Impact of IND AS 116

Hindustan Unilever Limited

13th June 2019

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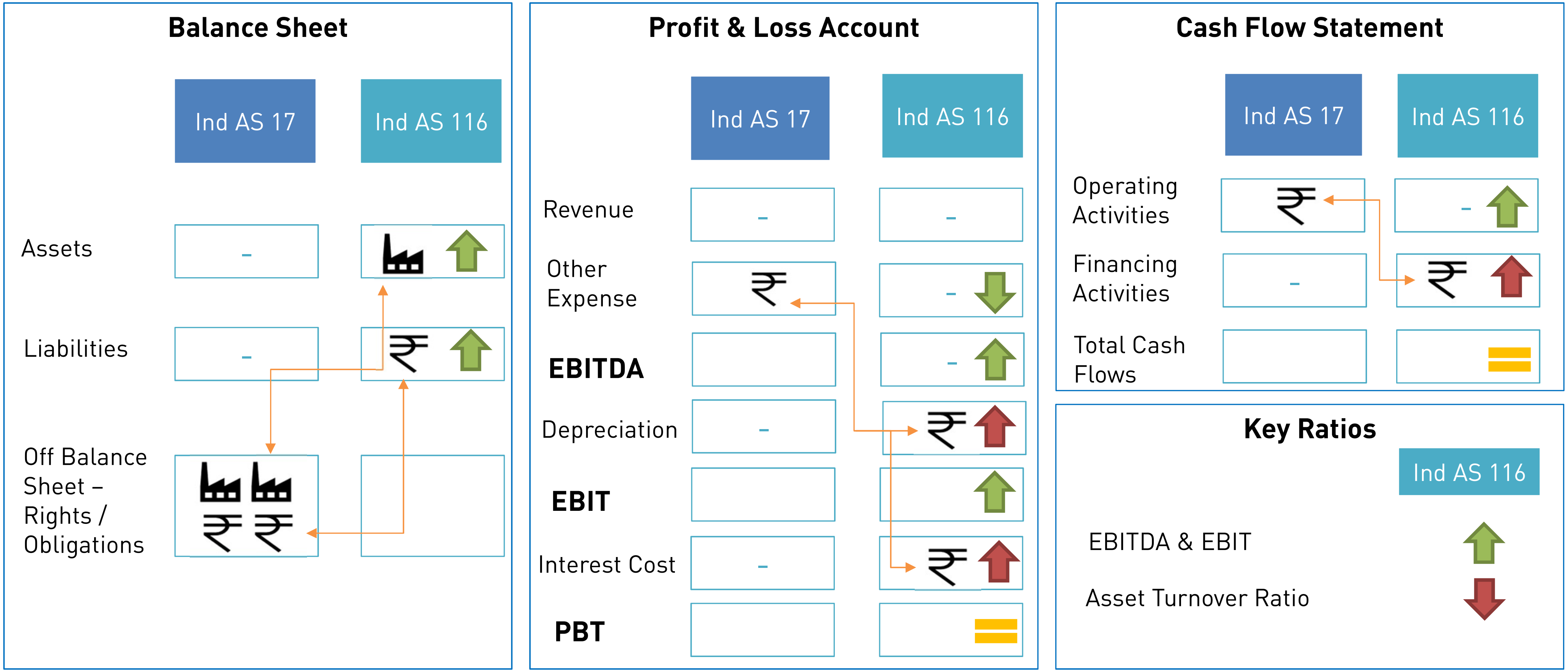
IND AS 116 – Overview

- New Lease standard Effective 1st April 2019
- Removes distinction - Finance vs Operating Lease
- All leases to be recognized in the balance sheet as an Asset and Liability
  - The lease liability is measured at the present value of lease payments to be made over the lease term
  - The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments etc.
  - Lessees reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated over tenure of lease on straight line basis
- Operating lease payments currently expensed to be split as Depreciation on asset and Interest on lease liability
- Exemptions available for Immaterial Lease and Short Term Lease (less than 12 months)

IND AS 116 – Impact on Financial Statement

Hindustan Unilever Limited



IND AS 116 – Impact** on HUL (standalone)

Hindustan Unilever Limited

Balance Sheet as of 31st March 2019

	Rs. Crs
Assets	+675
Liabilities	+725
Difference to be accounted in opening Reserves as of 1st April 2019 net of Taxes	-50*

Profit & Loss Account – FY 2018-19

	Rs. Crs	bps
Revenue	-	
Other Expense	-400	
EBITDA	+400	*+100*
Depreciation	+345	
EBIT	+55	*+15*
Interest Cost	+60	
PBT	-5	*-1*

Cash Flow Statement – FY18-19

	Rs. Crs
Operating Activities	+400
Financing Activities	-400
Total Cash Flows	-

Key Ratios

	Change
Return on Capital Employed	+2.0%
Return on Net worth	+0.4%
Fixed Asset Turnover Ratio	-1 time

** Actual impact will be net of deferred tax*

*** Approximate numbers basis initial impact assessment*

Summary

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Adoption:

- HUL to adopt modified retrospective approach for transition to IND AS 116 from 1st April 2019
- No restatement for past period will be done

Key Performance Indicators impacted:

- EBITDA
- EBIT
- ROCE

Q&A