TRANSITION TO IND AS

Section 1

Ind AS Transition - Background

Contents:

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Ind AS Roadmap

FY 2015-16	FY 2016-17
Indian GAAP Financials Restated to Ind AS	First Ind AS Financial Statements

1st Apr 2015 → Q1 → Q2 → Q3 → Q4 → 1st Apr 2016 → Q1 → Q2 → Q3 → 31st March 2017

Comparative Periods

- 1st Apr 2015: Opening Ind AS BS Date of Transition
- 1st Apr 2016: Date of Adoption to Ind AS
- Q1 (FY 2016-17): First Ind AS Quarterly Results
- Q2–Q3 (FY 2016-17): Quarterly Reporting Under Ind AS
- 31st March 2017: Reporting Date First Ind AS Result

RIL's Ind AS Transition

Transition to Ind AS:

- Applicability: RIL being a listed entity and having net-worth above Rs.500 crores as on March 31, 2014 has adopted Ind AS from April 1, 2016. This is in accordance with the Companies (Indian Accounting Standard) Rules 2015.
- First Ind AS Quarter: Results for the quarter ended 30 June 2016 are in compliance with Ind AS notified by the Ministry of Corporate Affairs. Consequently, result for the quarter ended 31 March 2016, 30 June 2015 and previous year ended 31 March 2016 have been restated to comply with Ind AS to make them comparable.
- This communication presents the reviewed reconciliation of reserves as at March 31, 2016 and profit for the earlier periods.

RIL's journey towards Ind AS:

- In its journey towards Ind AS, RIL has identified, recognised and measured the GAAP differences between previous Indian GAAP and Ind AS.
- The Ind AS results have been reviewed by statutory auditors.
- The key GAAP differences have also been principally evaluated by one of the leading international accounting firm in India.

Section 2

Ind AS Transition – Impact assessment

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Reserve and Profit Reconciliation

(INR crores)

Nature of Adjustments	Note Ref.	RIL – Standalone				RIL – Consolidated			
		Profit Reconciliation			Reserve Reconciliation	Profit Reconciliation			Reserve Reconciliation
		Quarter Ended 31-Mar-16	Quarter Ended 30-Jun-15	Year Ended 31-Mar-16	As at 31-Mar-16	Quarter Ended 31-Mar-16	Quarter Ended 30-Jun-15	Year Ended 31-Mar-16	As at 31-Mar-16
Net Profit before Other Comprehensive Income / Reserves as per previous Indian GAAP		**7,320**	**6,318**	**27,417**	**236,944**	**7,398**	**6,222**	**27,630**	**240,703**
1. Change in accounting policy for Oil & Gas Activity - From Full Cost Method (FCM) to Successful Efforts Method (SEM)	1	(149)	152	279	(20,114)	(318)	65	(1,270)	(39,570)
2. Fair valuation as deemed cost for Property, Plant and Equipment	2	-	-	-	41,292	(99)	-	3,959	45,272
3. Fair Valuation for financial assets	3	266	(119)	167	4,110	229	(263)	(230)	4,188
4. Deferred Tax	4	(156)	51	(306)	(11,947)	(180)	60	(311)	(13,665)
5. Others	5	(54)	(33)	(131)	(130)	(100)	(60)	(234)	(215)
Total		**(93)**	**51**	**9**	**13,211**	**(468)**	**(198)**	**1,914**	**(3990)**
Net Profit before OCI / Reserves as per Ind AS		**7,227**	**6,369**	**27,426**	**250,155**	**6,930**	**6,024**	**29,544**	**236,713**

Notes to Reconciliation - Main

1. Change in accounting policy for Oil & Gas Activity - From FCM to SEM : (Ind AS 101)

Accounting Standard (Erstwhile IGAAP)

As per erstwhile IGAAP, Guidance Note recognises two methods of accounting for Oil & Gas Activity viz; Full cost method and Successful Efforts Method.

Ind AS (New IGAAP)

The Company has adopted Successful Efforts Method which is complied to Ind AS.

Impact on RIL

- In its transition to Ind AS, RIL has retrospectively changed its accounting policy regarding oil & gas activity to Successful Efforts Method (SEM). The impact of change in accounting policy to SEM is recognised in the opening reserves on the date of transition.
- Major differences impacting such change are in the areas of expenditure on surrendered blocks, unproved wells, abandoned wells and expired leases and licenses and seismic cost which has been expensed under SEM; and depletion on producing property is calculated using 'Proved Developed Reserve, as against 'Proved Reserve' in FCM.

Quantification

Impact (INR crores)	RIL – Standalone (Domestic E&P)	RIL – Consolidated (Domestic E&P + Shale Assets)
Reserve as at March 31, 2016	(20,114)	(39,570)
Profit / (loss) (FY16)	279	(1,270)

Notes to Reconciliation - Main

2. Fair Value as Deemed Cost for Property Plant and Equipment: (Ind AS 101)

Accounting Standard (Erstwhile IGAAP)

As per Accounting Standard Property, Plant and Equipment is recognised at cost less depreciation.

Ind AS (New IGAAP)

Ind AS 101 allows entity to elect to measure Property, Plant and Equipment on the transition date at its fair value or previous GAAP carrying value (book value) as deemed cost.

Impact on RIL

- As part of Property, Plant and Equipment, RIL has elected to measure land and certain shale gas assets at their fair values and used these fair values as deemed cost on the date of transition.
- Land admeasuring approximately 33,000 acres have been fair valued . In case of shale gas assets RIL has compared fair value of the Proved Developed Producing (PDP) wells against their respective Ind AS book values and in case their book value exceeds fair value, then, the book value is written down to fair value. The resulting impact of fair valuation of land and shale gas assets is Rs 51,101 crores and a negative impact of Rs.5,829 crores respectively is reflected in the reserves as on 31/3/16

Quantification

Impact (INR crores)	RIL – Standalone	RIL – Consolidated
Reserve as at March 31, 2016	41,292	45,272
Profit / (loss) (FY16)	Nil	3,959

Notes to Reconciliation - Main

3. Fair valuation of Financial Assets: (Ind AS 109)

Accounting Standard (Erstwhile IGAAP)

As per Accounting Standard investments are measured at lower of cost and net realizable value.

Ind AS (New IGAAP)

On transition, financial assets including investments are measured at fair values except for investments in subsidiaries, associates and JVs' which are recorded at cost.

Impact on RIL

- All financial assets (other than Investment in subsidiaries, associates and JVs' which are recorded at cost) are initially recognized at fair value. The subsequent measurement of such assets are based on its categorization either Fair Value through Profit & Loss (FVTPL) or Fair Value through Other Comprehensive Income (FVTOCI) or at Amortised Cost based on business model assessment and contractual cash flow characteristics.

- In case of RIL, investments are categorized as either Fair value through Profit and loss (FVTPL) or Fair value through Other Comprehensive Income (FVTOCI) or at Amortised Cost based on its business model assessment and contractual cash flow characteristics.

Quantification

Impact (INR crores)	RIL – Standalone	RIL – Consolidated
Reserve as at March 31, 2016	4,110	4,188
Profit / (loss) (FY16)	167	(230)

Notes to Reconciliation - Main

4. Deferred Tax: (Ind AS 12)

Accounting Standard (Erstwhile IGAAP)

As per Accounting Standards Deferred taxes are accounted as per income statement approach.

Ind AS (New IGAAP)

As per Ind AS Deferred taxes are accounted as per balance sheet approach.

Impact on RIL

- RIL has recognised the deferred tax impact on account of GAAP adjustments identified on transition to Ind AS. Further, as per Ind AS 12 the Company has recognised the deferred tax following the principles of 'Balance Sheet Approach'.
- The change in deferred tax amount is primarily on account of;
  a) GAAP adjustments
  b) Impact of past revaluation of fixed assets
  c) Changes in income tax rates.

Quantification

Impact (Amount in crores)	RIL – Standalone	RIL – Consolidated
Reserve as at March 31, 2016	(11,947)	(13,665)
Profit / (loss) (FY16)	(306)	(311)

Notes to Reconciliation - Others

Nature	Accounting Standard (Erstwhile IGAAP)	Ind AS (New IGAAP)	Impact
a) Present valuation of Asset Retirement obligation	As per Accounting Standard it is recorded at cost.	As per Ind AS, such obligation is recognised and measured at present value.	Negligible
b) Loan processing fees/ transaction cost:	As per Accounting Standard such expenditure are charged to Profit and loss account or capitalised as the case may be.	As per Ind AS such expenditure are amortised over the period of the loan	Negligible
c) Proposed dividend:	As per Accounting Standard, provision for proposed divided is made in the year to which it relate.	As per Ind AS, liability for proposed dividend is recognised in the year in which it has been declared and approved.	RIL Standalone & CFS: P&L - FY16: Rs. Nil Reserve as at 31/3/2016: Nil
d) Fair valuation of ESOP:	As per Accounting Standard, it is measured at intrinsic value.	As per Ind AS, ESOP is measured at fair value.	Negligible

Notes to Reconciliation - Others

Nature	Accounting Standard (Erstwhile IGAAP)	Ind AS (New IGAAP)	Impact
e) Actuarial gains and losses:	As per Accounting Standard such expenditure are charged to Profit and loss account or capitalised as the case may be.	As per Ind AS these are recognised in OCI.	Negligible
f) Joint venture accounting:	As per Accounting Standard, Joint ventures are classified into 3 types: 1. Jointly controlled operations 2. Jointly controlled assets and 3. Jointly controlled entities. Joint ventures are accounted using proportionate consolidation method in the Consolidated Financial Statements.	Joint arrangements are classified into two types: 1) Joint operations, and 2) Joint ventures. In case of RIL, interest in Oil & GAS joint ventures will be considered as joint operations and accordingly accounted using proportionate consolidation method. In CFS, 25 joint venture entities which were accounted using proportionate consolidation method in erstwhile IGAAP are now accounted with equity method as per Ind AS.	Negligible *(Only presentation impact in Consolidated Financial Statement)*
g) Functional currency	AS per Accounting standards there is no concept of functional currency.	RIL has evaluated and determined its functional currency as INR and hence no impact on account of functional currency.	Nil

Notes to Reconciliation - Others

Nature	Accounting Standard (Erstwhile IGAAP)	Ind AS (New IGAAP)	Impact
h) Financial Instruments (other than point 3 above) :	Exchange differences arising on translation of foreign currency items are recognised in Profit & Loss Statement except for long term monetary items which are adjusted to cost of the assets. In respect of derivative contracts, premium paid, gains/losses on settlement and losses on restatement are recognised in Profit & Loss Statement except in case where they relate to the acquisition or construction of fixed assets, in which case, they are adjusted to the carrying cost of such assets.	Exchange fluctuations on translation or settlement of foreign currency monetary items are recognised in profit & loss statement. However, Ind AS 101 permits an entity to continue the policy adopted in previous GAAP for exchange differences on long term foreign currency items which RIL has opted for and will continue till 31st March, 2020 as per MCA circular . With effect from 1st April, 2016, all derivative contracts are recognised either Fair Value through Profit & Loss (FVTPL) or Fair Value through Other Comprehensive Income (FVTOCI) based on contractual cash flow characteristics and hedge effectiveness.	Nil
i) Leasing arrangement	Accounting standard does not provide any specific guidance to determine whether any arrangement contains lease.	RIL has assessed all arrangement with third parties in terms of whether they are in the nature of lease and no such arrangement has been identified.	Nil

Summary – No material impact on RIL

- Transition to Ind AS does not affect the Company's ongoing business operations
- Key elements of transition are:
  - Accounting for Oil & Gas activity
  - Recognizing fair value of select Property, plant and equipment and financial instruments
  - Accounting for deferred tax
- Transition to Ind AS has very limited impact on the Company's capital structure and reported profits


Thank you!