

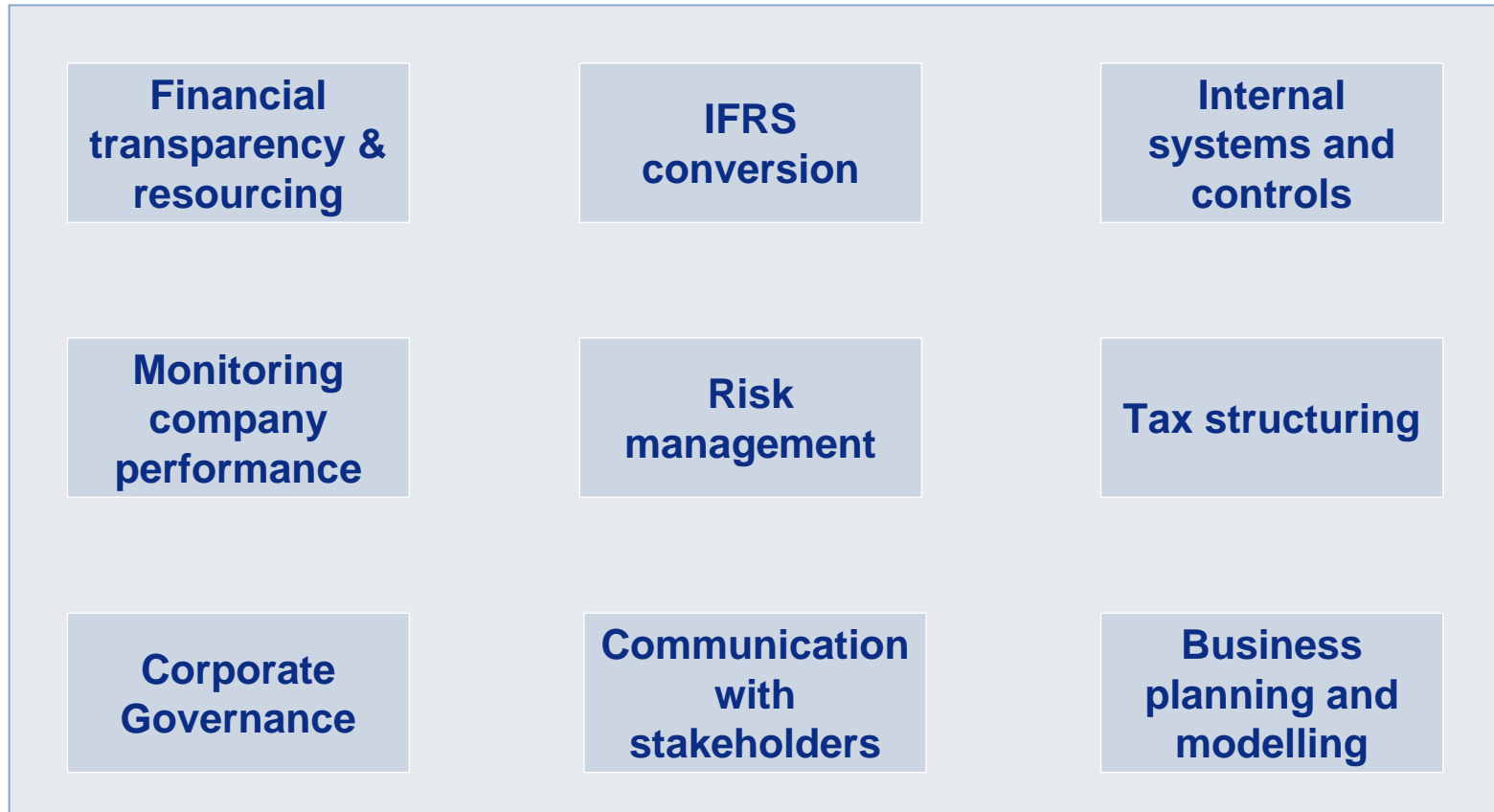


Financing corporate India's global growth

Raising capital on the Indian and London markets

Governance, accounting and tax update

Critical areas of IPO preparation



‘... Does the organisation have the right resources and expertise to do this properly ...’

Meeting the corporate governance and financial reporting requirements...



**Corporate
Governance**

**Comply with the
Combined Code or
explain why not**

**Appropriate
corporate
governance measure
– Based on (QCA)
guidelines**

**Adherence to the
Combined Code is
on a voluntary basis**

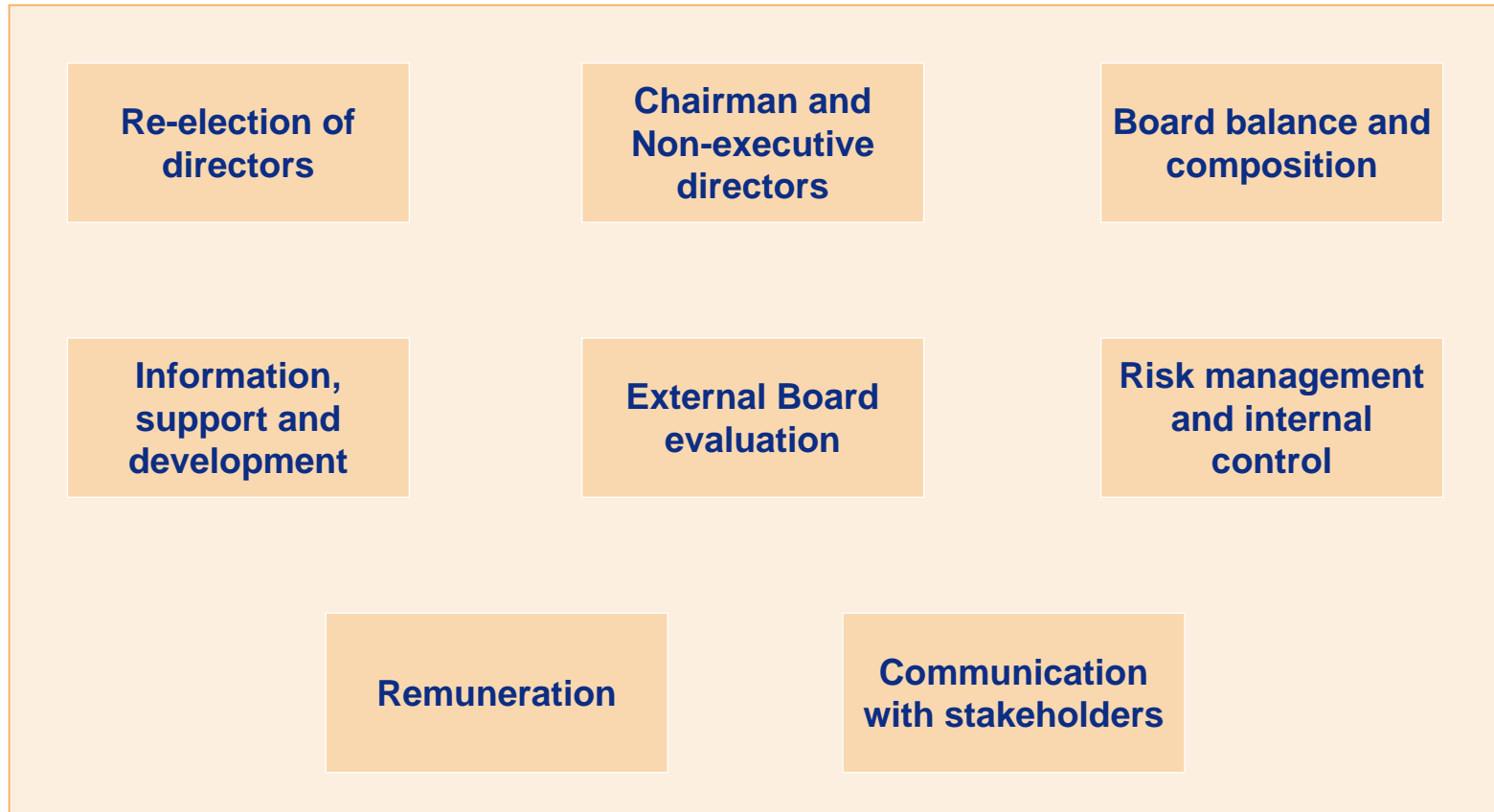
**Accounting
standards**

**IFRS required for
financial reporting**

**IFRS required for
financial reporting**

**National GAAP
sufficient for
financial reporting**

Meeting corporate governance requirements may pose a significant challenge



‘... The Financial Reporting Council (FRC) has proposed a revised code for corporate governance which could apply to companies with a premium LSE listing.....’

IFRS

Timelines for IFRS convergence in India

Phase 1

- Companies included in the Nifty 50
- Companies included in the Sensex 30
- Companies which have shares or other securities listed on stock exchanges outside India and
- Companies (whether listed or not) which have a net worth in excess of Rs 1,000 crores

1 April 2011

1 April 2013

1 April 2014

Phase 2

- All companies (whether listed or not) with a net worth in excess of Rs 500 crores but less than Rs 1,000 crores

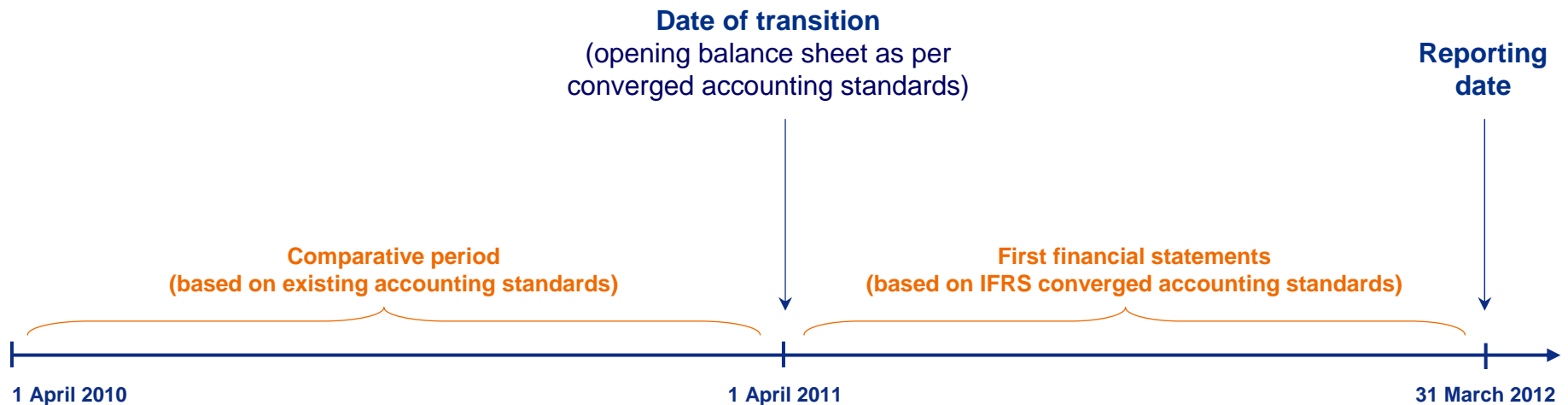
Phase 3

- All listed companies with net worth less than Rs 500 crores

For companies with an accounting year end other than 31 March, the above requirements will apply in relation to the first balance sheet, which is made on a date after 31 March.

Non-listed companies which have a net worth less than Rs.500 crores and whose shares or other securities are not listed on stock exchanges outside India; and other defined Small and Medium Companies (SMC) will not be required to follow the IFRS converged standards. However, such entities may also voluntarily opt to follow the IFRS converged standards.

First time transition – when and how to start



- Recognise IFRS assets/liabilities
- Derecognise non-IFRS assets/liabilities
- IFRS measurements
- Adjust opening retained earnings
- Comply with latest IFRS
- Remember consistency

Key considerations

Increased emphasis on judgment in financial statements

Use of fair values including recognition of unrealised gains/increase volatility in earnings

Preparation of consolidated financial statements on a uniform basis

Increased ability to structure debt/equity instruments with differential accounting and taxation treatments

Greater focus on deferred taxation/balance sheet in the financial statements

Greater focus on quality of earning – changes expected to ‘operating results’ even if net profit does not change

First-time transition to impact retained earnings – ability for many companies to ‘clean up’

Key impact areas

Business combinations and consolidation

Financial instruments

Derivatives and hedge accounting

ESOPs and share based payments

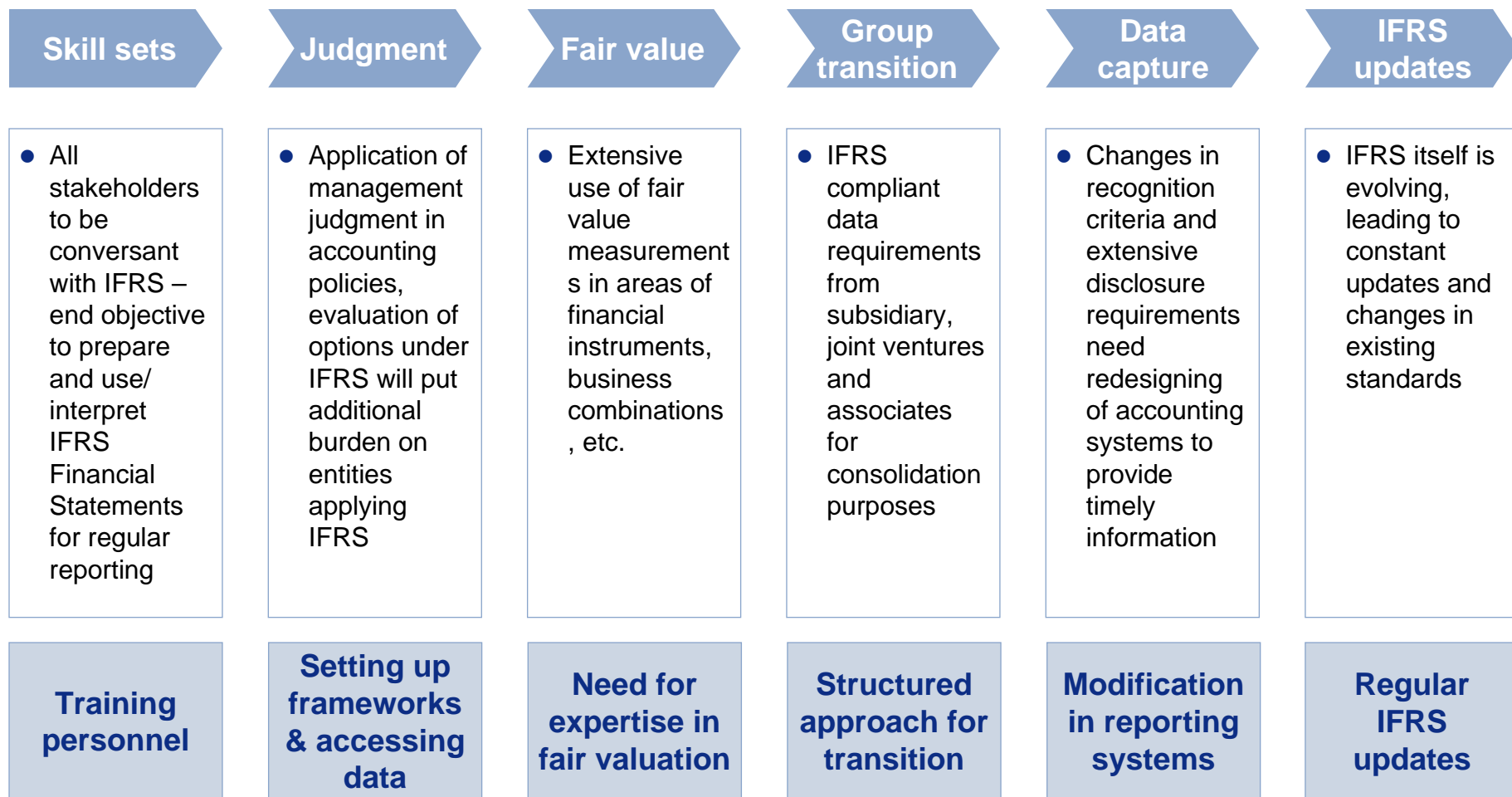
Deferred taxation

Fixed assets and depreciation

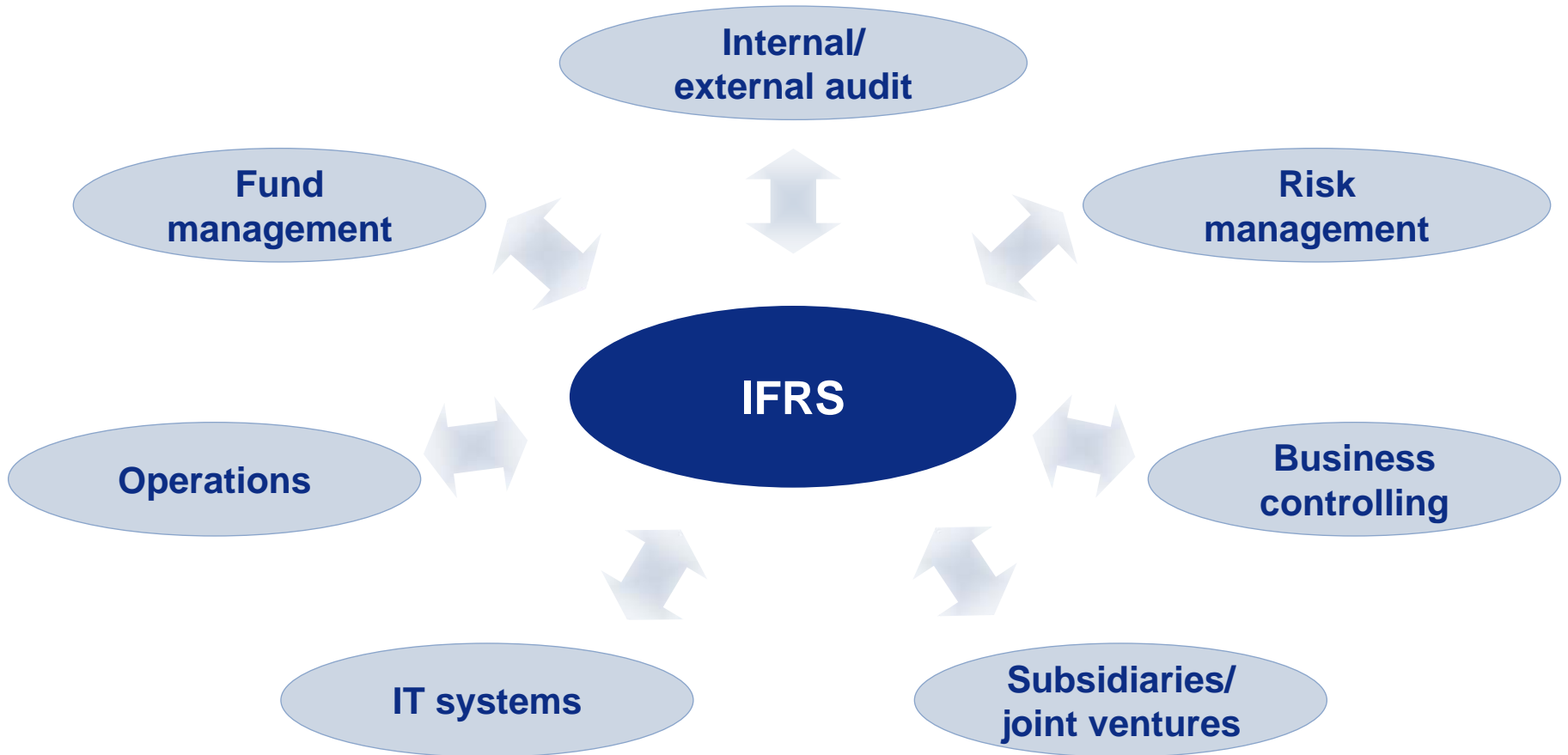
Disclosures

Clarity on regulatory aspects is critical to successful transition in the Indian context

What challenges that we are seeing in India?



IFRS is not just an accounting project...



Tax

Structuring objectives

An unlisted Indian company cannot be listed overseas unless it is listed in India. Hence pre-requisite before listing would require review of existing corporate structure which would facilitate fund raising in a tax efficient manner

Key objectives

Re-alignment of corporate structure to unlock value in future

Identify holding company structure that is flexible and helps in leveraging group strength

Optimal corporate structure

Key parameters

Facilitate fund raising

Facilitate value unlocking

Facilitate smooth exit

Ease of operations

Low transaction costs

Tax efficient income flow

Market acceptability

Modes of formation of IHC structure

Migration of the holding structure

In order to internationalise the holding structure, the group would need to re-align the existing holding structure to interpose an international holding company

Transfer

Dilution

Restructuring

Business structuring

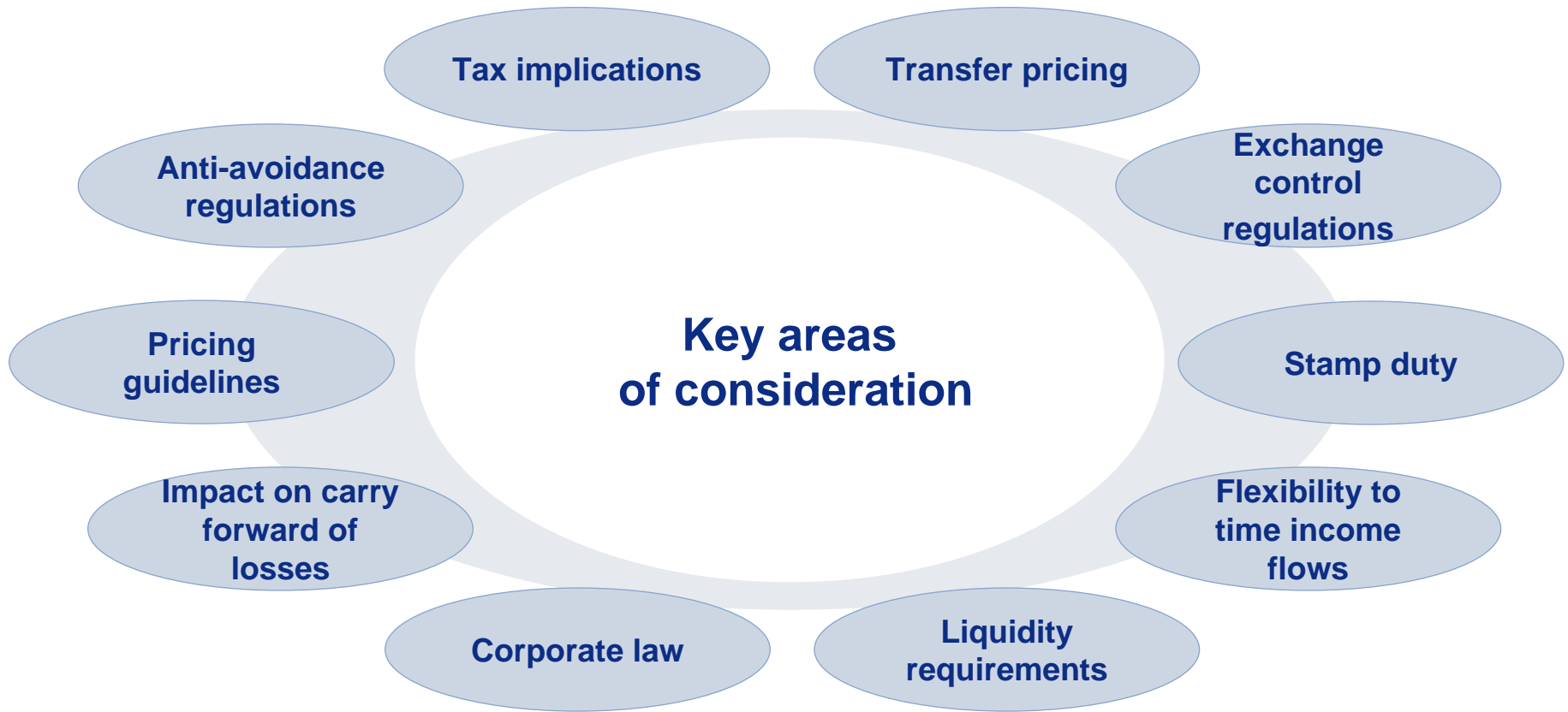
In case the group intends to raise funds for a particular business within a consortium of businesses in a company, re-structuring of operating structure may be required before migrating the holding structure

Demerger

Slump-sale

Subsidiarisation

Key considerations



Global tax environment

Black-listing of certain tax havens

OECD task-force to help developing nations benefit from global environment

OECD proposes to list tax evasion as money laundering resulting in severe penalties

Pressure on Swiss judiciary to discourage undeclared, untaxed funds from overseas

Investment through tax havens perceived negatively

Re-negotiation of tax treaties to avoid treaty-shopping

Global school of thought veering towards greater emphasis on 'substance' over 'form'

The world tax community is transitioning towards greater 'co-operation' and 'Exchange of information' between countries

Indian tax environment (continued)

The dichotomy between tax avoidance and tax evasion is getting blurred as is evident from Revenue's stance in recent litigation e.g. Vodafone, E- trade etc.

Direct Tax Code proposed to come into effect from April 1, 2011 has specific anti-avoidance provisions aimed at clamping down on any arrangements lacking commercial substance and which are solely aimed at reaping tax benefits

The proposed DTC aims at simplicity in interpretation with a view to reduce protracted litigation and controversies

Recent setting up of Dispute Resolution Panel aimed at speedy resolution of litigation arising from international transactions is a step in right direction

The tax environment in general is in a state of transformation towards meeting the avowed objective of 'equity'

There is therefore, a need for Indian corporate community having 'international' listing aspirations to tread the tax and regulatory path with prudence

Questions & answers