

Ind As 108 - Operating Segments.

Come Principle

An Entity should disclose information to enable users of its F/S to evaluate the nature and financial effects of the

- i) business activities in which it engages, and → Yarn, Towel, Bedsheet, Paper etc.
- ii) the economic environment in which it operates.

↳ India, USA, Rest of the world.

Ind As 108 requires an entity to disclose information to enable the stake holders to have insight into entity's operation from the same perspective as that of its management.

For Instance, in case entity engaged in multiple line of business (business activities), the users of F/S must have information about the performance of each of its 'business activities' as perceived by management in order to make better and informed decisions about their investments in the entity as a whole.

Similarly, An Entity may be operating across multiple economic environments.

Economic environments are factors which include statutory environment, political and economic macrosystem, economic resources etc.

In view of these complexities, Ind AS 108 requires disclosure of information in a manner which enables users to make informed decisions based on their assessment of economic environment in which entity operates.

An operating segment is a component of an entity :- yet to earn revenues
E.g. Start up operations.

- (i) that engages in business activities from which it may earn revenues and incur expenses
- (ii) whose operating results are regularly reviewed by CODM to make decisions about resources to be allocated to the segment and assess its performance.
- (iii) for which discrete financial information is available.

Crux

Components of an Entity

- a) Capable of Generating Revenues & incurring Expenses. → Cost
- b) Reviewed by CODM, decisions about Resources Allocation & Performance Assessment → Revenue
- c) separate Financial Information available

The term "chief operating decision maker" (CODM) not necessarily a manager with a specific title. (E.g. Chief Executive Officer or Chief operating Officer)

AS 17 follows the approach of risk and return for determination of a business and geographical segment.

However End AS 108 follows the management approach meaning thereby that whichever business activity is considered by management as a separate source of revenue will be considered as an operating segment, the operating results of which are regularly reviewed by CODM to make decisions about Resources Allocation & Performance Assessment

This approach enables an ability to see an enterprise "through the eyes of management".

Whether a Committee of Non Executive Directors likely to be the CoDM

Non Executive Director's role is primarily related to governance than a management role. Accordingly it may be difficult to establish if they would meet the definition of CoDM.

However if BoD's includes NED's and such function takes significant operating as well as strategic decisions, then such function would be a CoDM even if those NED's do not participate in implementing such decisions.

6 Directors (mgmt)
4 Directors (NED)

Discontinued operations - whether an operating segment

If the discontinued operation

- continues to engage in business activities.
- whose operating results are reviewed by CoDM.
- discrete information available.

then it would meet the definition of an operating segment.

Functions that are integral to business

In case of a company, where activities of a function are an integral part of company's business (E.g. Research and Development function for a pharmaceutical or software company), this can be considered operating function provided that there is discrete information which is regularly reviewed by the CoDM.

Aggregation Criteria (Ratna)

Two or more operating segments may be aggregated into a single operating segment if all below conditions satisfied ÷

- (i) The segments have similar **economic characteristics**.
- (ii) The segments are similar in respect to ÷
 - a) **Nature of products and services**.
 - b) **Nature of production processes**.
 - c) **The type or class of customers** from their products or services.
 - d) **The methods used** to distribute their products or provide their services.
 - e) **Nature of regulatory environment**, if applicable (e.g. Banking, Insurance)
- (iii) Aggregation is consistent with this Ind AS

Overlapping Set of Components

The CODM also may be the segment manager for some operating segments. A single manager may be the segment manager for more than one operating segments.

The characteristics may apply to two or more overlapping sets of components for which managers are held responsible. That structure is sometimes referred to as a matrix form of organisation. For example, in some entities, some managers are responsible for different product and service lines worldwide, whereas other managers are responsible for specific geographical areas. The CODM regularly reviews the operating results of both sets of components, and financial information is available for both.

In that situation, the entity should determine which set of components constitutes the operating segments by reference to the core principle.

Quantitative threshold

An entity should report separately about an operating segment if it meets any below threshold ÷

A) Segment Revenue (both external and Intersegment Sales)	⇒	10% of <u>Combined Revenue</u> of all operating segments ↓ Identified by CODM <i>⇒ Both internal and external.</i>
B) Absolute Profit or loss (operating results)	⇒	10% of <u>Greater</u> of (i) <u>Combined Profits</u> of all operating segments that did not report a loss. (ii) <u>Combined loss</u> of all operating segments that report a loss.
C) Assets	⇒	10% of Combined Assets of all operating segments

Note ÷ If the total external revenue reported by operating segments constitute less than 75% of the entity's revenue, Additional operating segments should be identified as operating segments until at least 75% of entity's revenue is included in reportable segments.
i.e. External Revenue of reportable segments must be \geq 75% of total revenue of the entity

Eq.	A	B	C	D	E	F	G	H	I
External Revenue	25	30	10	15	12	10	14	3	18
Internal Revenue	45	50	35	4	3	3	2	-	-
Total Revenue	70	80	45	19	15	13	16	3	18

∴ Combined Revenue of all operating segments = 279
 (Both Internal and External) =

∴ Threshold = 10% of 279 = 27.9 on more

Since Total Revenue of A, B and C is greater than 27.9

∴ A, B and C are reportable segments.

Operating Results	A	B	C	D	E	F	G	H	I
	-150	300	-280	5	-10	20	-18	90	-5

Combined Profit of all segments = 300 + 5 + 20 + 90 = 415

Combined Loss of all segments = -150 - 280 - 10 - 18 - 5 = -463 (Greater)

Threshold = 10% of 463 = 46.3 (Absolute terms)

A, B, C & H are reportable segments

E.g.	A	B	C	D	E	F	G	H	I
Assets.	400	900	1650	200	350	30	150	270	45

Total Assets = 3995

∴ Threshold = 10% of 3995 = 399.5

A, B, C are reportable segments.

Overall test

Combined External Revenue (ignore intersegment) = 137

If Reportable segments External Revenue is less than 75% of total external revenue, then Additional segments needs to be included.

∴ Threshold = 75% of 137 = 102.75

Revenue of Reportable segments (A, B, C, H) = 25 + 30 + 10 + 3 = 68

Additional segments to be reported so that External revenue increased by (102.75 - 68) = 34.75

(D, E, F) or (D, E, G) or (D, E, I) or (E, F, G) etc.

1. Revenue

External Rev. + Internal Rev. = Total Rev. - GST = Rev. (Net) + other op. Income = Total Income

2. Operating results

Segment results + Unallocated Income = Profit from op. - Int. Exp. = PBT - tax (CT, DT) = PAT

3. Other Information (B/Sheet Info)

A. Segment Asset + Unallocated Investment + Unallocated other assets = Total Assets

B. Segment Liab + Unallocated Liab + R/S + Share Capital = Total Liab & Sh. holders Funds.

C. Others → (i) Capital Expenditure (ii) Depreciation.

Geographical Info

Revenue, Asset, Capital Expenditure info within India and outside India.

2. A. Primary Segment Reporting

In lakhs

1. Revenue

External Revenue

Internal Revenue

Total Revenue

GST

Revenue (Net)

Other operating income

Total Income

Coating

Others

Total

20000

7000

27000

-

-

-

20000

7000

27000

(5000)

(3000)

(8000)

14500

6700

26200

4000

1500

5500

23500

8200

31700

2. Operating Results

Segment Results

Unallocated Income (net of Expenses)

Profit from operations before Int. & tax

(-) Interest charges (Unallocable)

Profit before taxation

(-) Tax Expenses

Current tax) 1950

Deferred tax) 50

Profit after taxation

Check Information

3. Other Info.

(A) Segment Assets

Unallocated Investment

Unallocated other Asset

Total Assets

1000

400

1400

300

1700

(2000)

1500

(2000)

1300

5000

3000

8000

1000

1000

10000

(B) Segment liabilities	30000	10000	40000
Unallocated liabilities			20000
Reserve and Surplus			30000
Equity Share Capital			10000
Total liabilities & Sh. holder's funds			100000
(C) Others			
Capital Expenditure	5000	2000	7000
Depreciation	1000	300	1300

2. Secondary Segment Reporting (Geographical Information)

	<u>Within India</u>	<u>Outside India</u>	<u>In Lacs</u>
Revenue	255000	62000	317000
Asset	90000	10000	100000
Capital Expenditure	7000	—	7000
	<u>352000</u>	<u>72000</u>	<u>424000</u>

Notes to Standalone Ind AS Financial Statements

as at and for the year ended March 31, 2023

(All amounts in Rs. Million, unless otherwise stated)

NOTE 40 - SEGMENT INFORMATION

I Segment accounting policies:

a. Product and Services from which reportable segment derive their revenues (Primary Business Segments)

Upto the previous year, the Company had identified two business segments namely Textiles (Yarn, Towel, Bedsheets) and Paper and Chemical. During the current year, the Board of Directors has reviewed the Textiles Segment and considering the nature and class of product included therein, has decided to present Yarn, Towel and Bedsheets as three separate business segments instead of one Textiles business segment on the basis that such segmentation would be more useful to users of the Company's financial statements in terms of the requirements of Ind AS 108.

Accordingly, due to change in composition of reportable segments, as stated above, the corresponding items of segment information for previous year have been restated and presented in these standalone Ind AS financial statements. The Company has identified the following business segments which comprises of:

- Yarn
 - Towel
 - Bedsheets
 - Paper and Chemicals
- } Textile

b. Geographical segments (secondary business segments)

The geographical segments considered and reviewed by Chief Operating Decision Maker for disclosure are based on markets, broadly as under:

India

USA

Rest of the world

c. Segment accounting policies

Segment accounting policies: In addition to the significant accounting policies applicable to the business segment as set out in note 2, the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of cash, debtors, inventories, right of use assets and property, plant and equipment including capital work in progress, net of allowances and provisions, which are reported as direct offset in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

ii. Segment revenue and expenses:

Joint revenue and expenses of segments are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

iii. Inter segment sales:

Inter segment sales are accounted for at cost plus appropriate margin (transfer price) and are eliminated in consolidation.

iv. Segment results :

Segment results represent the profit before tax earned by each segment without allocation of central administration costs, other non operating income as well as finance costs. Operating profit amounts are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

Notes to Standalone Ind AS Financial Statements

as at and for the year ended March 31, 2023 (All amounts in Rs. Million, unless otherwise stated)

NOTE 40 - SEGMENT INFORMATION (Contd..)

II Detail of Primary Business Segments and its reconciliation with Financial Statements:

Particulars	Yarn		Towel		Bedsheets		Paper & Chemicals		Unallocable		Elimination		Total	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
1 Segment revenue														
- External sales	15,239.2	19,608.2	24,298.2	27,941.2	9,705.5	11,845.1	13,431.8	9,797.3	-	-	-	-	62,674.7	69,191.8
- Inter segment Sales	16,581.0	21,456.9	255.0	169.8	6.4	122.0	6.6	6.4	-	-	(16,849.0)	(21,755.1)	-	-
- Interest income	-	-	-	-	-	-	-	-	166.5	74.0	-	-	166.5	74.0
- Other income	26.3	45.0	31.9	43.0	7.9	12.1	(1.4)	21.0	6.8	28.3	-	-	71.5	149.4
Total revenue	31,846.5	41,110.1	24,585.1	28,154.0	9,719.8	11,979.2	13,437.0	9,824.7	173.3	102.3	(16,849.0)	(21,755.1)	62,912.7	69,415.2
2 Segment results	2,136.9	10,551.6	547.3	322.6	547.0	69.5	4,104.6	2,380.1	-	-	-	-	7,335.8	13,323.8
Unallocated corporate expenses (net of unallocated Income)	-	-	-	-	-	-	-	-	(1,019.3)	(1,549.8)	-	-	(1,019.3)	(1,549.8)
Finance costs	-	-	-	-	-	-	-	-	(773.6)	(857.2)	-	-	(773.6)	(857.2)
Tax expenses	-	-	-	-	-	-	-	-	(1,323.9)	(2,767.3)	-	-	(1,323.9)	(2,767.3)
3 Profit after tax	-	-	-	-	-	-	-	-	-	-	-	-	4,219.0	8,149.5
4 Segment Balance Sheet														
a Segment assets	25,701.1	26,740.9	16,966.7	18,641.7	6,986.1	6,189.6	8,476.2	6,395.0	-	-	-	-	58,130.1	57,967.2
Unallocated corporate assets	-	-	-	-	-	-	-	-	9,002.0	6,340.2	-	-	9,002.0	6,340.2
Total assets	25,701.1	26,740.9	16,966.7	18,641.7	6,986.1	6,189.6	8,476.2	6,395.0	9,002.0	6,340.2	-	-	67,132.1	64,307.4
b Segment liabilities	3,853.7	2,109.7	2,128.8	2,225.3	1,004.4	916.4	1,287.9	1,336.3	-	-	-	-	8,274.8	6,587.7
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	3,846.4	4,031.3	-	-	3,846.4	4,031.3
Long term borrowings (including current maturities)	-	-	-	-	-	-	-	-	8,221.9	3,576.9	-	-	8,221.9	3,576.9
Interest accrued but not due on borrowings	-	-	-	-	-	-	-	-	12.1	10.0	-	-	12.1	10.0
Short term borrowings	-	-	-	-	-	-	-	-	5,519.2	12,129.3	-	-	5,519.2	12,129.3
Total liabilities	3,853.7	2,109.7	2,128.8	2,225.3	1,004.4	916.4	1,287.9	1,336.3	17,599.6	19,747.5	-	-	25,874.4	26,335.2
5 Other disclosures														
Capital expenditure	3,648.3	1,675.0	980.9	240.0	1,875.0	278.3	1,816.3	1,034.7	272.6	217.3	-	-	8,593.1	3,445.2
Depreciation and amortization expense	1,040.8	1,242.7	1,063.0	1,073.9	605.9	673.4	191.3	152.8	200.5	183.3	-	-	3,101.5	3,326.1
Material non cash items other than depreciation and amortization expense:														
- Foreign exchange (gain)/loss on derivative financial instruments carried at Fair value through profit and loss	(3.2)	3.0	(2.6)	-	(2.2)	-	0.3	-	-	-	-	-	(7.7)	3.0

Particulars	Yarn		Towel		Bedsheets		Paper & Chemicals		Unallocable		Elimination		Total	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
- Foreign exchange loss on derivative financial instruments carried at Fair value through other comprehensive income	(2.1)	-	23.5	119.9	(7.5)	-	-	-	-	-	-	-	13.9	119.9
- Net (gain)/loss on financial assets measured at Fair value through profit and loss	-	-	-	-	-	-	-	-	2.8	(0.7)	-	-	2.8	(0.7)
Investment in associate recognised (written off in earlier years)	-	-	-	-	-	-	-	-	-	(1.1)	-	-	-	(1.1)
- Liabilities/ sundry credit balances no longer required (written back)/ irrecoverable balances written off (net)	(1.2)	6.8	15.0	116.8	-	(9.5)	(7.1)	0.6	0.1	5.1	-	-	6.8	119.8
- Expected credit loss allowance on trade receivables and financial assets	-	0.1	-	3.7	-	1.7	-	-	-	-	-	-	-	5.5

III Details of secondary segment – geographical:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from external customer in:		
India	29,317.4	23,732.4
USA	20,932.4	27,044.2
Rest of the world	12,424.9	18,415.2
Total Sales	62,674.7	69,191.8
Non-current assets located in:*		
India	47,334.9	39,291.7
USA	8.0	9.7
Rest of the world	72.3	73.5
Total non-current assets	47,415.2	39,374.9

* Excludes investments and amounting to Rs. 32.1 million (Previous year Rs.37.1 million)

Standalone Balance Sheet

as at March 31, 2023

Particulars	Note No.	(Rs. million)	
		As at March 31, 2023	As at March 31, 2022
I ASSETS			
Non current assets			
a) Property, plant and equipment	3	39,637.9	36,201.6
b) Capital work in progress	3,38	3,622.4	824.1
c) Intangible assets	3	315.6	353.9
d) Right of use assets	41	586.6	564.6
e) Intangible assets under development		59.6	9.9
f) Financial assets			
i) Investments	4 (a),4 (b),45	32.1	37.1
ii) Other financial assets	5,45	2,397.1	451.2
g) Non current tax assets (net)	6	141.0	141.0
h) Other non current assets	7	655.0	828.6
Total non current assets		47,447.3	39,412.0
Current assets			
a) Inventories	8	10,343.1	12,903.9
b) Financial assets			
i) Trade receivables	9,45	2,720.2	5,285.3
ii) Cash and cash equivalents	10,45	1,133.9	2,519.8
iii) Other bank balances (other than ii above)	11,45	2,382.5	214.1
iv) Other financial assets	12,45	1,534.2	1,106.0
c) Other current assets	13	1,570.9	2,866.3
Total current assets		19,684.8	24,895.4
Total assets		67,132.1	64,307.4
II EQUITY AND LIABILITIES			
Equity			
a) Equity share capital	14	5,096.0	5,096.0
b) Other equity	15	36,161.7	32,876.2
Total equity		41,257.7	37,972.2
Non current liabilities			
a) Financial liabilities			
i) Borrowings	16,45	8,042.5	3,096.6
ii) Lease liabilities	41	261.5	238.0
iii) Other financial liabilities	17	32.8	40.3
b) Deferred tax liabilities (net)	44 (b)	3,003.3	3,038.7
Total non current liabilities		11,340.1	6,413.6
Current liabilities			
a) Financial liabilities			
i) Borrowings	18,45	5,698.6	12,609.6
ii) Lease liabilities	41	35.0	19.6
iii) Trade payables	19,45		
a) Total outstanding dues of micro enterprises and small enterprises; and		1,553.1	694.9
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		3,931.0	3,851.0
iv) Other financial liabilities	20,45	2,362.9	1,506.8
b) Provisions	21	104.5	196.6
c) Other current liabilities	22	783.5	783.5
d) Current tax liabilities (net)	23	65.7	259.6
Total current liabilities		14,534.3	19,921.6
Total liabilities		25,874.4	26,335.2
Total equity and liabilities		67,132.1	64,307.4

See accompanying notes forming part of the standalone Ind AS financial statements

1 to 58

Standalone Statement of Profit and Loss

for the year ended March 31, 2023

Particulars	Note No.	(Rs. million)	
		For the year ended March 31, 2023	For the year ended March 31, 2022
1 Revenue from operations	24	62,674.7	69,191.8
2 Other income	25	238.0	223.4
3 Total Income (1+2)		62,912.7	69,415.2
4 Expenses:			
Cost of raw materials consumed	26	33,851.5	33,689.4
Purchase of stock in trade	27	271.9	118.3
Changes in inventories of finished goods, waste, work-in-progress and stock in trade	28	(494.6)	(769.6)
Employee benefits expenses	29	6,244.2	6,648.4
Finance costs	30	773.6	857.2
Depreciation and amortisation expense	3	3,101.5	3,326.1
Forex (gain)/loss (including MTM)		10.7	(225.3)
Other expenses	31	13,611.0	14,853.9
Total expenses		57,369.8	58,498.4
5 Profit before tax (3-4)		5,542.9	10,916.8
6 Tax expenses			
- Current tax	44 (a)	1,360.3	2,926.6
- Deferred tax charge/(credit)	44 (a)	(2.6)	(160.1)
- Current tax adjustments related to earlier years	44 (a)	(4.5)	(2.4)
- Deferred tax adjustments related to earlier years	44 (a)	(29.3)	3.2
7 Profit for the year (5-6)		4,219.0	8,149.5
8 Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss :			
- Remeasurement gain of the defined benefit plan		87.2	72.8
- Income tax related to items that will not be reclassified to profit or loss		(21.9)	(18.3)
		65.3	54.5
Items that will be reclassified to profit or loss :			
- Net movement in effective portion of cash flow hedge reserve		(13.9)	(119.9)
- Income tax related to items that may be reclassified to profit or loss		3.5	30.2
		(10.4)	(89.7)
Other comprehensive Income/ (loss), net of taxes		54.9	(35.2)
9 Total comprehensive income (7+8)		4,273.9	8,114.3
10 Earnings per share (EPS) face value (of INR 1/- each)	37		
- Basic		0.84	1.63
- Diluted		0.84	1.63

See accompanying notes forming part of the standalone Ind AS financial statements

1 to 58