

# Mindteck IND AS Convergence FY 18



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# Disclaimer

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The objective of this presentation is to provide insight on the impact of transition to IND AS on Mindteck (India) Limited's (referred to as "Mindteck" or "the Company") financials. The financials included in this presentation includes IND AS restated audited financial statements based on judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the respective dates. Please note that the interpretation may be affected by business or other changes or by changes to IND AS or the interpretation thereof published/notified hereafter.

Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, regulations, import duties, litigation and labour relations.

# IND AS Background & Applicability

- On 02 January, 2015, the Press Information Bureau, Government of India, Ministry of Corporate Affairs (“MCA”) issued a note outlining the various phases in which Indian Accounting Standards converged with IFRS (IND AS) is proposed to be implemented in India.
- The application of IND AS is based on listing status and net worth of the Company.

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## PHASE I

All companies with the Net Worth of ₹ 500 Crores or more either as on 31<sup>st</sup> March 2014, 2015 or 2016 have to mandatorily adopt IND AS for the financial year commencing April 01, 2016.

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## PHASE II

### From April 01, 2017

- All companies listed or in the process of getting listed.
- Interim reporting is applicable to listed companies from Q1 FY 2018.
- Unlisted companies having Net worth of ₹ 250 Crores either as on 31<sup>st</sup> March 2014, 2015, 2016 or 2017.

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## PHASE III

### From April 01, 2018

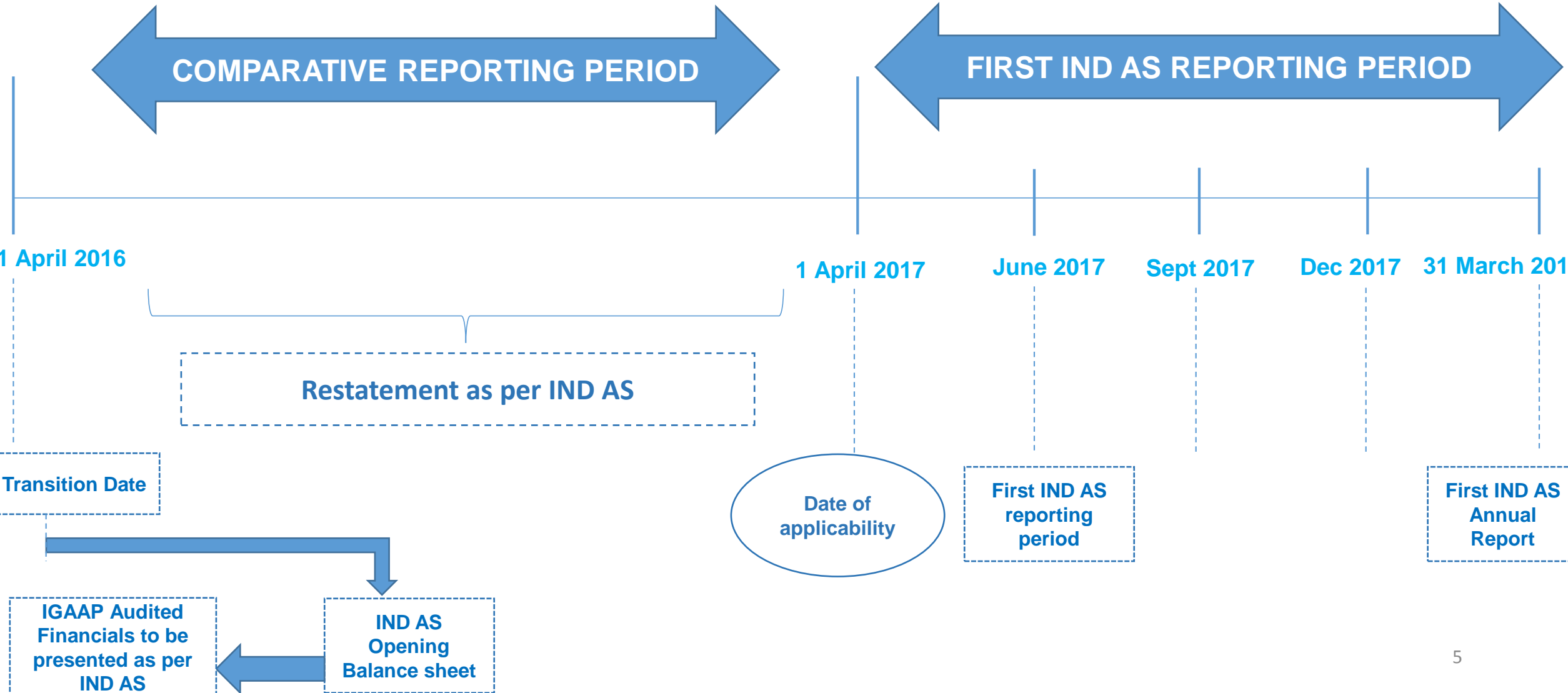
- All NBFCs, Banks & Insurance Co.'s having Net Worth of ₹ 500 Crores or more.

### From April 01, 2019

- All listed NBFCs, Banks & Insurance Co.'s.
- Unlisted NBFCs, Banks & Insurance Co.'s having Net Worth of ₹ 250 Crores but less than ₹ 500 Crores.

**Note:** 1) Parent, Subsidiary, Associates & Joint Ventures of the above to adopt IND AS as applicable.  
2) Once adopted, the companies are required to follow for all subsequent years.

# IND AS Implementation – Mindteck



# IMPACT OF IND AS ON CONSOLIDATED MINDTECK FINANCIALS



# Key Impact on P&L on account of IND AS (Amounts in ₹ lakhs)

Area	Impact
<b>Revenue</b> <b>High Impact</b> +	Impact on Revenue on account of IND AS by ₹ <b>90.89 lakhs</b> on account of Revenue from service concession & project supply and services. As per IND AS, revenue from service concession arrangement shall be recognized during the construction period based on percentage completion or completed contract method.
<b>Interest Income</b> <b>Medium Impact</b> +	Impact of ₹ <b>17.8 lakhs</b> & ₹ <b>33.8 lakhs</b> on Interest income for FY 2018 & 2017, which is recognised on the amortised cost of the security deposits over the lease period. Under IND AS, operating lease expenses are recognised in the statement of profit and loss on a straight line basis over the lease term. The difference between lease expense recognised and contractual lease payments are recognised as 'rent equalisation reverse'.
<b>Fair Value gain on Mutual Fund</b> <b>Medium Impact</b> -	Under IND AS investment in mutual fund shall be recognized at fair value and corresponding gain/loss shall be recognized in statement of profit and loss. Impact for FY 2018 is gain of ₹ <b>7.2 lakhs</b> .
<b>Share based payment expense</b> <b>High Impact</b> -	Under previous GAAP, employee share based payments were recognized based on intrinsic value method. Under IND AS, the same has been recognized as per fair value method. Impact of the same is ₹ <b>182.1 lakhs</b> & ₹ <b>87.6 lakhs</b> for FY 2018 & 2017.
<b>Expected Credit Loss</b> <b>High Impact</b> -	Under the previous GAAP the Company had provided for trade receivables based on managements assessment regarding recoverability of such balances. Under IND AS the Company has provided for the expected credit loss on aged trade receivables based on past history of losses and forward looking information. Provision for expected losses on trade receivables as at April 1, 2016 was charged to 'Surplus/ (deficit) in the statement of profit and loss' as provision for doubtful receivables (expected credit loss). Impact of the same is ₹ <b>49.1 lakhs</b> & ₹ <b>264.2 lakhs</b> for FY 2018 & 2017.
<b>Project Supplies &amp; Services</b> <b>High Impact</b> -	Associated direct & indirect costs attributable to the acquisition of assets in scope of Revenue from service concessional agreement is charged as Project Supplies & services. Impact of ₹ <b>84.7 lakhs</b> for FY 2018.

# Key Impact on BS on account of IND AS (Amounts in ₹ lakhs)

Area	Impact
<b>Investment Property</b> <b>Medium Impact</b>	<p>Based on IND AS 40, the Company has reclassified the leased assets office premise to investment property. Under the previous GAAP, this was disclosed as a part of property, plant and equipment.</p>
<b>Intangible Assets &amp; Minimum Authorization Fee</b> <b>High Impact</b>	<p>As per IND AS, revenue from service concession arrangement shall be recognized during the construction period based on percentage completion or completed contract method and corresponding intangible asset has been recognized. Intangible asset shall be amortized during the service concession period i.e. 10 years on straight line basis. Further, present value of minimum authorization fee has been provided as provision.</p>
<b>Security Deposits, Rent Paid in Advance &amp; Lease Straight-line</b> <b>Medium Impact</b>	<p>Under IND AS interest free security deposits are carried at amortised cost by, discounting the same using interest rates applicable to the counter party. The difference between transaction cost and fair value is recognised as prepaid lease and amortised over the period of the lease on a straight-line basis.</p>
<b>Share based payment expense</b> <b>High Impact</b>	<p>Under previous GAAP, employee share based payments were recognized based on intrinsic value method. Under IND AS, the same has been recognized as per fair value method.</p>
<b>Expected Credit Loss</b> <b>High Impact</b>	<p>Under the previous GAAP the Company had provided for trade receivables based on managements assessment regarding recoverability of such balances. Under IND AS the Company has provided for the expected credit loss on aged trade receivables based on past history of losses and forward looking information. Provision for expected losses on trade receivables as at April 1, 2016 was charged to 'Surplus/ (deficit) in the statement of profit and loss' as provision for doubtful receivables (expected credit loss)..</p>
<b>Provision for Gratuity</b> <b>Medium Impact</b>	<p>Under previous GAAP, actuarial gains and losses were recognized in the statement of profit and loss. Under IND AS, the actuarial gains and losses form part of re-measurement of net defined benefit liability/asset which is recognized in other comprehensive income in the respective periods.</p>



# **PRESENTATION OF RESTATED IND AS FINANCIALS**



# Consolidated Statement of Profit & Loss

Amount in ₹ Lakhs

Particulars	FY 2018			FY 2017		
	IGAAP	IND AS Adj	YTD 2018	IGAAP	IND AS Adj	YTD 2017
Revenue	29,603.72	80.49	29,684.21	34,165.64	-	34,165.64
Other income	198.35	9.91	208.26	224.95	34.93	259.88
<b>Gross Total Revenue (A)</b>	<b>29,802.07</b>	<b>90.40</b>	<b>29,892.47</b>	<b>34,390.59</b>	<b>34.93</b>	<b>34,425.52</b>
<b>Expenses:</b>						
-Cost of hardware, software and technical sub-contractors	5,368.55	-	5,368.55	6,965.25	-	6,965.25
-Employee benefits expense	20,260.02	177.90	20,437.92	22,190.26	92.15	22,282.41
-Finance cost	50.54	4.45	54.99	37.44	1.19	38.64
-Depreciation and amortization	125.52	4.21	129.73	170.04	-	170.04
-Other expenses	3,622.87	128.06	3,750.93	3,508.31	312.12	3,820.43
<b>Total Expenses (B)</b>	<b>29,427.50</b>	<b>314.62</b>	<b>29,742.12</b>	<b>32,871.31</b>	<b>405.46</b>	<b>33,276.77</b>
<b>Profit Before Tax ("PBT") (A-B)</b>	<b>374.58</b>	<b>(224.22)</b>	<b>150.35</b>	<b>1,519.27</b>	<b>(370.53)</b>	<b>1,148.75</b>
Exceptional Item	162.73	-	162.73	-	-	-
<b>Profit Before Tax</b>	<b>211.85</b>	<b>(224.22)</b>	<b>(12.38)</b>	<b>1,519.27</b>	<b>(370.53)</b>	<b>1,148.75</b>
Tax (Reversal)/ expense	553.56	(0.89)	552.67	276.86	(56.88)	219.99
<b>Profit/(Loss)After Tax ("PAT")</b>	<b>(341.72)</b>	<b>(223.33)</b>	<b>(565.05)</b>	<b>1,242.41</b>	<b>(313.65)</b>	<b>928.76</b>
<b>Other Comprehensive Income:</b>						
<i>Items that will be reclassified subsequently to P&amp;L:</i>						
Net exchange difference on translation of foreign operation	156.74	-	156.74	(275.34)		(275.34)
<i>Items that will not be reclassified to P&amp;L</i>						
Re-measurement gain/ (loss) on defined benefit plans	-	(12.89)	(12.89)	-	4.59	4.59
Income tax relating to items that will not be reclassified to P&L	-	3.59	3.59	-	(1.58)	(1.58)
<b>Other Comprehensive Income</b>	<b>156.74</b>	<b>(9.30)</b>	<b>147.44</b>	<b>(275.34)</b>	<b>3.01</b>	<b>(272.33)</b>
<b>Total Comprehensive Income</b>	<b>(184.98)</b>	<b>(232.63)</b>	<b>(417.61)</b>	<b>967.07</b>	<b>(310.64)</b>	<b>656.43</b>

Particulars	As of March 31, 2018			As of March 31, 2017		
	IGAAP	IND AS Adjustment	FY 2018	IGAAP	IND AS Adjustment	FY 2017
<b>ASSETS:</b>						
<i>Non-Current Assets</i>						
Property, Plant & Equipment	417.11	(133.90)	283.21	155.88	(71.69)	84.19
Capital Work in Progress	-	-	-	37.21	-	37.21
Investment Property	-	70.04	70.04	-	71.69	71.69
Intangible Assets	308.16	563.43	871.59	349.96	-	349.96
Goodwill	8,481.33	-	8,481.33	8,481.33	-	8,481.33
<i>Financial Assets</i>						
-Loans	352.86	(113.56)	239.30	286.25	(110.66)	175.58
-Other Financial Assets	26.61	-	26.61	50.39	-	50.39
Deferred Tax Asset (Net)	217.54	69.13	286.67	347.14	64.66	411.79
Income tax assets (net)	916.69	(187.82)	728.87	568.88	-	568.88
Other Non-Current Assets	249.00	49.31	298.31	249.00	44.77	293.77
	<b>10,969.30</b>	<b>316.63</b>	<b>11,285.93</b>	<b>10,526.04</b>	<b>(1.24)</b>	<b>10,524.79</b>
<i>Current Assets</i>						
<i>Financial Assets</i>						
-Investments	803.29	7.11	810.40	-	-	-
-Trade Receivables	6,131.78	(397.62)	5,734.17	7,350.43	(330.05)	7,020.38
-Cash & Cash Equivalents	2,772.31	-	2,772.31	3,905.84	-	3,905.84
-Other bank balances	347.65	-	347.65	8.63	-	8.63
-Loans	61.08	61.85	122.93	387.12	62.30	449.43
Other Financial Assets	2,102.33	-	2,102.33	1,646.19	-	1,646.19
Other Current Assets	393.65	(16.08)	377.57	481.77	0.11	481.88
	<b>12,612.10</b>	<b>(344.74)</b>	<b>12,267.36</b>	<b>13,779.97</b>	<b>(267.63)</b>	<b>13,512.35</b>
<b>Total Assets</b>	<b>23,581.40</b>	<b>(28.11)</b>	<b>23,553.29</b>	<b>24,306.01</b>	<b>(268.87)</b>	<b>24,037.14</b>
<b>Equity &amp; Liabilities:</b>						
<i>Equity:</i>						
Equity Share Capital	2,520.59	-	2,520.59	2,496.79	-	2,496.79
Other Equity	17,029.22	(374.40)	16,654.82	17,481.15	((323.84)	17,157.30
	<b>19,549.81</b>	<b>(374.40)</b>	<b>19,175.41</b>	<b>19,977.94</b>	<b>(323.84)</b>	<b>19,654.09</b>
<i>Liabilities</i>						
<i>Non-Current Liabilities</i>						
Financial Liabilities						
-Other Financial Liabilities	20.21	(1.62)	18.59	20.21	(2.90)	17.31
Other non-current liabilities	-	28.69	28.69	-	43.89	43.89
Provisions	224.04	433.46	657.50	647.53	(465.82)	181.71
	<b>244.25</b>	<b>460.53</b>	<b>704.78</b>	<b>667.74</b>	<b>(424.84)</b>	<b>242.91</b>
<i>Current Liabilities</i>						
Financial Liabilities						
-Borrowings	1.35	-	1.35	100.68	-	100.68
-Trade & Other Payables	987.92	-	987.92	1,468.11	-	1,468.11
-Other Financial Liabilities	688.88	-	688.88	821.01	-	821.01
Provisions	798.62	59.56	858.18	333.89	465.78	799.67
Other current liabilities	623.43	14.03	637.46	492.50	14.03	506.53
Income tax liabilities (net)	687.13	(187.82)	499.31	444.14	-	444.14
	<b>3,787.33</b>	<b>(114.23)</b>	<b>3,673.10</b>	<b>3,660.33</b>	<b>479.81</b>	<b>4,140.14</b>

# IND AS 115 – Adoption as of April 01, 2018

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- On April 01, 2018, Mindteck India adopted IND AS 115, “Revenue from Contract with Customers”, using the modified retrospective method applied to all contracts which were outstanding as of April 01, 2018.
- After evaluating outstanding contractual agreements as per the five step model required by IND AS 115 , there is insignificant impact of the change in GAAP in revenue recognition and measurement and hence there was no specific adjustments required to the retained earnings at April 01, 2018.

**THANK YOU**

