

ANALYSIS OF STANDALONE FINANCIAL

The following table sets forth the breakup of the Company's expenses as part of the Revenue from operations (Net)

Amount in ₹ Crore

	2016	% of Revenue from operations	2015	% of Revenue from operations
Net Sales	10,936.41	98.01	11,432.76	96.91
Other operating revenue	221.93	1.99	364.07	3.09
Revenue from operations (net)	11,158.34	100.00	11,796.83	100.00
Other income	112.71	1.01	119.35	1.01
Cost of materials consumed	1,587.26	14.22	1,739.78	14.75
Purchase of traded goods	90.17	0.81	108.29	0.92
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	16.99	0.15	0.05	-
Employee benefits expense	778.31	6.98	769.87	6.53
Power and fuel	2,157.10	19.33	2,394.05	20.29
Freight and Forwarding expense	2,654.66	23.79	2,723.00	23.08
Finance costs	72.87	0.65	67.32	0.57
Depreciation and amortization expense	605.16	5.42	652.06	5.53
Other expenses (including Self Consumption of cement)	2,456.85	22.02	2,524.62	21.40
Profit before exceptional items and tax	851.68	7.63	937.14	7.94
Exceptional items	42.81	0.38	153.17	1.30
Profit before tax	808.87	7.25	783.97	6.65
Tax expenses	206.47	1.85	192.40	1.63
Profit for the year	602.40	5.41	591.57	5.01

During the year 2016, the Company has recorded a profit after tax of ₹ 602.40 Crore as compared to ₹ 591.57 Crore in 2015.

- Despite a challenging year, full year profit after tax is up as compared to previous year. Operating cost is down mainly driven by strong cost saving measures, especially on account of fuel mix flexibility and raw materials optimisation.
 - The new Jamul and Sindri projects will strengthen the company's market presence especially in the eastern region.
- The analysis of major items of the financial statements is given below:

1. REVENUE FROM OPERATIONS (NET):

Amount in ₹ Crore

	2016	2015	Change	Change%
Cement and Clinker	9,881.79	10,465.26	(583.47)	(5.58)
Ready Mix Concrete	1,041.48	948.62	92.86	9.79
Sale of services (RMX)	13.14	18.88	(5.74)	(30.40)
Other operating revenue	221.93	364.07	(142.14)	(39.04)
TOTAL	11,158.34	11,796.83	(638.49)	(5.41)

Revenue from operations (net) has decreased due to following reasons:-

- Company's cement sales volume at 22.99 million tonnes during the year as compared to 23.62 million tonnes during previous year.
- The Cement market continued to witness vigorous price competition. Average selling prices of cement reduced by 3 % in 2016 over 2015.
- Continued thrust on promotion of the company's range of value added premium products, yielded an increase of about 27% in the sale of these products during the year.
- The company's ready mixed concrete business showed positive momentum throughout the year, achieving overall growth of 10.50% in sales volume during the year. Sale of Ready Mixed Concrete has increased from 23.44 Lakh Cubic Metres to 25.90 Lakh Cubic Metres.

Other operating revenue includes accrual of sales tax incentives, write back of provision which is no longer required, scrap sales and other Miscellaneous Income.

- Other operating revenue has decreased due to the following reason:
Other operating revenue for the previous year included accrual of sales tax incentives of ₹ 139.74 Crore pertaining to earlier years due to favorable order from Jharkhand High Court.

2. OTHER INCOME:

Amount in ₹ Crore

	2016	2015	Change	Change%
Other income	112.71	119.35	(6.64)	(5.56)

Other income consists of Interest on Bank deposits, Interest on Income Tax, Gain on sale of investments, Dividend from long term investments and Profit on sale of fixed assets (net).

Other income has decreased marginally due to following offsetting reasons:

- Other income for the current year includes profit on sale of fixed assets (Net) of ₹ 20.35 Crore (Previous year – ₹ Nil).
- In the previous year, interest of ₹ 30 Crore was received on income tax refund for earlier years.

3. COST OF MATERIALS CONSUMED:

Amount in ₹ Crore

	2016	2015	Change	Change%
Cost of materials consumed	1,587.26	1739.78	(152.52)	(8.77)

Cost of materials consumed has decreased due to following reasons:

- Cement production has decreased by 2.8% from 23.84 million tonnes to 23.18 million tonnes.
- Ready Mixed Concrete Production has increased by 10.3% from 22.15 Lakh Cubic Metres to 24.43 Lakh Cubic Metres.
- The cost of gypsum reduced by 10.8% as a result of changes made in the mix optimization as well as due to the lower landed cost of imported gypsum.

- Fly ash and slag prices are negotiated with suppliers and brought down. This coupled with changes in source mix optimization enabled a reduction of 5.9% in the cost of fly ash. In respect of slag, a reduction of 14.3% is achieved as compared to the previous year.
- Purchase of Clinker and Limestone cost has decreased by ₹ 64 Crore as compared to previous year. Purchase of Clinker and Limestone was higher in the previous year due to temporary closure of mines in the eastern plants of Chaibasa and Bargarh.
- A combination of cost efficiency measures and lower input costs helped contain overall raw material cost.

4. PURCHASE OF TRADED GOODS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Cement	-	13.71	(13.71)	(100.00)
Ready mix concrete	90.17	94.58	(4.41)	(4.66)
TOTAL	90.17	108.29	(18.12)	(16.73)

- In the current year, there is no purchase of cement. Purchase of Ready mix concrete has marginally decreased as compared to previous year.
- Ready mix concrete includes ₹ 88 Crore (Previous year - ₹ 90 Crore) purchases from an Associate Company, Aakaash Manufacturing Company Private Limited located in the State of Goa.

5. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:

Amount in ₹ Crore

	2016	2015	Change	Change%
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	16.99	0.05	16.94	-

- Movement in change in inventories is mainly on account of decrease in inventory of finished goods.

6. EMPLOYEE BENEFITS EXPENSE:

Amount in ₹ Crore

	2016	2015	Change	Change%
Employee benefits expense	778.31	769.87	8.44	1.10

Employee benefits expense has marginally increased due to following reason:

- Salary increment in salary w.e.f. April 01, 2016.

7. POWER AND FUEL:

Amount in ₹ Crore

	2016	2015	Change	Change%
Power and Fuel	2,157.10	2,394.05	(236.95)	(9.90)

Power and fuel cost has decreased due to following reasons:

- Power & Fuel efficiencies enabled a cost reduction of 10% in 2016 as compared to 2015.
- Fuel cost has decreased due to reduction in Pet coke average price by 25% as compared to the previous year.
- The Company has achieved fuel mix flexibility during the year. Usage of pet coke has increased to 62% in 2016 as compared to 18% in 2015.
- Clinker production has decreased by 1.7% as compared to previous year.
- The cost of generation at our thermal power plants (TPP) is down by 2.4 % to ₹ 4.56 per KWH in 2016 against ₹ 4.67 per KWH in 2015 mainly due to better efficiencies.
- The average cost of purchased power during the year is ₹ 6.3 per KWH as compared to ₹ 6.5 per KWH in the previous year.
- Reduction in power and fuel cost is partially offset by provision of ₹ 34 Crore (including ₹ 19 Crore for the period January 2015 to October 19 2015) for royalty on Coal towards contribution to District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET).

8. FREIGHT AND FORWARDING EXPENSE :

Amount in ₹ Crore

	2016	2015	Change	Change%
On Clinker transfer	452.86	460.30	(7.44)	(1.62)
On finished products - Cement	2,107.16	2180.46	(73.30)	(3.36)
Ready mixed Concrete	94.64	82.24	12.40	15.08
TOTAL	2,654.66	2,723.00	(68.34)	(2.51)

Freight and Forwarding expense has decreased due to following reasons:

- Freight and Forwarding expense on cement has reduced mainly due to decrease in despatches.
- Despite an increase in rail tariffs, the Company has reduced the freight and forwarding expense by pursuing proactive changes in the rail-road mix, increase in direct ex-factory despatches as well as through renegotiation of road transport and C&F rates.
- Freight cost on sale of Ready Mixed Concrete has gone up due to increase in volumes.

9. FINANCE COSTS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Interest expenses	48.19	46.13	2.06	4.47
Interest on Income Tax	24.68	21.19	3.49	16.47
TOTAL	72.87	67.32	5.55	8.24

Finance costs comprise interest paid to dealers on Security deposit, interest on income tax and other interest.

- Higher interest expense is mainly attributable to increase in short term borrowing from a wholly owned Subsidiary Company.
- Interest on Income tax has also increased by ₹ 3.49 Crore as compared to previous year.

10. DEPRECIATION AND AMORTIZATION EXPENSE:

Amount in ₹ Crore

	2016	2015	Change	Change%
Depreciation on tangible assets	604.86	651.55	(46.69)	(7.17)
Amortization on intangible assets	0.30	0.51	(0.21)	(41.18)
TOTAL	605.16	652.06	(46.90)	(7.19)

Depreciation in 2016 is lower mainly due to few fixed assets retired / fully depreciated during previous year. Major impact is on assets pertaining to Plant and Equipment and Office Equipment.

- Decrease is partially offset by increase in depreciation due to capitalisation of Jamul project in Quarter 3 2016 and Sindri project in Quarter 4 2016.
- The Company commenced commercial production of Clinkering Facility of 2.79 MTPA and Cement facility of 1.1 MTPA at Jamul in State of Chhattisgarh on 19th July 2016 and 14th September 2016 respectively.
- The Company commenced commercial production of Cement grinding facility of 1.35 MTPA at Sindri in the State of Jharkhand on October 22, 2016.

11. OTHER EXPENSES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Consumption of Stores and spares parts	389.59	377.99	11.60	3.07
Consumption of packing materials	353.84	404.44	(50.60)	(12.51)
Excise Duties (Net)	(0.14)	1.88	(2.02)	(107.45)
Rent	30.12	29.90	0.22	0.74
Rates and taxes	149.04	145.52	3.52	2.42
Repairs	168.65	161.23	7.42	4.60
Insurance	24.60	25.44	(0.84)	(3.30)
Royalties on minerals	216.80	205.72	11.08	5.39
Discount on sales	76.68	90.80	(14.12)	(15.55)

Amount in ₹ Crore

	2016	2015	Change	Change%
Advertisement	80.57	110.13	(29.56)	(26.84)
Technology and Know-how fees	107.98	112.76	(4.78)	(4.24)
Miscellaneous Expenses (including Self Consumption of cement)	859.12	858.81	0.31	0.04
TOTAL	2456.85	2524.62	(67.77)	(2.68)

- Consumption of Stores and spare parts has increased mainly on account of higher civil and mechanical jobs at few plants.
- Consumption of packing materials cost has decreased mainly due to decline in prices of Poly Propylene granules, renegotiation of commercial terms with suppliers and also reduction in sales volume. Average price of packing bags reduced by 9.80%.
- Royalty on minerals has increased due to increase in extraction of limestone. Increase is mainly on account of commencement of commercial production of new Jamul unit in the current year.
- Discount on sales represents cash discount given on sale of cement. Discount on sales has decreased due to reduction in overall sales.
- Advertisement expense has decreased mainly due to reduction in various promotional activities.
- Technology and Know-how fees represent the amount paid to Holcim Technology Ltd for technical support received by the Company.
- Miscellaneous Expenses
 - In August 2015, the Company invested in OneIndia BSC Private Limited, in which Company and Ambuja Cements is having equal participation, with an aim to receive back office services with respect to routine processes.
 - Miscellaneous Expenses of current year includes ₹ 22 Crore towards services received from OneIndia BSC Private Limited.
 - Miscellaneous Expenses of previous year included write off of Fixed assets of ₹ 13 Crore.
 - Effective cost control measures have resulted in curtailment of increase in overall miscellaneous expenses.

12. EXCEPTIONAL ITEMS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Exceptional items	42.81	153.17	(110.36)	(72.05)

Exceptional items represents following:

- During the year, the Company has made provision of ₹ 42.81 Crore for diminution in the value of investments in the wholly owned subsidiary ACC Mineral Resources Limited considering inordinate delay in realising investments made in cancelled coal blocks.
- Pursuant to provisions of Schedule II of the Companies Act, 2013, an additional charge of ₹ 153.17 Crore, being the carrying amount as of January 1, 2015 of fixed assets with no remaining useful life (as revised) as of that date, was recognized and disclosed as an exceptional item in the previous year.

13. TAX EXPENSES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Current tax	117.49	258.81	(141.32)	(54.60)
Deferred tax	88.98	(66.41)	155.39	233.99
TOTAL	206.47	192.40	14.07	7.31

Current tax has decreased by ₹ 141 Crore due to the following reason:

- During the current year, current tax liability is under minimum alternative tax, accordingly MAT credit of ₹ 115.55 Crore is recognized.

Deferred tax has increased by ₹ 155 Crore due to following reasons:

- In the current year, due to higher income tax depreciation claim on capitalization of Jamul and Sindri projects, tax has been deferred to future years resulting in an increase in deferred tax liability.
- In 2015, pursuant to transition provisions prescribed in Schedule II of Companies Act 2013, an additional depreciation of ₹ 153.17 Crore was recognized, on which deferred tax asset was created.

14. NET FIXED ASSETS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Fixed Assets	7,462.38	5,284.98	2,177.40	41.20
Capital Work in progress	260.82	2,370.96	(2,110.14)	(89.00)
TOTAL	7,723.20	7,655.94	67.26	0.88

- Increase in Fixed Assets is mainly on account of capitalisation of Jamul and Sindri projects.
- The Company commenced commercial production of Clinkering Facility of 2.79 MTPA and Cement facility of 1.1 MTPA at Jamul in State of Chhattisgarh on 19th July 2016 and 14th September 2016 respectively.
- The Company commenced commercial production of Cement grinding facility of 1.35 MTPA at Sindri in State of Jharkhand on October 22, 2016.
- During the year the amount capitalized for Jamul and Sindri project is ₹ 1845 Crore and ₹ 681 Crore respectively.
- Capital work-in-progress has gone down mainly due to capitalization of Jamul and Sindri projects.

15. INVESTMENTS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Non-current investments	235.94	274.55	(38.61)	(14.06)
Current investments	1,568.27	1,201.15	367.12	30.56
TOTAL	1,804.21	1,475.70	328.51	22.26

Non-current investments has decreased due to the following reason:

- During the year, the Company has provided ₹ 42.81 Crore (Previous year - ₹ 15.15 Crore) for diminution in the value of investment in ACC Mineral Resources Limited, a wholly owned subsidiary Company.

Current investments

- Current investment has increased due to Investment in Mutual Funds.

16. LOANS AND ADVANCES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Long-term loans and advances	962.78	1073.38	(110.60)	(10.30)
Short-term loans and advances	437.02	349.84	87.18	24.92
TOTAL	1,399.80	1423.22	(23.42)	(1.65)

Long-term loans and advances has decreased due to the following reasons:

- Capital advances has decreased by ₹ 204 Crore mainly due to completion of Jamul and Sindri projects.
- Decrease in advance has partially offset by increase in advance of income tax (Net) which is due to MAT credit entitlement of ₹ 118 Crore in current year.

Short term loans and advances has increased due to following reasons:

- Advances to vendors has gone up by ₹ 52 Crore.
- Balance with statutory / government authorities has increased by ₹ 32 Crore.

17. OTHER ASSETS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Other non-current assets	483.05	465.93	17.12	3.67
Other current assets	60.15	55.48	4.67	8.42
TOTAL	543.20	521.41	21.79	4.18

- Other non-current assets have gone up due to accrual of Sales tax incentive under State Investment Promotion Scheme.

18. INVENTORIES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Raw Materials	131.07	132.01	(0.94)	(0.71)
Work-in-Progress	238.74	241.20	(2.46)	(1.02)
Finished Goods	138.64	152.54	(13.90)	(9.11)
Stock-in-trade	0.02	0.65	(0.63)	(96.92)
Stores & Spare Parts	301.41	265.84	35.57	13.38
Packing Material	19.08	18.24	0.84	4.61
Fuels	394.79	378.12	16.67	4.41
TOTAL	1,223.75	1,188.60	35.15	2.96

- The Company has controlled the overall inventory efficiently. Average inventory turnover in sales days has marginally increased from 39 days in 2015 to 40 days in 2016.

- Increase in stores and spare parts are primarily at new Jamul plant.
- The Company has achieved fuel mix flexibility during the year. The company has increased the inventory of Pet coke to gain the benefit of reduction in pet coke prices whereas coal inventory is decreased.

19. TRADE RECEIVABLES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Trade receivables – Cement	252.71	287.65	(34.94)	(12.15)
Trade receivables - Ready Mixed Concrete	215.02	196.70	18.32	9.31
TOTAL	467.73	484.35	(16.62)	(3.43)

- Trade receivable for cement business has decreased by 12.15%. The Company has been able to reduce the overall receivable through vigorous collections efforts.
- The average trade receivables in sales days outstanding for cement sales as on December 31, 2016 is 10 as compared to 9 in December 31, 2015.
- Increase in Ready mixed concrete business trade receivable in 2016 is mainly due to increase in sales.
- The average trade receivables in sales days for ready mixed concrete business as on December 31, 2016 is 71 as compared to 68 as on December 31, 2015.

20. CASH AND BANK BALANCES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Cash and bank balances	275.58	91.60	183.98	200.85

- Cash and bank balances for 2016 includes fixed deposit with lien in favour of Competition Appellate Tribunal (COMPAT) of ₹ 114.76 Crore representing 10% of penalty amount imposed by Competition Commission of India in the current year.

21. PROVISIONS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Long-term provisions	131.68	119.86	11.82	9.86
Short-term provisions	606.15	639.33	(33.18)	(5.19)
TOTAL	737.83	759.19	(21.36)	(2.81)

- Long-term provision has increased mainly due to increase in gratuity obligation on account of change in discounting rate from 7.80 % p.a. to 6.60% p.a. for valuation of employee benefits provision. The Company expects to contribute this obligation to gratuity fund in the year 2017.
- Short-term provision has decreased mainly due to decrease in provision for Income Tax (Net of advance tax) by ₹ 36 Crore.

22. SHORT-TERM BORROWINGS:

Amount in ₹ Crore

	2016	2015	Change	Change%
Short term Borrowings	50.02	35.50	14.52	40.90

- Short term Borrowings consist of loan from ACC Mineral Resources Limited, a wholly owned subsidiary Company.

23. TRADE PAYABLES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Trade payables	1,256.93	874.11	382.82	43.80

- Increase in trade payables is due to focus on better working capital management.
- Average trade payable in sales days has increased from 26 days in 2015 to 36 days in 2016.

24. OTHER CURRENT LIABILITIES:

Amount in ₹ Crore

	2016	2015	Change	Change%
Interest accrued but not due on borrowings	1.70	2.44	(0.74)	(30.33)
Unpaid dividend & Matured Deposit	32.36	33.46	(1.10)	(3.29)
Statutory dues	414.85	378.50	36.35	9.60
Advance from customers	201.77	137.81	63.96	46.41
Security deposits and retention money	533.81	666.77	(132.96)	(19.94)
Liability for capital expenditure	96.95	113.13	(16.18)	(14.30)
Other payables	891.67	927.71	(36.04)	(3.88)
TOTAL	2,173.11	2,259.82	(86.71)	(3.84)

- Statutory dues have increased due to provision made towards contribution to District Mineral Foundation and National Mineral Exploration Trust (NMET) on extraction of limestone and purchase of coal.
- Security deposits and retention money and Liability for capital expenditure have decreased due to completion of Jamul and Sindri projects.
- Other payables have decreased due to reduction in rebate to customers.

25. CASH FLOW

Amount in ₹ Crore

	2016	2015	Change	Change%
Net cash flow from operating activities	1,380.12	1,461.24	(81.12)	(5.55)

Net cash flow from operating activities has decreased as compared to previous year due to the following reasons:

- The Cash operating profit before working capital changes has decreased by ₹ 189 Crore.
- Direct tax paid - (Net of refunds) has increased by ₹ 43 Crore.
- Impact on cash flow from operating activities due to above reasons is partially offset by reduction in working capital by ₹ 209 Crore as compared to ₹ 58 Crore in previous year.

	2016	2015	Change	Change%
Net cash used for investing activities	(539.10)	(948.17)	409.07	(43.14)

Net cash used for investing activities has reduced as compared to previous year due to following reasons:

- Net cash used for investment activities has decreased mainly on account of lower cash outflow for purchase of fixed assets by ₹ 649 Crore. Jamul and Sindri projects are commissioned in the current year.

	2016	2015	Change	Change%
Net cash used for financing activities	(421.17)	(681.02)	259.85	(38.16)

Net cash used for financing activities has decreased due to following reason:

- Lower payment of Dividend and dividend tax by ₹ 290 Crore.

RATIO ANALYSIS

1. OPERATING EBITDA MARGIN (%)

	2016	2015
Operating EBITDA margin	12.96	13.45

- Despite a challenging year, the Company was able to maintain the Operating EBITDA margin almost at same level of last year. Operating cost is reduced as compared to previous year which is driven by strong cost saving measures, especially on fuel flexibility and raw materials optimisation.
- Operating EBITDA for the previous year included accrual of sales tax incentives of ₹ 139.74 Crore pertaining to earlier years. Like for like operating EBITDA has increased as compared to previous year.

2. AVERAGE RETURN ON CAPITAL EMPLOYED (%)

	2016	2015
Average Return on Capital Employed	9.96	11.24

Average return on capital employed has decreased mainly due to following reasons:

- Earnings before interest, exceptional items and tax (EBIT) have decreased by 128 bps as compared to previous year. However like for like EBIT and average return on capital employed has increased as compared to previous year. EBIT of previous year included accrual of sales tax incentives of ₹ 139.74 Crore.
- During the year, the Company has commenced commercial production of new Jamul and Sindri plants. New Jamul plant expected to strengthen market presence especially in the eastern region and expected to increase the return on capital employed.

3. RETURN ON NET WORTH (%)

	2016	2015
Return on Net worth	6.95	7.01

- Return on Net worth in the current year is fairly in line with previous year.

4. CURRENT RATIO (TIMES)

	2016	2015
Current Ratio	0.91	0.93

- The Company's current ratio for 2016 is recorded at 0.91 times which is fairly in line with 0.93 times registered in 2015 witnessing an improvement mainly due to increase in short term liabilities.

5. PRICE EARNING RATIO (TIMES)

	2016	2015
Price Earning Ratio	41.24	43.07

- Basic Earnings per share stood at ₹ 32.08 for the year ended 2016 registering an increase as compared to previous year on account of marginal increase in profitability. However, Price earnings ratio has decreased by 183 bps due to fall in market price of Company's share by 2.5% as on December 31, 2016 as compared to previous year.

6. NET WORTH PER SHARE (₹)

	2016	2015
Net worth per Share	461	450

- Net worth per share has increased as compared to previous year due to increase in net worth.
- Net worth has increased due to increase in retained profit after distribution of dividend to the shareholders.

7. DIVIDEND

	2016	2015
Dividend per share (₹)	17.00	17.00
Basic Earnings per Share (₹)	32.08	31.51
Dividend payout ratio (%)	53	54

- Dividend per share for the current year is maintained at previous year's level.
- Basic Earnings per share stood at ₹ 32.08 for the year ended 2016 registering an increase as compared to previous year on account of marginal increase in profitability.
- Dividend payout ratio for the current year is maintained almost at previous year's level.

8. FIXED ASSET TURNOVER RATIO (TIMES)

	2016	2015
Fixed Asset Turnover Ratio	1.4	1.5

- Asset turnover ratio has decreased in 2016 as compared to previous year mainly on account of reduction in net sales.
- The new Jamul and Sindri projects will strengthen the company's market presence especially in the eastern region.

TRANSITION TO IND AS

BACKGROUND:

As per notification from Ministry of Corporate Affairs dated 16.02.2015, Listed Companies having a net worth of ₹ 500 Crore or more are required to comply with Ind AS in the preparation of their financial statements for accounting periods beginning on or after April 1, 2016.

In pursuance of this notification and as the Company is having January 01 to December 31 as its financial year, the Company, its subsidiaries, joint venture and Associate companies will adopt IND AS with effect from January 01, 2017, with the comparatives for the periods ending December 31, 2016.

Company's Transition plan:

The Company is on track towards Ind-AS transition and the impact on change on adoption of Ind-AS has been assessed.

Following are key impact areas. The assessment contained herein is preliminary as full compliance with Ind AS will be effective as at 31.12.2017. The information represents our current best estimates based on principles and regulations known to date and may be affected by changes to Ind AS or the interpretation or audit / review thereafter.

1. IND AS 1-PRESENTATION OF FINANCIAL STATEMENTS

- New Components of Financial Statements
 - Statement of Changes in Equity for the year
 - 'Other Comprehensive Income' section in the Statement of Profit and Loss for the year.

Following are the major Components of Other Comprehensive Income:

- Re-measurements of defined employee benefit plans
- Gain and losses on equity instruments measured at fair value through other comprehensive income
- Deferred tax Asset / Liability on above adjustments
- Distinction between Financial and Non-Financial assets / liabilities in the Balance Sheet.
- Other disclosures as required as per Ind AS Compliant Schedule III of the Companies Act, 2013

2. IND AS 101 –FIRST TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS

The Company has elected to apply the following optional exemptions in preparation of its Ind AS opening Balance Sheet:

- The Company has opted to apply Ind AS 103 'Business Combinations' prospectively from the date of transition. Accordingly, acquisitions that occurred prior to January 01, 2016 will not be required to be restated.
- The Company has elected to measure all its property, plant and equipment and intangible assets at the Previous GAAP (IGAAP) carrying amount as its deemed cost on the date of transition.
- In Standalone Financial, the Company has elected to measure its investments in subsidiaries, joint ventures and associates at the Previous GAAP (IGAAP) carrying amount as its deemed cost on the date of transition.

3. IND AS 10 -EVENTS AFTER THE REPORTING PERIOD

Under IND-AS, the Company will recognise a liability for final dividend (including dividend distribution tax) in the period when the dividends are approved by the shareholders. Accordingly, proposed dividend and dividend distribution tax recognised as on Balance Sheet date as per IGAAP will be reversed in the Balance Sheet under IND-AS.

4. IND AS 12 - INCOME TAXES

Under IND-AS Deferred tax is to be recognised on undistributed profits of subsidiaries, associates, Joint Ventures and elimination of intra group profits/losses.

5. IND AS 16 - PROPERTY, PLANT AND EQUIPMENT

- Under IND-AS, Spares which meet the definition of Property, Plant and Equipment will be capitalized.
- Under Current Indian GAAP, written down value of such spares are charged to Statement of Profit and Loss, on issue for consumption.
- Lease hold mining land where the Company has control towards the mineral reserve, will be classified as intangible assets. Currently this is part of Tangible assets.

6. IND AS 18 - REVENUE

- Under IND-AS, the Company will recognise revenue at the fair value of consideration received or receivable. Any sales incentive, discounts or rebates in any form, including cash discounts given to customers will be considered as selling price reductions and accounted as reduction from revenue.
- Accordingly, discount on sales will be netted off from revenue under IND-AS. As per IGAAP, currently this is shown under "Other expenses".
- As per IND-AS compliant Schedule III of the Companies Act, 2013, Excise duty recovery will be part of Gross sales and Excise duty payment will be shown separately under other expenses.

7. IND AS 19 - EMPLOYEE BENEFITS

- Under IND-AS, the interest cost on defined benefit obligation and expected return on plan assets will be recognised under finance cost.
- Re-measurements on defined benefit obligation will be recognised in "Other Comprehensive Income".

8. IND AS 111- JOINT ARRANGEMENTS

- Under IND-AS, investments in Joint Venture "OneIndia BSC Private Limited" will be regarded as a joint venture. Accordingly Investment in joint ventures is accounted as per equity accounting method.

Under IGAAP, investment in OneIndia BSC Private Limited is accounted as per proportionate consolidation method.

9. IND AS 38: INTANGIBLE ASSETS

Under Ind AS Goodwill on investment in Subsidiary and associates will be tested for impairment and not amortised.

Under Current IGAAP, goodwill is amortized over a period of ten years from the date of acquisition / investment.

10. IND AS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provision for site restoration liability is carried at a discounted value under Ind AS 37.

11. IND AS 109 - FINANCIAL INSTRUMENTS

- Investments in mutual fund are valued at fair value under Ind AS 109
- Investment in quoted equity instruments will be valued at fair value
- The Company currently accounts for current investments at lower of cost and fair value and investment in equity instruments at cost.
- Long term financial assets will be discounted to its net present value.
- The Company recognised long term assets at an undiscounted value as current IGAAP principles explicitly prohibit discounting.