



emami* limited

Date: 3rd August, 2016

The Secretary
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai: 400051

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai: 400001

The Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range
Kolkata: 700001

Dear Sir(s),

Sub: Presentation on impact of Indian Accounting Standards

Enclosed please find the presentation on the impact of Indian Accounting Standards (Ind AS) on the financial statements of Emami Limited for the Financial year 2015-16

This is for your information and record.

Thanking You,

Yours Faithfully
For **Emami Limited**,

A. K. Joshi
Company Secretary & VP-Legal

Encl: as above

Transition to IndAS

**Impact Assessment of Financial
Statements – FY16**

emami* limited
July 2016



Disclaimer

The objective of this communication is to provide information on the expected impact of transition to Ind AS on the Company's financials. The information presented in this communication includes draft Ind AS restated financial statements based on our current best estimates or interpretation and may be affected by business or other changes or by changes to Ind AS or the interpretation thereof published/notified hereafter.



Roadmap



MCA
Notification
dated 16th
February
2015

Phase I - applicable from: 1st April 2016

- a. All Companies having net worth of ₹ 500 crore or more as on 31.3.14
- b. Holding, subsidiary, joint venture or associate companies of above

Phase II - applicable from: 1st April 2017

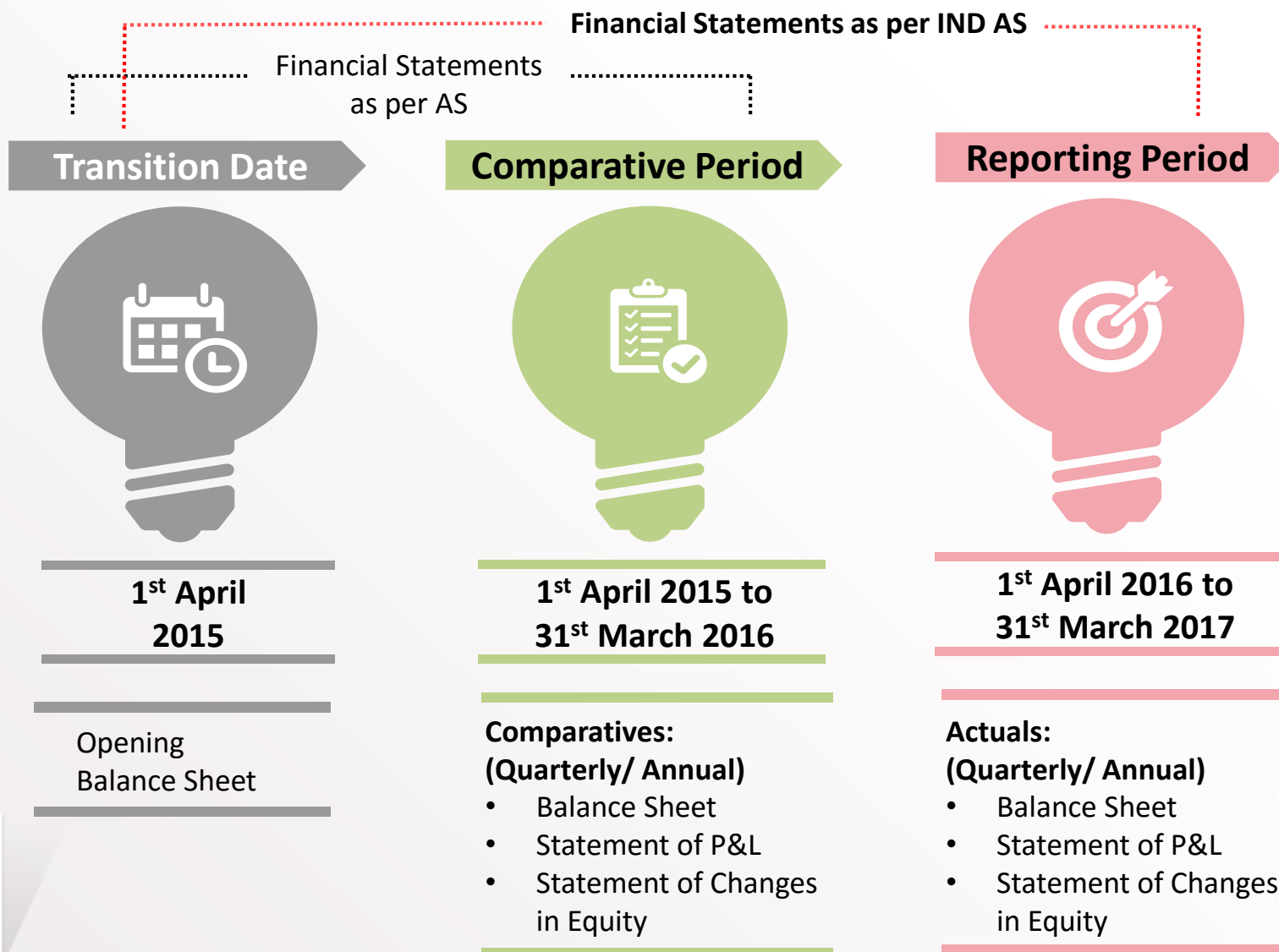
- a. All Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India
- b. Unlisted Companies having net worth of ₹ 250 crore or more as on 31.3.15
- c. Holding, subsidiary, joint venture or associate companies of above – a & b

Applicability
on Emami

Since Emami's networth is over Rs. 500cr as on 31.3.2014, Emami & its subsidiaries have adopted Ind AS with effect from 1st April, 2016 and have recasted its Accounts for FY16

Ind AS (Indian Accounting Standards) is the set of Indian Accounting Standards fully converged with International Financial Reporting Standards (IFRS)

Timeline for Transition to IndAS



Presentation & Disclosure of Financial Statements



New Components of Financial Statements

Additional Disclosures

01

Statement of
Changes in Equity

02

Other
Comprehensive
Income (OCI) section
in Statement of P&L

01

Sources of
Estimation
Uncertainty

02

Capital
Management

03

Risk
Management

Components of Other Comprehensive Income

To be Reclassified to P/L

Changes in Revaluation
Surplus

No Impact - no
revaluation done

Actuarial Gains/Losses on
Defined Benefit Plans
(Gratuity/Leave Encashment)

To be taken to OCI
instead of being
charged off to P/L

Not to be Reclassified to P/L

Gains/Losses Arising from
Translating the Financial
Statements of a Foreign
Operations (Subsidiaries)

No Impact – Same
process as earlier

Gains/Losses on Re-measuring
Available-for-Sale Financial
Assets

Fair Value Changes in
Investments in Emami Paper
Mills Ltd., Creative Eye Ltd.,
CRI Ltd. & AMRI Hospitals
Ltd. to be done

Effective Portion of
Gains/Losses on Hedging
Instruments in a Cash Flow
Hedge

No Impact

Key Impact Areas



Revenue Recognition



A & P



Cost of Goods Sold



Staff Costs



Acquisition
Accounting



Financial
Instruments



Taxes



Other
Comprehensive
Income



Major Transitions



01



Impact on Sales

Discounts/ Secondary Trade Promotions given to customers linked to sales netted off from sales but other promotions, advertisement and media spends to remain under A&P spends.

02



Sales tax being collected on behalf of the Govt. netted off from sales.

03



Excise duty grossed up with sales and shown as part of Cost of Materials Consumed.

04



Impact on Tax

Deferred tax calculated on temporary differences arising on unrealized profit/loss in intra-group transactions (e.g. unrealized profit in closing stock).

Continued...

Major Transitions



05

Impact on Staff Costs



Interest free long term advances to employees fair valued at amortized cost and interest income recognized on the same at the market rate of interest.

06



Actuarial Gain/Loss on Leave Salary & Gratuity routed through Other Comprehensive Income instead of Profit/Loss.

07



Other Income / Other Expenses

Government subsidies earlier treated as reserve now considered as Deferred Income and amortized to income based on the useful life of assets against which the same was received.

08



Security deposits paid & received fair valued at amortized cost and the difference on fair valuation set up as Prepaid/Pre-Received Rent.

Continued...

Major Transitions



09



Mutual Funds, Forward Contracts, Option Contracts fair valued and changes in fair value taken through Profit/Loss.

10



Depreciation & Amortization

Acquisition related costs expensed off instead of being capitalized with intangible assets.

11



The accounting for an intangible asset is based on its useful life.

- (a) An intangible asset with a finite useful life (the number of production or similar units constituting, that useful life are determinable) is amortised.
- (b) An intangible asset with an indefinite useful life e.g. Goodwill (based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity) is not amortized but tested for impairment.



**Key Impact on FY16
Consolidated Financials**

Impact on Revenue



Particulars		₹ in Cr
As per IGAAP		2,623.79
Adjustments:		
a.	Impact of Selling & Promotions Expenses (including sales incentives and customer reimbursements)	(100.26)
b.	Cash Discount Netted Off from Sales	(1.53)
c.	Impact of Sales Tax	(167.45)
d.	Impact of Excise Duty	39.20
As per IND AS		2,393.74

IGAAP = Indian Generally Accepted Accounting Principles (which were applicable till FY16)

Impact on Cost of Goods Sold



Particulars		₹ in Cr
As per IGAAP		812.13
Adjustments:		
a.	Impact of Excise Duty	39.20
As per IND AS		851.33

Impact on Employee Benefit Expenses (Staff Costs)



Particulars		₹ in Cr
As per IGAAP		208.48
Adjustments:		
a.	Impact of Actuarial Gain/Loss Taken to OCI	(1.84)
b.	Long Term Advances to Employees present valued at market rate of interest & charged to Staff Costs	0.12
As per IND AS		206.76

Impact on Finance Costs



Particulars		₹ in Cr
As per IGAAP		54.03
Adjustment:		
a.	Adjustment to Interest on Security Deposits Received	0.26
As per IND AS		54.29

Impact on Advertisement & Sales Promotion Expenses



Particulars		₹ in Cr
As per IGAAP		530.73
Adjustment:		
a.	Impact of Selling & Promotions Expenses (including sales incentives and customer reimbursements)	(100.26)
As per IND AS		430.47

Impact on Other Expenses



Particulars		₹ in Cr
As per IGAAP		388.69
Adjustments:		
a.	Impact of Sales Tax	(167.45)
b.	Cash Discount Netted Off from Sales	(1.53)
c.	Adjustment to Rent on Security Deposits Paid	0.11
d.	Consultancy Charges related to Acquisition of Kesh King Expensed	0.96
As per IND AS		220.77

Impact on Other Income



Particulars		₹ in Cr
As per IGAAP		42.42
Adjustments:		
a.	Impact of Deferred Income (Government Grant) Amortized to Income	0.88
b.	Fair Valuation of Forward Contracts, Option Contract & Mutual Fund	1.14
c.	Adjustment to Rent on Security Deposits Received	0.26
d.	Interest on Long Term Advances to Employees charged at market rate of interest	0.09
e.	Adjustment to Interest on Security Deposits Paid	0.11
As per IND AS		44.91

Impact on Deferred Taxes



Particulars		₹ in Cr
As per IGAAP		(12.80)
Adjustment:		
a.	Impact of Adjustment to Deferred Tax	0.26
As per IND AS		(12.54)

Impact on Margins



Particulars	As per I-GAAP	As per Ind AS	Change
Cost of Goods Sold	31.0%	35.6%	460 bps
Employee Benefits Expense	7.9%	8.6%	70 bps
Advertisement & Sales Promotion Expenses	20.2%	18.0%	(220bps)
Other Expenses	14.8%	9.2%	(560 bps)
EBIDTA	26.1%	28.6%	250 bps
Finance Costs	2.1%	2.3%	20 bps
Depreciation & Amortization Expense	9.7%	10.6%	90 bps
Profit for the Period	13.7%	15.1%	140 bps
Cash Profit	23.4%	25.8%	240 bps

A background image of a business meeting with people looking at tablets. Overlaid on this are various financial charts: a line graph with an upward arrow in the top left, a bar chart in the top right, a line graph in the middle left, a bar chart in the middle right, and a line graph with a 20% marker in the bottom right. A semi-transparent box in the bottom left contains the title text.

**Consolidated Statement of
Profit & Loss – FY16 & Q1FY17 e**

Statement of Profit & Loss - FY16



Particulars	As per IGAAP		As per Ind AS		Change	Remarks
	₹ in Cr	% of Sales	₹ in Cr	% of Sales		
Revenue from Operations	2,623.79	100.0%	2,393.74	100.0%	(230.05)	Netting Off of Discounts/Rebates/Damage & Sales Taxes & Grossing Up of Excise Duty etc. Export Sales :
Cost of Goods Sold	812.13	31.0%	851.34	35.6%	39.21	Excise Duty Treated as Cost of Materials Consumed
Employee Benefits Exp.	208.48	7.9%	206.76	8.6%	(1.72)	Fair Valuation of Advances to Employees, Actuarial Gain/Loss Taken to OCI
Advertisement	530.73	20.2%	430.47	18.0%	(100.26)	Netting Off of Discounts/ Rebates
Other Expenses	388.69	14.8%	220.77	9.2%	(167.92)	Netting Off of Damage & Sales Taxes
EBIDTA	683.76	26.1%	684.40	28.6%	0.64	
Finance Costs	54.03	2.1%	54.29	2.3%	0.26	Recognition of Interest Expense on Security Deposits Received
Depreciation & Amortization	255.04	9.7%	254.93	10.6%	(0.11)	Reversal of Amortization on Goodwill & Capitalized Consultancy Charges related to Acquisition of Kesh King
Other Income	42.42	1.6%	44.91	1.9%	2.49	Fair Valuation of & Reduction in Profit on Sale of Investments in Mutual Funds, Fair Valuation of Forward & Option Contracts & Reversal of Amortized Forward Premium etc.
Profit Before Tax	417.11	15.9%	420.09	17.5%	2.98	
Tax Expense	58.49	2.2%	58.75	2.5%	0.26	Deferred Tax on Fair Value Changes
Profit after Tax	358.62	13.7%	361.34	15.1%	2.72	
Minority Interest	(0.44)	0.0%	(0.47)	0.0%	(0.03)	Impact of Adjustments
Profit after Minority Interest	359.06	13.7%	361.81	15.1%	2.75	
Cash Profit	614.10	23.4%	616.74	25.7%	2.64	

Statement of Profit & Loss – Quarter Wise, FY16



₹ in crore

Particulars	Q1			Q2			Q3			Q4		
	IGAAP	Ind AS	Change	IGAAP	Ind AS	Change	IGAAP	Ind AS	Change	IGAAP	Ind AS	Change
Revenue from Operations	589.87	537.21	(52.66)	574.62	529.33	(45.29)	788.52	724.61	(63.91)	670.78	602.59	(68.19)
Cost of Goods Sold	201.60	211.40	9.80	169.02	178.31	9.29	230.64	242.29	11.65	210.87	219.34	8.47
Employee Benefits Exp.	50.64	50.66	0.02	52.78	52.82	0.04	56.06	56.12	0.06	49.00	47.16	(1.84)
Advertisement	142.05	123.87	(18.18)	111.53	92.61	(18.92)	149.71	120.17	(29.54)	127.44	93.82	(33.62)
Other Expenses	95.89	52.60	(43.29)	88.98	53.35	(35.63)	102.62	56.63	(45.99)	101.20	58.19	(43.01)
EBIDTA	99.69	98.68	(1.01)	152.31	152.24	(0.07)	249.49	249.40	(0.09)	182.27	184.08	1.81
Finance Costs	4.34	4.40	0.06	19.09	19.16	0.07	17.08	17.15	0.07	13.52	13.58	0.06
Depreciation & Amortization	22.50	22.49	(0.01)	71.22	71.19	(0.03)	71.63	71.20	(0.02)	89.69	89.65	0.04
Other Income	18.49	18.67	0.18	12.92	12.21	(0.71)	4.98	5.26	0.28	6.03	8.77	2.74
Profit Before Tax	91.34	90.46	(0.88)	74.92	74.10	(0.82)	165.76	165.91	0.15	85.09	89.62	3.65
Tax Expense	3.92	4.18	0.26	13.86	13.86	-	31.98	31.97	(0.01)	8.73	8.74	0.01
Profit after Tax	87.42	86.28	(1.14)	61.06	60.24	(0.82)	133.78	133.94	0.16	76.36	80.88	3.64
Minority Interest	(0.33)	(0.34)	(0.01)	(0.28)	(0.29)	(0.01)	(0.34)	(0.34)	-	0.51	0.50	(0.01)
Profit after Minority Interest	87.75	86.62	(1.13)	61.34	60.53	(0.81)	134.12	134.28	0.16	75.85	80.38	3.65
Cash Profit	110.25	109.11	(1.14)	132.56	131.72	(0.84)	205.75	205.88	0.13	165.54	170.03	4.49



Thank You