable VAT payment in the cost of an asset (e.g., Ind AS 16 Property, Plant and Equipment). If not, the non-recoverable VAT payment should be expensed as incurred.

Hence, such non-recoverable VAT payments are in the scope of Appendix C to Ind AS 37. For payments that are not prepayments of levies, Appendix C to Ind AS 37 refers to other standards to decide whether the recognition of a liability to pay the non-recoverable VAT gives rise to an asset or an expense.



5. Regulatory updates

SEBI updates

Framework for social stock exchange

SEBI vide notification dated 25 July 2022 has introduced the framework for social stock exchange ('SSE') by amending SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR regulations). These provisions would apply to a:

- Not for profit organization seeking to only get registered with a SSE
- Not for profit organization seeking to get registered and raise funds through SSE
- For a profit social enterprise seeking to be identified as a social enterprise. To access these amendments, click here.

Corresponding amendments have been made to:

- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. To access the amendments click here.
- SEBI (Alternative Investment Funds) Regulations, 2012. To access the amendments, click here.

Further, SEBI vide circular dated 19 September 2022 has prescribed a detailed framework for SSE including the following:

- Minimum Initial Disclosure Requirement for a not-for-profit organization raising funds through zero coupon zero principal instruments.
- Annual disclosure by not-for-profit organizations
- Disclosure of Annual Impact Report by all social enterprises which have registered or raised funds using SSE.

  To access the SEBI Circular click here.

Operational circular for listing obligations and disclosure requirements

SEBI vide circular dated 29 July 2022 has issued an operational circular for listing obligations and disclosure requirements for issuers having listed non-convertible securities, securitized debt instruments and/ or commercial paper. This operational circular is a compilation of the relevant existing circulars, with consequent changes. To access the operational circular click here.

SEBI Board meeting

SEBI on 30 September 2022 has inter alia decided to:

- Mandate disclosure of Key Performance Indicators and price per share of issuers, in public issues based on past transactions and past fund raising done from investors under 'Basis for Issue Price' section of the offer document, and in Price Band Advertisement.
- Amend SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to:
  - Provide flexibility in approval process for appointment and/ or removal of Independent Directors and
  - Ease the requirements/ timelines pertaining to submission of financial results for entities with listed non-convertible securities, clarity in provisions pertaining to disclosure of line items/ ratios, publication of results in newspapers, etc., to bring uniformity in the disclosure requirements in parity with those of specified securities.

  To access the minutes of the SEBI Board Meeting, click here.

Issuance of commercial papers and preferential issue and institutional placement by InvITs/ REITs

SEBI vide circulars dated 22 September 2022 has prescribed the framework relating to issuance and listing of commercial papers by listed InvITs (click here to access)/ REITs (click here to access). Further SEBI vide circulars dated 28 September 2022 has amended the guidelines for preferential issue and institutional placement of units by a listed InvITs (click here to access)/ REITs (click here to access).

FAQs on preferential issue of units by InvITs and REITs

SEBI has issued FAQs to provide guidance to market participants on:

- SEBI (Infrastructure Investment Trusts) Regulations, 2014. (To access the FAQs click here).
- SEBI (Real Estate Investment Trusts) Regulations, 2014. (To access the FAQs click here)

Definition of associate under mutual fund regulations and disclosure requirement for Asset Management Companies (AMCs)

SEBI vide notification dated 3 August 2022 has inter alia provided that the definition of an associate under SEBI (Mutual Funds) Regulations, 1996 would not be applicable to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by SEBI from time to time. To access the notification, click here.

Consequent to the above amendment, SEBI vide circular dated 25 August 2022 has decided that AMCs should ensure scheme wise disclosure of investments as on the last day of each quarter, in securities of such entities that are excluded from the definition of associate. Such disclosure should be made on the website of the respective AMCs and on the website of the Association of Mutual Funds in India, within one month from the close of each quarter. To access the circular, click here.

MCA updates

MCA amends rules pertaining to maintaining of books by companies

MCA vide notification dated 5 August 2022 has amended the Companies (Accounts) Rules, 2014 to inter alia provide that the back-up of the books of account and other books and papers of the company maintained in electronic mode (including at a place outside India) should be kept in servers physically located in India on a daily basis (earlier: periodic basis). To access the notification click here. ICAI has also issued an announcement in this regard, which can be accessed here.

Rounding off the figures in the financial statements and Form AOC – 4 (Form for filing financial statement and other documents with the Registrar

MCA on 26 September 2022 has provided that Schedule III to the Companies Act, 2013 mandates companies to round off the figures appearing in the financial statements depending upon their total income. However, if the companies provide absolute figures in e-forms ie. AOC-4, the same shall not be treated as incorrect certification by the Professionals. To access the update click here.

Amendment in the definition of small company

MCA vide notification dated 15 September2022 has amended definition of a small company by increasing the limit of paid up capital and turnover to Rs. 4 crores (Earlier Rs. 2 crores) and Rs 40 crore (Earlier Rs. 20 crores) respectively. To access the notification, click here.

Amendments to Companies (Corporate Social Responsibility Policy) Rules, 2014

MCA on 20 September 2022 has amended the CSR norms to inter alia provide that a company:

- Having any amount in its Unspent Corporate Social Responsibility Account as prescribed under section 135(6) of the Companies Act, 2013 should constitute a CSR Committee and comply with the prescribed provisions of the said section.
- Undertaking impact assessment may book the expenditure toward the CSR for that financial year, not exceeding 2% percent (earlier: 5%) of the total CSR expenditure for that financial year or Rs. 50 lakhs, whichever is lower (earlier: higher).

  To access the notification, click here.

Spending of corporate social responsibility (CSR) funds for "Har Ghar Tiranga" campaign

MCA vide circular dated 26 July 2022, has clarified that spending of CSR funds for the activities related to "Har Ghar Tiranga" campaign, such as mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities, are eligible CSR activities under the Companies Act, 2013. To access the circular, click here.

Amendments to deposits norms

MCA vide its notification dated 29 August 2022, has amended Companies (Acceptance of Deposit) Rules, 2014 to:

- Enhance the information to be included in Form DPT-3 (Return of deposits) and Form DPT-4 (Statement regarding deposits existing on the commencement of the Companies Act, 2013) e.g., Form DPT – 3 now requires stating the particulars of receipt of money/ loan by a company but not considered as deposits, at the end of financial year.
- Provide that the auditor of the company has to submit a declaration in Form DPT-3 while filing a return.

To access the notification, click here. ICAI has also issued an announcement in this regard, which can be accessed here.

RBI updates

Revised framework for overseas direct investment

RBI on 22 August 2022, has notified the revised framework for overseas direct investment by issuing the following:

- Foreign Exchange Management (Overseas Investment) Regulations, 2022. To access the Regulations, click here.
- Foreign Exchange Management (Overseas Investment) Directions, 2022. To access the Directions, click here.
- Foreign Exchange Management (Overseas Investment) Rules, 2022. To access the Rules, click here.
- Updated RBI Master Direction – Reporting under FEMA Act, 1999. To access the updated Mater Direction, click here.

The revised regulatory framework provides for simplification of the existing framework for overseas investment and has been aligned with the current business and economic dynamics. Clarity on Overseas Direct Investment and Overseas Portfolio Investment has been brought in and various overseas investment related transactions that were earlier under approval route are now under automatic route, significantly enhancing ease of doing business.

Guidelines for digital lending

RBI vide notification dated 2 September 2022 has released guidelines for digital lending. These guidelines have been framed to support orderly growth of credit delivery through digital lending methods while mitigating the regulatory concerns. These guidelines are based on the principle that lending business can be carried out only by entities that are either regulated by the RBI or entities permitted to do so under any other law. To access the guidelines click here.

ICAI updates

Applicability date of certain provisions of Code of Ethics, 2019

ICAI has decided to make certain provisions contained in Volume-I of Code of Ethics, 2019 applicable from 1 October 2022. One of the provisions include responding to non-compliance with laws and regulations by Professional Accountants in service being employees of listed entities. To access the ICAI announcement click here.

Guidance Note on the Companies (Auditor's Report) Order, 2020 (Revised 2022 Edition)

ICAI has issued the revised guidance note to inter alia include the reference of revised disclosure requirements prescribed under Schedule III to the Companies Act, 2013. To access the guidance note click here.

Guidance Note on tax audit under Section 44AB of the Income-tax Act, 1961 (Revised)

ICAI has issued the above guidance note (Effective for the AY 2022-23 and subsequent assessment years) after incorporating the changes/ amendments in applicable laws. To access the guidance note click here.

Other key ICAI publications:

ICAI has issued the following key publications:

- Technical guide on Audit of Charitable Institutions under Section 12A of the Income-tax Act, 1961 – To access the technical guide click here.
- Emerging role of auditors and CFOs in addressing risk management: A new perspective - To access the publication click here
- Valuation: Professionals' Insights (Series 7) - To access the publication click here.
- Technical guide on valuation of business in telecom tower industry - To access the technical guide click here.
- Handbook on taxation of virtual digital assets – To access the handbook click here.
- FAQs on Sustainability Reporting - Heart of Good Governance – To access the FAQs click here.
- Exposure draft of revised Ind AS 113, Fair Value Measurement for comments with the last date being 18 October 2022 – To access the exposure draft click here.

We acknowledge contribution from

- Sandip Khetan
- Jigar Parikh
- Deepa Agarwal
- Vishal Bansal
- Nilanjan Paul
- Nikhil Gupta
- Manan S Lakhani
- Suraj Pandey
- Dilpesh Chouhan
- Amrish Darji
- Disha Mehta

Contact us

Please write to : faas.in@in.ey.com in case you have any queries, feedback or inputs.

EY offices

Ahmedabad
22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru
12th & 13th floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, O'Shaughnessy Road
Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh
Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai
Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR
Golf View Corporate Tower B
Sector 42, Sector Road
Gurugram - 122 002
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur
1st Floor, Shantiniketan Building
Holding No. 1, SB Shop Area
Bistupur, Jamshedpur – 831 001
Tel: + 91 657 663 1000

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune
C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

Ernst & Young Associates LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EYIN2210-009

JG