

The State Trading Corporation of India Limited (STC)

Draft for discussion - Ind AS Impact Assessment

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I. Summary of Impact

Sl.	Area	Impact	Coverage	Ind AS
1.	Fixed Assets	High	Valuation Model, Componentization, Annual review of residual value, useful life & depreciation method, Investment property, Asset Retirement Obligations	16,101,40
2.	Reserves & Surplus	High	De-recognition, Revaluation Reserve	101,16
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1. FIXED ASSETS

1.1 Impacting Ind AS: Ind AS 16, 101 and 40

1.2 Analysis of Fixed Assets

Extract from Balance Sheet as at March 31, 2016

A. OWNED ASSETS

Asset	Gross	Dep.	Net	Impact of Ind AS
	Amount (INR in Cr.)			
Land	26.04	-	26.04	<i>Note 1*</i>
Buildings	123.74	11.50	112.24	
Plant & Machinery	21.24	12.90	8.34	
Furniture & fittings	4.28	3.26	1.02	
Motor Vehicles	1.50	0.78	0.72	
Office equipment	2.19	1.76	0.43	
Computers, data processing units & communication equipment	2.94	2.46	0.48	
Electrical Installations & Equipment	5.65	3.54	2.11	
Total	187.58	36.20	151.38	

B. LEASEHOLD ASSETS

Asset	Gross	Dep.	Net	Impact of Ind AS
	Amount (INR in Cr.)			
Land	594.79	1.99	592.80	<i>Note 1*</i>
Buildings	234.70	37.80	196.90	
Roads, culverts & sewerage etc	0.20	0.02	0.18	
Plant & Machinery	5.30	1.29	4.01	
Total	834.99	41.10	793.89	

**Note 1: The Company needs to identify and evaluate components, inspection cost, major overhauling and investment property.*

1.3 Ind AS Impact

1.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS impact
1.3.1.1 Valuation Model		
	<p>Land & Building are stated at revalued amount less depreciation.</p> <p>The company revalued Land and Building in 2014-15. Consequently an amount of INR 914.25 Cr. was credited to revaluation reserve.</p> <p>Fixed assets (other than land & building) and intangible assets are shown at cost less depreciation/amortization.</p> <p>Details of revaluation reserve and reconciliation for the same need to be provided.</p>	<p>Ind AS 16</p> <p>As per Para 29 of Ind AS 16, an entity shall choose either the cost model in paragraph 30 or the revaluation model as stated in paragraph 31 as its accounting policy and shall apply that policy to an entire class of property, plant and equipment (PPE).</p> <p>If the entity chooses to apply revaluation model for its entire class of PPE, then as per para 31 and para 34 of Ind AS 16, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.</p> <p>As per Para D7AA of Ind AS 101, for the first time adopters, the carrying value on the date of transition can be taken as the deemed cost of PPE.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC have the option to either follow cost model or revaluation model. The method chosen shall be applicable to the entire class of PPE.</p> <p>If STC opt for the revaluation model for PPE, the periodicity of the revaluation has to be determined.</p> </div>
1.3.1.2 Componentization		
	<p>Depreciation on fixed asset is provided on Straight Line Method in accordance with the useful life of assets specified in Schedule II of Companies Act, 2013.</p>	<p>Ind AS 16</p> <p>Ind AS 16 is based on the 'component' approach. Under this approach, each major part of an item of PPE with a cost that is significant in relation to the total cost of the item and have a different useful life will be depreciated separately.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>1. STC to recognise PPE and identify parts/components with significant cost and</p> </div>

		<p>separate useful life. The components will be depreciated separately over their useful life.</p> <p>2. <u>For Example:</u></p> <ul style="list-style-type: none"> • <u>High Voltage AC Plant</u> <p>The HV AC plant having Gross and Net Value amounting to INR 9.38 Cr. and INR 7.29 Cr. respectively has been capitalised as a single component and the same is being depreciated as one unit over the useful life given in Schedule II Companies Act, 2013.</p> <ul style="list-style-type: none"> • <u>DG Sets</u> <p>STC has capitalised DG Sets having Gross and Net Value amounting to INR 3.27 Cr. and INR 2.8 Cr. respectively at Corporate Office as a single component.</p> <p>3. Guidance Note on Depreciation issued by ICAI provides method of determination/clarification of value of components. For the purpose of determining the cost of such component, the following criteria can be used in the order given below:</p> <ol style="list-style-type: none"> a. Break-up cost provided by the vendor; b. Cost break-up given by internal/external technical expert; c. Fair values of various components; or d. Current replacement cost of component of the related asset and applying the same basis on the historical cost of asset <p>STC is advised to take the appropriate steps on the same.</p>
<p>1.3.1.3 Annual review of Residual Value, Useful Life and Depreciation Method</p>		
	<p>Useful lives of all the PPEs are taken as per Schedule II of Companies Act 2013.</p> <p>The Company has anticipated residual value equivalent to 5% of original cost of the asset.</p>	<p>Ind AS 16</p> <p>As per Para 51, the residual value and useful life of an asset will be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Ind AS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.</p>

		<p>As per Para 61 of Ind AS 16, the depreciation method applied to an asset will be reviewed at least at each financial year end and if there has been a significant change in the expected pattern of consumption of future economic benefit embodied in the asset, the method should be changed to reflect the changed pattern. Such change should be accounted for change in an accounting estimate in accordance with Ind AS 8.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>In line with Ind AS 16, STC is required to review the residual value, useful life and depreciation method of an asset at each financial year end.</p> </div>
<p>1.3.1.4 Investment Property</p>		
	<p>No requirement to identify and present investment property separately from fixed assets.</p>	<p>Ind AS 40</p> <p>As per Para 5, investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:</p> <ul style="list-style-type: none"> a) use in the production or supply of goods or services or for administrative purposes; or b) Sale in the ordinary course of business. <p>Schedule III of the Companies Act & Ind AS 40</p> <p>As per Revised schedule III compliant with Ind AS, Investment property is classified under Non- Current Assets as separate line item.</p> <p>As per Para 20 of Ind AS 40, an investment property shall be measured initially at its cost.</p> <p>However, as per Para D7AA of Ind AS 101, for the first time adopters, the carrying value on the date of transition can be taken as the deemed cost of PPE.</p> <p>Detailed disclosure requirement</p>

		<p>Further, Ind AS 40 provides for specific disclosures required in the financial statements in relation to “Investment property”.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>We understand STC have given property for rental income to other entities for example:</p> <ul style="list-style-type: none"> • Delhi Corporate Office GAD Division has given on rental of INR 31.13 Cr.per annum. • Hyderabad Branch has given on rental of INR 1.89Cr.per annum. <p>STC to review land & buildings held by it to assess if there are land & buildings that are or may be held for earning rentals or for capital appreciation and not for operational or administrative purpose. Such land & building will need to be classified as “Investment Property”.</p> </div>
<p>1.3.1.5 Asset Retirement Obligations</p>		
	<p>No such requirement as per previous GAAP.</p>	<p>Ind AS 16</p> <p>As per Para 16 of Ind AS 16, the cost of an item of PPE comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.</p> <p>As per Para 18 of Ind AS 16, such costs are recognized and measured in accordance with Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.</p> <p>As per Para 59, if the cost of land includes the costs of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC to review and assess if there are any asset retirement obligation e.g. site dismantling and restoration charges attached to any asset.</p> <p>STC needs to estimate costs and present value of estimated costs may be recognised and included in the costs of the asset.</p> </div>

1.4 Impact on Balance sheet:

Value of PPE may be impacted on account of componentization, capitalization of major spares, inspection cost, overhauling costs and valuation model.

1.5 Impact on Profit and loss account:

Profit and loss may be impacted on account of componentization, capitalization of major spares, inspection cost, overhauling costs, changes in residual value, useful life or depreciation method and recognition of asset retirement obligation.

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2. RESERVES AND SURPLUS

2.1 Impacting Ind AS: Ind AS 101,16

2.2 Analysis of Reserves & Surplus

Extract from Balance Sheet as at March 31, 2016

(INR in Cr.)

Particulars	Balance as at 01.04.2015	Additions	Deductions/ Appropriation	Balance as at 31.3.2016	Impact of Ind AS
Capital Reserve	1.00	-	-	1.00	✓
Bonus Reserve	-	-	-	-	✗
Exchange Fluctuation Reserve	6.50	-	-	6.50	✓
Revaluation Reserve	897.51	-	12.89	884.62	✓
General Reserve	46.97	12.89	-	59.86	✓
Surplus	26.94	17.87	-	44.81	✓
Total	978.92	30.76	12.89	996.79	

2.3 Ind AS Impact

Sr. No.	Current Practice	Ind AS impact
2.3.1.1	De-recognition	
	<p><u>Capital Reserve</u> represents difference in the Share Capital of Cashew Corporation of India Ltd erstwhile subsidiary and investment of STC at cost on merger.</p> <p><u>Exchange Fluctuation Reserve</u> Exchange Fluctuation Reserve represents exchange fluctuation gains on treasury operations set aside to meet future losses, if any.</p>	<p>As per Para 10 of Ind AS 101, “Except as described in paragraphs 13–19 and Appendices B–D, an entity shall, in its opening Ind-AS Balance Sheet:</p> <p>(a) recognize all assets and liabilities whose recognition is required by Ind-ASs;</p> <p>(b) not recognize items as assets or liabilities if Ind-ASs do not permit such recognition;</p> <p>(c) reclassify items that it recognized in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind-ASs; and</p> <p>(d) apply Ind-ASs in measuring all recognized assets and liabilities.”</p>

		<p>Practical Implication</p> <p>Capital reserve is the additions made on account of merger of Cashew Corporation of India Ltd.</p> <p>Exchange Fluctuation Reserve represents exchange fluctuation gains on treasury operations set aside to meet future losses.</p> <p>STC needs to evaluate the purpose and the same may be transferred to transition reserve.</p>
2.3.1.2 Revaluation Reserve		
	<p>STC has revalued immovable properties (land and building) during 2014-15 consequently an amount of INR 914.25 Cr was credited to revaluation reserve.</p> <p>Amount equal to additional depreciation on account of revaluation is transferred from Revaluation Reserve to General Reserve. During 2015-16 an amount of INR 12.89 Cr. is transferred.</p>	<p>Ind AS 16</p> <p>As per Para 39, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.</p> <p>As per Para 41, the revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.</p> <p>Practical Implication</p> <p>Details of revaluation reserve and reconciliation for the same needs to be provided.</p> <p>We have observed material differences between the revalued immovable properties (Land and Building) and the value of said properties post revaluation in books of accounts. As a result, impact could not be ascertained due to unavailability of records.</p>

2.4 Impact on Balance Sheet

- a) An increase in transition reserve due to addition through exchange fluctuation reserve.
- b) Impact of Revaluation reserve could not be ascertained due to unavailability of records.

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3. CONSOLIDATED FINANCIAL STATEMENTS

3.1 Impacting Ind AS: Ind AS 110

3.2 Current Scenario

- i. STC holds 100% shares of STC Limited (STCL), its subsidiary.
- ii. STCL is a company promoted by STC.

3.3 Ind AS Impact

3.3.1 Following will be the impact of Ind AS on Financial Statement:

Sr. No.	Current Practice	Ind AS impact
3.3.1.1	Determination of Control	
	<p>STC has made following investments, classified as joint ventures:-</p> <ul style="list-style-type: none"> • Rs 10,00,000 in NSS Agro Development Co Ltd • Rs 10,00,000 in Sea Lac Agro Ventures Limited <p>STC has made 100% provision over these investments on account of decline in the value of investments considered permanent in nature.</p> <p>Shareholders agreement in relation to formation of Joint Ventures have not been provided to us.</p>	<p>Ind AS 110</p> <p>As per Para 5, an investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.</p> <p>As per Para 6, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.</p> <p>As per Para 7, an investor controls an investee if and only if the investor has all the following:</p> <ol style="list-style-type: none"> a. Power over the investee; b. Exposure, or rights, to variable returns from its involvement with the investee; and c. The ability to use its power over the investee to affect the amount of the investor's returns <p>As per Para 8, an investor shall consider all facts and circumstances when assessing whether it controls an investee. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in paragraph 7.</p>

		<p><u>Practical Implication</u></p> <p>STC needs to evaluate its control prevailing over these investments.</p> <p>Impact could not be ascertained due to unavailability of records.</p>
<p>3.3.1.2 Disclosure & Other requirements</p>		
	<p>Consolidated Financial Statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances and are presented in the same manner as the Company's separate Financial Statements.</p>	<p>Ind AS 110</p> <p>As per Para 19 of Ind AS 110, a parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.</p> <p>As per Para 22 of Ind AS 110, a parent shall present non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of the parent.</p> <p>As per Para B86 of Ind AS 110, a holding company shall:</p> <ol style="list-style-type: none"> a. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. b. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (Ind AS 103 explains how to account for any related goodwill). c. Eliminate in full intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intra group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intra group losses may indicate an impairment that requires recognition in the consolidated financial statements.

		<p>Ind AS 12, Income Taxes, applies to temporary differences that arise from the elimination of profits and losses resulting from intra group transactions.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>To consolidate STC accounts keeping in view the disclosure requirements:</p> <ol style="list-style-type: none"> 1. Uniform accounting policies 2. Combine like items of assets, liabilities, equity, income, expenses and cash flows 3. Offset STC's carrying amount in subsidiary company 4. Eliminate intra group assets and liabilities, equity, income, expenses and cash flows </div>
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3.4 Consolidated financial statement has not been commented upon because:

- a) Non Availability of Transitional Balance Sheet of STCL and Joint Ventures.
- b) Re-calculation of Goodwill and/or Capital Reserve on consolidation.

4. NON CURRENT INVESTMENTS

4.1 Impact of Ind AS: Ind AS 27, 36 , 101 and 109

4.2 Analysis of Non-Current Investments

Extract from Balance Sheet as at March 31, 2016

A. Trade Investment (Unquoted)

<i>Equity instruments - Fully paid up ***</i> (Amount in Cr.)							
S.No.	Name of Company	No. Of Shares	Face Value	Total Value	Provision for Diminution	Net Value as on 31.03.2016	Ind AS Impact
<i>Joint Ventures</i>							
1	NSS Agro Development Co Ltd.*	100,000	10	0.10	0.10	-	✓
2	Sea Lac Agro Ventures Limited	100,000	10	0.10	0.10	-	✓
Total				0.20	0.20	-	

B. Other Investment (Unquoted)

<i>Equity instruments - Fully paid up ***</i> (Amount in Cr.)							
S.No.	Name of Company	No. Of Shares	Face Value	Total Value	Provision for Diminution	Net Value as on 31.03.2016	Ind AS Impact
(a)	<i>Subsidiary Company</i>						
1	STCL Limited *	150,000	100	2.82	2.82	-	✓
(b)	<i>Others</i>						
1	Maharashtra Small Scale Industries Development	10,000	100	0.10	0.10	-	✓
2	Andhra Pradesh State Trading Corporation	100	1,000	0.01	-	0.01	✓
3	Sindhu Resettlement Corporation Limited**	4	1,000	-	-	-	✓
Total				2.93	2.92	0.01	
Grand Total (Unquoted)				3.13	3.12	0.01	

* Investment book value is INR

** Investment book value is INR 4000

*** valued at cost other than temporary diminution in value, if any.

Other investment includes INR 2.82 Cr. in its 100% subsidiary company namely STCL. The subsidiary company was having negative net worth as on 31st March 2016 (Audited). Full provision for diminution in the value of investment has been made in the earlier years.

4.3 Ind AS Impact

4.3.1 Following will be the impact of Ind AS on Financial Statement:

Sr. No.	Current Practice	Ind AS impact
4.3.1.1 Valuation of Investments in Subsidiaries, JV and Associates		
	<p>Investments in Subsidiaries and Joint Ventures are classified as Long term Investments.</p> <p>Provision is made for diminution other than temporary, in the value of such investments if any.</p>	<p>Ind AS 101</p> <p>As per Para D14 and D15 of Ind AS 101, when an entity prepares separate financial statements, Ind AS 27 requires it to account for its investments in subsidiaries, jointly controlled entities and associates either:</p> <p>(a) at cost; or (b) in accordance with Ind AS 109.</p> <p>If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, it shall measure that investment at one of the following amounts in its opening Ind-AS Balance Sheet:</p> <p>(a) cost in accordance with Ind AS 27; or (b) deemed cost</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implementation STC to choose the method for valuation of its investment.</p> <p>Impact could not be ascertained due to unavailability of records.</p> </div>
4.3.1.2 Valuation of Other Investments		
	<p>STC has made following investments, which are as follow:-</p> <ul style="list-style-type: none"> • Rs. 10,00,000 in Maharashtra Small Scale Industries Development* • Rs. 100,000 in Andhra Pradesh State Trading Corporation • Rs 4000 in Sindhu Resettlement Corporation Limited <p>*The company has made 100% provision over these investments as per financial Statements for the year ended March 31, 2016.</p>	<p>As per Para 5.1.1. of Ind AS 109 states that “at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p> <p><u>Subsequent measurement of Financial Asset</u></p> <p>As per Para 4.1.1 of IND AS 109, classification of financial assets shall be determined on the basis of two assessments:</p>

		<ul style="list-style-type: none"> • Contractual cash flows give rise to solely payments of principal and interest • Business model for managing the financial assets <p>As per Para 4.1.2, Para 4.1.2A and Para 4.1.4 of Ind-AS 109, after initial recognition, a financial asset is subsequently measured as follows:</p> <ul style="list-style-type: none"> • <u>Amortized Cost</u> – when financial asset meets both contractual cash flow and business model is to hold to collect contractual cash flow • <u>Fair Value Through Other Comprehensive Income (FVTOCI)</u>- when financial asset meets contractual cash flow test and business model test is to hold to collect contractual cash flow and sell financial asset • <u>Fair Value Through Profit and Loss (FVTPL)</u> – when financial asset does not meet contractual cash flow test <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication</p> <p>Fair value of investee company on transition date and each reporting date may be ascertained and accounted for.</p> <p>Any change in fair valuation of investment companies may be accounted for in Other Comprehensive income after evaluating business model and contractual cash flow test.</p> <p>Impact could not be ascertained due to unavailability of records.</p> </div>
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4.3.1.3 Impairment	
<p>Provision is made for diminution other than temporary, in the value of such investments if any in accordance with AS 13.</p>	<p>Ind AS 36</p> <p>As per Para 110, an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication</p> <p>Investments in subsidiaries and joint ventures will be covered within scope of Ind AS 36. STC is recommended to assess and compare recoverable value of all the mentioned investments with the carrying value.</p> <p>Impact could not be ascertained due to unavailability of records.</p> </div>

4.4 Impact on Balance sheet:

- a) Possible Impairment
- b) Impact could not be ascertained due to unavailability of records.

4.5 Impact on Profit and loss account:

Impact could not be ascertained due to unavailability of records.

5. REVENUE FROM OPERATIONS

5.1 Impacting Ind AS: Ind AS 18

5.2 Analysis of Revenue from Operations:

Extract from Financial Statements for the year ended March 31, 2016

Particulars		Amount (INR in Cr.)	Ind As Impact
(a)	Sales:		
	- Export	1,110.47	✓
	- Imported Goods	8,735.29	✓
	- Domestic	633.40	✓
	Total (a)	10,479.16	
(b)	Other Operating Revenue:		
	- Discount on Forward Contract	0.42	×
	- Claims:		
	• From Govt. of India	0.03	×
	• From Insurance Agencies	-	×
• Others	121.44	×	
	Total (b)	121.89	
	Revenue from Operations (a+b)	10,601.05	

5.3 Ind AS Impact

5.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS impact
5.3.1.1	Measurement Criterion	
	Revenue is recognized on accrual basis in accordance with the provisions of AS – 9, gross value of all purchase and sale are booked on a Principal to Principal basis.	<p>Ind AS 18</p> <p>Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:</p> <ol style="list-style-type: none"> the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow

		<p>to the entity; and</p> <p>e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.</p> <p>As per Para 8, in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.</p> <div data-bbox="853 734 1428 2047" style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>In line with the requirements of Ind AS 18, the company needs to evaluate its principal to principal or Principal to Agent relationship for each contract/arrangement</p> <p>Determining whether an entity is acting as a principal or as an agent requires judgment and consideration of all relevant facts and circumstances.</p> <p>An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a principal include:</p> <ul style="list-style-type: none"> a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer. b) the entity has inventory risk before or after the customer order, during shipping or on return; c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and </div>
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		d) the entity bears the customer's credit risk for the amount receivable from the customer.
5.3.1.2 Revenue to be recognized at Fair Value		
	Revenue as per Indian GAAP is gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services	<p>As stated in Para 9 of Ind AS 18, Revenue shall be measured at the fair value of the consideration received or receivable.</p> <p>As per Para 11 of Ind AS 18, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.</p> <p>As per Para 10 of Ind AS 18, the amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.</p> <p>As per Para 7 of Ind AS 18, Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</p> <p>The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest in equity is deducted from revenue.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>Revenue to be recognized at the fair value of the consideration received or receivable net of the amount of any trade discounts and volume rebates allowed by the entity.</p> </div>
5.3.1.3 Barter Transactions		
	No such provisions as per IGAAP	<p>Ind AS 18</p> <p>As per Para 12, when goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. The revenue is</p>

		<p>measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.</p> <p>When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.</p> <div data-bbox="853 488 1428 616" style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC is recommended to identify and evaluate such transactions.</p> </div>
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5.4 Impact on Balance Sheet: No Impact

5.5 Impact on Profit and loss account: Recognition criterion of revenue may have an impact on statement of Profit and Loss.

6. OTHER INCOME

6.1 Impacting Ind AS: Ind AS 18, Ind AS 1

6.2 Analysis of Other Income

Extract from Financial Statements for the year ended March 31, 2016

Particulars		Amount (In Cr.)
(a)	Interest Income:	
	- Advance to Employees	0.81
	- Term Deposits With Banks & its subsidiaries : <ul style="list-style-type: none"> • Deposits pledged / under Lien as margin money • Other Deposits 	0.14
		0.03
	- Income Tax Refunds	1.61
	- Interest on Trade Finance/ Associates : <ul style="list-style-type: none"> • Other than PCFC / EPC 	224.46
	- Other Miscellaneous interest	0.37
(b)	Miscellaneous income:	
	- Security Deposits forfeited	0.36
	- Rent received from Employees	0.14
(c)	Rental Income (net)	26.06
(d)	Other Receipts	0.72
	Total	254.70

6.3 Ind AS Impact

6.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS impact
6.3.1.1	Other Income	
	Interest Income is accounted for on accrual basis.	Ind AS 1
	Other Income includes interest of INR 224.33 Cr. recoverable from one of the business associates M/s Global Steel Philippines Inc./ Global Steel Holdings Ltd. For export of steel slabs during the period	Para 27 of Ind AS 1, an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. Para 28 of Ind AS 1, when the accrual basis of accounting is used, an entity recognizes items as assets, liabilities, equity, income and expenses

2008-2010.	<p>(the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework.</p> <p>Ind AS 18</p> <p>Para 29 of Ind AS 18, revenue arising from the use by others of entity assets yielding interest, royalties shall be recognized on the bases set out in paragraph 30 when:</p> <ul style="list-style-type: none"> • It is probable that the economic benefits associated with the transaction will flow to the entity; and • The amount of the revenue can be measured reliably. <p>Para 30 of Ind AS 18, revenue shall be recognized on the following bases:</p> <p>(a) interest shall be recognized using the effective interest method as set out in Ind AS109.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication:</p> <p>In line with Para 29 of Ind AS 18, STC needs to evaluate recovery of economic benefits associated with interest income and recognise it on the basis of the evaluation.</p> </div>
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6.4 Impact on Balance Sheet: Possible decline in Reserves and surplus on account of reversal of interest income

6.5 Impact on Profit and loss account: Recognition criterion of other income may have an impact on statement of Profit and Loss.

7. EMPLOYEE BENEFIT EXPENSES

7.1 Impacting Ind AS – Ind AS 19

7.2 Analysis of expenses

Extract from Financial Statements for the year ended March 31, 2016

Particulars	Amount (INR in Cr)
(a) Remuneration to Staff & Managers	
Salaries and Allowances	71.63
Provident fund	4.82
Employees pension scheme 95 (EPS 95)	0.91
Performance Related Pay	0.02
Welfare Expenses:	
- Medical Expenses on regular employees	4.42
-Medical Expenses on retired employees	9.81
-Medical Expenses on Actuarial Liability	2.37
-Long Service Award	0.07
- Others	1.23
Gratuity	(0.07)
Pension	4.25
Total (a)	99.46
(b) Remuneration to Directors	
Salaries and Allowances (including sitting fees)	1.17
Provident fund	0.08
Employees pension scheme 95 (EPS 95)	0.01
Welfare Expenses	
- Medical Expenses on regular Directors	0.03
-Medical Expenses on retired Directors	0.10
Gratuity	0.11
Pension	0.06
Total (b)	1.56
Grand Total (a+b)	101.02

7.3 Ind AS Impact:

7.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

S.No.	Current Practice	Ind AS impact
7.3.1.1	Accounting Treatment of Gratuity and other Defined Benefit Plans	
	Gratuity, Leave encashment, Half pay leave, Long service awards and Post-retirement medical benefits are accounted on the basis of actuarial valuation. Actuarial gains/ losses are debited/ credited to Statement of Profit and Loss.	<p>Ind AS 19</p> <p>As per Para 57(d) of Ind AS 19, re-measurement items such as actuarial gain-loss, return on plan assets other than interest shall be recognized through Other Comprehensive Income (OCI).</p> <p>As per Para 135 of Ind AS 19, an entity shall disclose information that:</p> <ol style="list-style-type: none"> Explains the characteristics of its defined benefit plans and risks associated with them. Identifies and explains the amounts in its financial statements arising from its defined benefit plans. Describes how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication</p> <p>STC to disclose Re-measurement items through OCI. Further, STC to provide for disclosures as per Ind AS 19.</p> </div>

7.4 Impact on Balance Sheet

Provision for gratuity, leave encashment, post-retirement medical facilities and long service award to be recognized as per actuarial valuation conducted in compliance with Ind AS 19.

7.5 Impact on Profit & Loss

Re measurement items shall be recognized through Other Comprehensive Income (OCI).

8. OTHER LONG TERM LIABILITIES & OTHER CURRENT LIABILITIES

8.1 Impacting Ind AS – Ind AS 32, 107 & 109

8.2 Details of liabilities for the FY 2015-16:

Extract from Balance Sheet as on March 31, 2016

Particulars	Amount (INR In Cr.)		
	Other long term liabilities	Other current liabilities	Total
Trade payables			
- Bill acceptances	12.64	-	12.64
- Others	1000.52	-	1,000.52
Others			
- Customers at credit	15.95	33.37	49.32
- Advance from customers	1.81	43.41	45.22
- Outstanding liabilities for goods & services received	75.71	65.99	141.70
- Stale cheques	0.04	-	0.04
- Deposits	8.83	6.26	15.09
- Security deposits	3.33	4.74	8.07
- Earnest money deposit	4.82	64.13	68.95
Employee dues			
- Pay & allowances	0.06	0.13	0.19
- Encashment of earned leaves	13.98	1.59	15.57
- Other expenses	-	0.12	0.12
- Due to employees on accrual basis	-	0.94	0.94
- Undisbursed salary	-	0.01	0.01
Unclaimed dividend	-	0.17	0.17
IEPF	-	0.03	0.03

Current maturities of long term debts	-	176.28	176.28
Premium payable for forward cover	-	0.16	0.16
Liability for CSR	-	0.22	0.22
Remittances			
- Professional tax	-	0.01	0.01
- Sales tax/ VAT	-	0.49	0.49
- Service tax	-	0.19	0.19
- TDS	-	1.17	1.17
- Contribution to PF	-	1.6	1.60
- Contribution to EPS 95	-	0.06	0.06
- Contribution to Employee pension scheme	-	0.34	0.34
- Salary saving scheme	-	0.01	0.01
- Thrift society	-	0.06	0.06
- Others	-	0.19	0.19
Interest accrued but not due on borrowings	-	1.62	1.62
Interest accrued & due on borrowings	-	44.62	44.62
Total	1137.69	447.91	

8.3 Ind AS Impact:

8.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current practice	Ind AS impact
8.3.1.1 Classification of Financial Liabilities		
	No classification of Liabilities in financial liabilities and non-financial liabilities as per IGAAP and Schedule III of Companies Act 2013.	As per Para 11 of Ind AS 32 “Financial Instruments: Presentation” A financial liability is any liability that is: a) a contractual obligation : (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or

Sr. No.	Current practice	Ind AS impact
		<p>financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or</p> <p>b) a contract that will or may be settled in the entity's own equity instruments and is:</p> <p>(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</p> <p>(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Apart from the aforesaid, the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of the entity's own equity instruments is an equity instrument if the exercise price is fixed in any currency. Also for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or</p>

Sr. No.	Current practice	Ind AS impact
		<p>delivery of the entity's own equity instruments.</p> <p>Practical Implication</p> <p>STC is recommended to evaluate the classification of liabilities into financial liabilities and non-financial liabilities.</p>
8.3.1.2 Bills acceptances, Advance from customers, Deposits, Security deposits, Earnest money deposits (EMD)		
	<p>Bills acceptances – Bill acceptances refer to Letter of credit in favor of vendor for payments to be made against goods or services received. All Bill acceptances are shown under Other Long term liabilities.</p> <p>Advance from customers - Advance from customers are advances received for performance of contract. Mode of settlement may be either in cash or by providing goods or services on case to case basis.</p> <p>Deposits, Security deposits & EMD – Deposits, Security deposits & Earnest money deposits refer to deposits received from customers for performance of contract. Mode of settlement may be either in cash or against last installment receivable.</p>	<p>Ind AS 109</p> <p>Para 5.1.1 of Ind AS 109, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through statement of Profit and Loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p> <p>Practical Implication</p> <p>STC is recommended to classify liabilities (such as Bill acceptances, Advance from customers, Deposits, Security deposits & EMD) under the head as financial liabilities in the Balance sheet if they meet the definition of financial liabilities.</p> <p>Further, in case liabilities classify as Financial liabilities, long term liabilities shall be recognized at the fair value determined using effective interest method (EIR) on the transition date. The difference in fair value and the carrying value shall be amortised in the statement of Profit and Loss over the remaining term of these liabilities.</p> <p>However, STC may take the benefit of exemption provided in Para D20 of Ind AS 101 to apply the requirement of fair valuation prospectively to the transactions entered after the date of</p>

Sr. No.	Current practice	Ind AS impact															
		<p>transition of Ind AS.</p> <p>Advances from customers and suppliers need to be evaluated in line with provisions of Companies Act 2013.</p>															
8.3.1.3 Long Term Loan from EXIM Bank																	
	<p>The working capital term loan is carried in the books at the amount disbursed by the banks and interest is recognised in the Statement of Profit and Loss at the stipulated rate.</p> <p>The working capital term loan has been classified under Current Maturities of Long Term Borrowings amounting to Rs. 176.28 Cr.</p> <p>Annexure forming part of Sanction letter no. EXIM/NDRO/2016-133889 dated November 9,2016 issued to STC the repayment schedule of Working Capital Term Loan in following installments-</p> <table border="1" data-bbox="440 1317 852 1870"> <thead> <tr> <th>No</th> <th>Due Date</th> <th>Amount (Rs. in Cr.)</th> </tr> </thead> <tbody> <tr> <td>1st</td> <td>Oct 01, 2017</td> <td>5.00</td> </tr> <tr> <td>2nd</td> <td>Jan 01, 2018</td> <td>5.00</td> </tr> <tr> <td>3rd</td> <td>Apr 01, 2018</td> <td>5.00</td> </tr> <tr> <td>4th</td> <td>July 01, 2018</td> <td>141.27</td> </tr> </tbody> </table>	No	Due Date	Amount (Rs. in Cr.)	1 st	Oct 01, 2017	5.00	2 nd	Jan 01, 2018	5.00	3 rd	Apr 01, 2018	5.00	4 th	July 01, 2018	141.27	<p>Ind AS 32</p> <p>As per Para 11 of Ind AS 32:</p> <p>A financial liability is any liability that is:</p> <p>a) a contractual obligation:</p> <p>i. to deliver cash or another financial asset to another entity; or</p> <p>ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity;</p> <p>Practical Implication</p> <p>STC is recommended to evaluate the classification of working capital term loan provided by EXIM Bank into long term or short term.</p> <p>Impact couldn't be ascertained due to unavailability of records.</p>
No	Due Date	Amount (Rs. in Cr.)															
1 st	Oct 01, 2017	5.00															
2 nd	Jan 01, 2018	5.00															
3 rd	Apr 01, 2018	5.00															
4 th	July 01, 2018	141.27															

- 8.4 Impact on Balance Sheet:** In case liabilities classified as financial liabilities, long term liabilities (such as Bill acceptances, Deposits, Security deposits, EMD and loan) shall be carried at fair value determined using EIR method.
- 8.5 Impact on Profit & Loss:** The difference between fair value of liabilities so determined and the amount payable shall be amortized over the period of long term liability.

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9. TRADE PAYABLES

9.1 Impacting Ind AS – Ind AS 32, 107 & 109

9.2 Analysis of expenses:

Extract from Balance Sheet as on March 31, 2016.

Particulars	Amount (INR In Cr.)		Total
	Long Term	Other	
Bill acceptances	12.64	2.64	15.28
Sundry creditors			
- MSME	-	0.01	0.01
- Others	1000.52	644.12	1644.64
Total	1013.16	646.77	1659.93

9.3 Ind AS Impact:

9.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current practice	Ind AS impact
9.3.1.1	Trade payables	
	Trade payables refer payments to be made under a contract for purchases or services received. Trade payables are further classified into Long term and short term as per estimated time of payment.	<p>Ind AS 109</p> <p>Para 5.1.1 of Ind AS 109, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through statement of Profit and Loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC is recommended to classify trade payables under the head as financial liabilities in the Balance sheet if they meet the definition of financial liabilities.</p> </div>

9.4 Impact on Balance Sheet: Long term trade payables shall be carried at fair value determined using EIR method. No accounting adjustment is required on the date of transition.

9.5 Impact on Profit & Loss: Possible impact may be ascertained

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10. LOANS & ADVANCES

10.1 Impacting Ind AS: Ind AS 32, 107 & 109

10.2 Analysis of Loans & Advances

Extract from Balance Sheet as at March 31, 2016

Particulars	Long Term	Short Term	Total
	Amount (INR in Cr.)		
Capital advances	-	0.13	0.13
Security Deposits	10.38	0.96	11.34
Advances to employees	4.31	1.96	6.27
Interest accrued on advance to employees	6.75	0.98	7.73
Trade Advances	-	2.51	2.51
Advance tax	-	34.56	34.56
Other Misc advances	0.16	0.15	0.31
Total	21.60	41.25	62.85

10.3 Ind AS Impact

10.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS Impact
10.3.1.1 Classification of Financial Assets		
	As per the requirements of Schedule III of Companies Act, 2013 and IGAAP, assets are classified as 'Non-Current Assets' and 'Current Assets'.	<p>Ind AS 32</p> <p>As per Para 11 of Ind AS 32 "Financial Instruments: Presentation"</p> <p>A financial asset is any asset that is:</p> <ol style="list-style-type: none"> cash; an equity instrument of another entity; a contractual right: <ol style="list-style-type: none"> to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or a contract that will or may be settled in

		<p>the entity's own equity instruments and is:</p> <ul style="list-style-type: none"> (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication STC is recommended to evaluate the classification of assets into financial and non-financial assets.</p> </div>
<p>10.3.1.2 Security Deposits</p>		
	<p>Security deposits include deposits given to Registrar, Sales tax dept., electricity Board, etc.</p> <p>These deposits are refundable.</p>	<p>Ind AS 109</p> <p>Para 5.1.1 of Ind AS 109, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Practical Implication Security deposits receivable in cash are financial asset in terms of Para 11 of Ind AS 32.</p> </div>

		<p>Long term security deposits need to be recognized at fair value determined using effective interest rate method (EIR) on the date of transition.</p>
<p>10.3.1.3 Advance to employees and Interest accrued on advance to employees</p>		
	<p>Loans to employees are classified as Long term and short term as per the period of recovery.</p> <p>Further, interest accrued on employee loans is recovered after recovery of principal amount.</p>	<p>Ind AS 109</p> <p>Para 5.1.1 of Ind AS 109, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of Profit or Loss, transaction costs that are attributable directly to the acquisition or issue of the financial asset or financial liability.</p> <div data-bbox="901 801 1460 1122" style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC needs to identify the financial assets in line with the Ind AS 32.</p> <p>Long term financial asset need to be recognised at fair value determined using effective interest rate method.</p> </div>

10.4 Impact on Balance sheet:

Financial assets classified as long term financial assets shall be carried at fair value determined using EIR method.

10.5 Impact on Profit and loss account:

Fair value of financial assets determined may have an impact on statement of Profit and Loss.

11. TRADE RECEIVABLES

11.1 Impacting Ind AS – Ind AS 32, 109

11.2 Analysis of Trade receivables

Extract from Balance sheet as on March 31, 2016.

Particulars	As at March 31, 2016	Ind AS Impact
		Financial Instrument
(a) Trade Receivables over Six months		
- Secured, considerable Good	669.73	✓
- Unsecured, considerable Good	1757.66	✓
- Doubtful	1.55	✓
Gross Receivable	2428.94	
Less: Allowance for bad & doubtful receivable	1.55	
Net Receivable	2427.39	
(b) Other Trade Receivables		
- Secured, considerable Good	43.28	✓
- Unsecured, considerable Good	170.31	✓
- Doubtful	-	✓
Gross Receivable	213.59	
Less: Allowance for bad & doubtful receivable	-	
Net Receivable	213.59	
Total (a+b)	2640.98	

11.3 Ind AS Impact

11.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current practice	Ind AS impact
11.3.1.1 Trade Receivables		
	<p>Trade receivables include the amount receivables in respect of goods and services rendered.</p> <p>Trade receivables are recognized at the transaction price.</p>	<p>Ind AS 109</p> <p>Para 5.1.1 of Ind AS 109, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p>

Sr. No	Current practice	Ind AS impact												
	<p>As at March 31, 2016, Ageing of trade receivables is as follow:-</p> <table border="1" data-bbox="355 349 831 600"> <thead> <tr> <th>Overdue</th> <th>Amount (INR)</th> </tr> </thead> <tbody> <tr> <td>Upto 1 year</td> <td>7,906,760,611</td> </tr> <tr> <td>1 to 2 year</td> <td>694,306,181</td> </tr> <tr> <td>2 to 3 Year</td> <td>-</td> </tr> <tr> <td>Above 3 Year</td> <td>17,808,754,411</td> </tr> <tr> <td>Total</td> <td>26,409,821,203</td> </tr> </tbody> </table>	Overdue	Amount (INR)	Upto 1 year	7,906,760,611	1 to 2 year	694,306,181	2 to 3 Year	-	Above 3 Year	17,808,754,411	Total	26,409,821,203	<p>Impairment</p> <p>In terms of Para 5.5 of Ind AS 109, an entity is required to measure a loss allowance for financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>As per Para 5.5.15 of Ind AS 109, in case of trade receivables, entity is required to measure loss allowance at an amount equal to lifetime expected credit losses.</p> <p>Measurement of expected credit losses</p> <p>Extract of Para 5.5.17 of Ind AS 109, an entity shall measure expected credit losses of a financial instrument in a way that reflects:</p> <ul style="list-style-type: none"> • an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; • the time value of money; and • reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. <div data-bbox="858 1283 1398 1760" style="border: 1px solid black; padding: 5px;"> <p>Practical implication</p> <p>STC to evaluate its trade receivables in line with the provisions of Ind AS 109.</p> <p>STC to carry out impairment testing for its trade receivables to assess the expected credit loss, if any, at each balance sheet date. If the credit risk of the receivable increases significantly since initial recognition, STC to recognize loss allowance for the expected credit loss.</p> </div>
Overdue	Amount (INR)													
Upto 1 year	7,906,760,611													
1 to 2 year	694,306,181													
2 to 3 Year	-													
Above 3 Year	17,808,754,411													
Total	26,409,821,203													
11.3.1.2 Trade Receivables- Disclosures														
	No specific disclosure requirements specified.	<p>Ind AS 107</p> <p>Para 35M of Ind AS 107, to enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating</p>												

Sr. No	Current practice	Ind AS impact
		<p>grade, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:</p> <p>a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;</p> <p>b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:</p> <ul style="list-style-type: none"> • financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; • financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and • trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of Ind AS 109. <p>c) that are purchased or originated credit-impaired financial assets</p> <p>Para 35N of Ind AS 107, for trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of Ind AS 109, the information provided in accordance with paragraph 35M may be based on a provision matrix.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>It is recommended that STC provides specific disclosure in line with Ind AS 107.</p> </div>

- 11.4 Impact on Balance Sheet:** STC to recognize a loss allowance for expected credit losses if the credit risk of the receivable increases significantly since initial recognition.
- 11.5 Impact on Profit and Loss:** STC to recognize a loss allowance for expected credit losses if the credit risk of the receivable increases significantly since initial recognition.

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12. CONTINGENT LIABILITIES, CONTINGENT ASSETS AND PROVISIONS

12.1 Impacting Ind AS: Ind AS 37

12.2 Ind AS Impact

12.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS Impact
12.2.1.1 Contingent Assets		
	Contingent Assets are neither recognized nor disclosed in the financial statements.	<p>Ind AS 37</p> <p>As per Para 10, contingent asset means a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity</p> <p>Disclosure requirement As per Para 89, where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication STC to identify contingent asset, if any and disclose in the financial statements.</p> </div>
12.2.1.2 Contingent Liabilities		
	Contingent Liabilities at STC includes claims against the company, disputed liabilities not acknowledged as debt, guarantees, commitments and are shown as notes forming part of the financial statements.	<p>Ind AS 37</p> <p>As per Para 14, a provision shall be recognized when:</p> <ol style="list-style-type: none"> a) an entity has a present obligation (legal or constructive) as a result of a past event; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation. <p>If these conditions are not met, no provision shall be recognized.</p>

		<p>As per Para 15, in rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC to review all contingent liabilities based on probability of outcome and recognize those where cash outflow is probable and can be estimated reliably</p> </div>
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12.2.1.3 Provisions

	<p>Provisions represent accrued expenses for which bills have not yet been sent by suppliers. These are recorded on the estimated transactions price.</p>	<p>Ind AS 37</p> <p>As per Para 45, where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.</p> <p>Hence in the case of provisions that are expected to be settled after more than one year i.e. long term, the provision will be made of an amount equivalent to the present value of expected amount of expenditure.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Practical Implication</p> <p>STC to review the provisions and identify long term and short term provisions. Any long-term provisions may be discounted to present value using effective interest method.</p> </div>
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<p>12.3</p>	<p>Impact on Balance Sheet Possible provisioning, post review of contingent liabilities.</p>
<p>12.4</p>	<p>Impact on Profit and loss account Profit may be declined due to possible provisioning post review of contingent liabilities.</p>

13. ACCOUNTING FOR FINANCIAL INSTRUMENTS

13.1 Impacting Ind AS – Ind AS 32, 109

13.2 Ind AS Impact

13.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current practice	Ind AS impact
13.2.1.1 Accounting treatment of derivative contracts		
	<p>The premium or discount arising at the inception of forward exchange contract is amortized as expense or income over the life of the contract. Exchange difference on such a contract is recognized in the statement of profit and loss in the reporting period in which the exchange rates change.</p>	<p>Ind AS 109</p> <p>As per Appendix A of Ind AS 109, derivative is defined as a financial instrument or other contract within the scope of this standard with all three of the following characteristics:-</p> <ol style="list-style-type: none"> a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, providing the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’). b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. c) it is settled at a future date. <p>All derivatives except those used for hedge purposes are measured at fair value, any gains/losses are recognized in profit and loss</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>Practical implication</u></p> <p>All derivative contracts may be marked to market from March 31, 2016 onwards.</p> <p>Unamortised premium on forward contracts shall be de-recognised in Ind AS opening balance sheet as on transition date</p> </div>

13.3 Impact on Balance Sheet

Possible impacts may be ascertained

13.4 Impact on Profit and Loss

Going forward STC will be required to recognize both, gains and losses resulting from MTM of derivative contracts outstanding as on respective reporting date

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14. LEASES

14.1 Impacting Ind AS: Ind AS 17

14.2 Ind AS Impact

14.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS Impact
14.2.1.1	Classification	
	<p>A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. Title may or may not eventually be transferred. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership.</p> <p>The classification of leases adopted as per AS 19, based on the extent to which risks and rewards incident to ownership of a leased asset lie with the lessor or the lessee.</p>	<p>Ind AS 17</p> <p>As per Para 10, whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:</p> <ul style="list-style-type: none"> (a) the lease transfers ownership of the asset to the lessee by the end of the lease term; (b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; (c) the lease term is for the major part of the economic life of the asset even if title is not transferred; (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and (e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications. <p>As per Para 11, indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:</p> <ul style="list-style-type: none"> (a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee; (b) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and (c) the lessee has the ability to continue the

Sr. No.	Current Practice	Ind AS Impact
		<p>lease for a secondary period at a rent that is substantially lower than market rent.</p> <p>As per Para 26 of Ind AS 101, if an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.</p> <div data-bbox="863 589 1447 770" style="border: 1px solid black; padding: 5px;"> <p><u>Practical implication</u></p> <p>STC to review all their lease arrangements to classify leases as financial lease or operating lease.</p> </div>

14.3 Impact on Balance sheet:
Possible impacts may be ascertained.

14.4 Impact on Profit and loss account:
Possible impacts may be ascertained.

15. DEFERRED TAX ASSET/LIABILITIES

15.1 Impacting Ind AS: Ind AS 12

15.2 Analysis of Non-Current Investments

Extract from Balance Sheet as at March 31, 2016

Particulars	Amount (INR in Cr.)	Ind AS Impact
		Disclosures
Deferred Tax Asset		
Disallowance under Income Tax Act 1961	76.88	✓
Deferred Tax Liability		
Related to fixed asset	3.87	✓
Total	73.01	

15.3 Ind AS Impact:

15.3.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS Impact
15.3.1.1 Recognition Criteria		
	Deferred tax is calculated as per AS 22 using timing differences between accounting income and taxable income.	<p>Ind AS 12</p> <p>Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of differences between the carrying amounts of assets and liabilities and their tax base.</p> <p>As per Para 7 of Ind AS 12, the tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.</p> <p>As per para 8 of Ind AS 12, the tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods.</p> <p>Detailed disclosure requirement</p> <p>Ind AS 12 sets out for additional disclosure requirements for the deferred tax compared to current standard.</p>

		<p>Practical Implication STC to follow deferred tax after analysis for the temporary differences as per Balance Sheet approach in line with Ind AS 12.</p> <p>Further, STC to give disclosure as per Ind AS 12.</p>
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15.4 Impact on Balance sheet:
Possible impacts may be ascertained.

15.5 Impact on Profit and loss account:
Possible impacts may be ascertained

15.6 Impact on Other comprehensive income:
Possible impacts may be ascertained

16. OPERATING SEGMENTS

16.1 Impacting Ind AS: Ind AS 108

16.2 Ind AS Impacts

16.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr No	Current Practice	Ind AS Impact
16.2.1.1 Segment Reporting		
	<p>STC evaluates the company's performance and allocates the resources based on analysis of various performance indicators by the following business segments/ Product segments i.e.</p> <ol style="list-style-type: none"> 1. Export 2. Import 3. Domestic 4. Unallocated <p>Above Business Segments have been identified in line with AS-17 "Segment Reporting" taking into account the company's organizational structure as well as different risks and returns of these segments.</p>	<p>Definition</p> <p>As per Para 5 of Ind-AS 108, An operating segment is a component of an entity:</p> <ol style="list-style-type: none"> a. that engages in business activities from which it may earn revenues and incur expenses b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions c. for which discrete financial information is available. <p>As per Para 7 of Ind-AS 108, chief operating decision maker identifies a function, not necessarily a manager with a specific title. That function is to allocate resources to and assess the performance of the operating segments of an entity. Often the chief operating decision maker of an entity is its chief executive officer or chief operating officer but, for example, it may be a group of executive directors or others.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>Practical Implication</u> STC to determine the operating segments in line with the principles of Ind AS 108.</p> </div>

16.3 Impact on Balance Sheet: No impact

16.4 Impact on Profit & Loss: No impact

17. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

17.1 Impacting Ind AS:- Ind AS 8

17.2 Ind AS Impact:

17.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current practice	Ind AS impact
17.2.1.1	Prior Period Error	
	<p>Para 4 of AS 5, Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.</p> <p>Current IGAAP required rectification of material prior period items with prospective effect.</p> <p>Prior period items are disclosed as per Previous GAAP.</p>	<p>Ind AS 8</p> <p>Para 5 of Ind AS 8, prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:</p> <ul style="list-style-type: none"> • was available when financial statements for those periods were approved for issue; and • could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. <p>Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.</p> <p>Para 42 Ind AS 8, subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:</p> <ul style="list-style-type: none"> • restating the comparative amounts for the prior period(s) presented in which the error occurred; or • if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. <p>Para 43 Ind AS 8, a prior period error shall be</p>

		<p>corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.</p> <p>Para 44 of Ind AS 8, when it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).</p> <p>Para 45 of Ind AS 8, when it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.</p> <p>Para 49, sets out disclosure requirement for the prior period errors.</p> <div data-bbox="863 1144 1426 1426" style="border: 1px solid black; padding: 5px;"> <p>Practical Implication:</p> <p>It is recommended that STC may identify prior period items and adjust.</p> <p>STC to provide disclosure in line with para 49 of Ind AS 8.</p> </div>
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18. RELATED PARTY DISCLOSURES

18.1 Impacting Ind AS: Ind AS 24

18.2 Ind AS Impact

18.2.1 The impact of Ind AS on the financial statements is summarized in the table below:

Sr. No.	Current Practice	Ind AS Impact
18.2.1.1	Key Management Personnel	
	<p>Remuneration is disclosed as per Related Party Disclosures under AS 18 (Indian GAAP).</p> <p>Further, STC is a Government company. 53.99 Million equity shares or 90% shares are held by 'President of India'</p> <p style="text-align: center;">-</p>	<p>Ind AS 24</p> <p>As per Para 9, key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.</p> <p>As per Para 17, an entity shall disclose key management personnel compensation in total and for each of the following categories:</p> <ol style="list-style-type: none"> i. Short-term employee benefits; ii. Post-employment benefits; iii. Other long-term benefits; iv. Termination benefits; and v. Share-based payment" <p>As per Para 25, a Government related entity is exempt from the following disclosure requirements in relation to related party transactions and outstanding balances, which are:</p> <ol style="list-style-type: none"> a. the amount of the transactions b. the amount of outstanding balances, including commitments, and c. provisions for doubtful debts related to the outstanding balances; and d. the expense recognised during the period in respect of bad or doubtful debts. <p>In addition to above, a government related entity is exempt from disclosure requirements involving commitments with following:-</p> <ol style="list-style-type: none"> a. a government that has control or joint control of, or significant influence over, the reporting entity; and

		<p>b. another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.</p> <p>As per Para 26, if a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:</p> <p>a) The name of the government and the nature of its relationship with the reporting entity (i.e., control, joint control or significant influence);</p> <p>b) The following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:</p> <p>(i) the nature and amount of each individually significant transaction; and</p> <p>(ii) for other transactions that are collectively, but not individually significant, a qualitative or quantitative indication of their extent.</p> <div data-bbox="821 1099 1476 1279" style="border: 1px solid black; padding: 5px;"> <p><u>Practical Implication</u></p> <p>STC to provide disclosures in line with Ind AS 24.</p> </div>
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18.3 Impact on Balance Sheet: No impact

18.4 Impact on Profit & Loss: No impact

LIMITATIONS AND ASSUMPTIONS

1. The information in this report is based on discussions with staff of STC. We have also used our knowledge and experience in identifying areas having potential impacts of Ind AS. We have discussed our observations in this report with the relevant staff personnel.
2. This report is confidential and has been prepared exclusively for the management of STC. It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent.
3. Our observation is limited to the documents and information shared with us.
4. We shall not be under any obligation to update any advice or report of the services as a result of changes to Law or Regulation, oral or written, for events occurring after the final report has been issued.
5. Any advice, opinion, statement of expectation, forecast or recommendation supplied by us as part of this assignment shall not amount to any form of guarantee that we have determined or predicted future events or circumstances.
6. STC recognize and accept the risks associated with communicating by electronic mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege, the risks of corruption of such communications and the risks of viruses or other harmful devices. We hold no responsibility or liability in respect of risk associated with its use.

The following clarification and/or requirements were not received or addressed to and hence no comments have been made thereon.

1. Agreement of equity shares held as investment:
 - NSS Agro Development Co. Ltd. (JV Agreement required)
 - Sea Lac Agro Ventures Ltd. (JV Agreement required)
 - STCL Ltd. (SHA Agreement required)
 - Maharashtra Small Scale Industries Development (SHA Agreement required)
 - Andhra Pradesh State Trading Corporation (SHA Agreement required)
 - Sindhu Resettlement (SHA Agreement required)
2. Detailed nature of the amount outstanding under the head customer at credit for the following parties along with the copy of settlement documents and current status:
 - Asian Natural Resources(I)Ltd.-Indore (at Kolkata Branch)
3. Agreements for advance from customers for following parties:
 - Associate Distributors of HVO import from Nepal (at Kolkata Branch)
4. Sample agreements and breakups of all types of security deposits, EMD and other deposits (both assets and liabilities) as per the annexure shared for branches other than Bangalore & Cochin
5. Interest schedule & sanction letter for interest rate from Exim Bank (Mumbai Branch)
6. Details of complete transaction in respect of trade receivables and trade payables along with complete set of agreements
 - 1) in case of trade receivable - details of back to back supplier
 - 2) in case of trade payable - details of party to whom goods have been sold
7. Following documents for Kolkata branch:
 - Sample copy of Bill of Acceptances
 - Details of advance from customer of Rs. 1.80 Cr.
8. Following documents for Chennai branch:
 - Salvage value details of fixed assets destroyed due to flood during the year 2015-16 against which adhoc insurance claim has been received
 - Details of Capital Advances (Chennai & Bangalore branch)
9. Pproperty, plant and equipment
 - a. Componentization of Property Plant and Equipment's (Break-up cost of the provided by the vendor for major components)
 - b. Details of property held for investment purpose
 - c. Detail of revaluation itemwise and reconciliation of balances of fixed assets as per Revaluation report and Fixed assets as per financials
 - d. Insurance claim documents and Salvage value details of fixed assets destroyed due to flood during the year 2015-16 against which adhoc insurance claim has been received
 - e. Detail of Capital Work in progress

10. Details of Capital Advances (Chennai & Bangalore branch)
11. Details of pending Purchase orders and sales orders as at March 31, 2016
12. Details of Other operating revenue of various branches
13. Documents evidencing risk involvement of STC in investments done by Trusts along with details further investments done by Bajaj Allianz, SBI Life, LIC and investments done with funds of PF Trust
14. Ageing of interest accrued on employee loan and advances along with interest accrued
15. Copy of Lease agreement for the rental expense paid and rental income received for the amount booked during the year 2015-16 along with the detailed breakup of rental income and rental expense party wise & area wise
16. Also all Agreements for the freehold and leasehold properties held by STC
17. Details of Godown, Plot & Tank rent along agreements for the same. (Mumbai, Chennai & Cochin)
18. Accounting treatment in books and documents for Tank farm and leasehold land (Mumbai branch)