



Secretary, Accounting Standards Board,  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg,  
New Delhi 110 002

August 24, 2023

**Comment on additional disclosure pertaining to Supplier Finance Arrangements  
- Amendments to Ind AS 7 and Ind AS 107.**

Dear Sir,

We appreciate the efforts undertaken by the Institute of Chartered Accountants of India ("ICAI") to formulate the amendments on additional disclosure for supplier financing arrangements and its continued endeavour to bring transparency and improved reporting across industries.

We welcome the additional disclosure requirements provided by ICAI with respect to supplier financing arrangements as these would bring consistency in presentation and provide relevant information to the users of financial statements. However, we would like to put forward a few of our observations which we would request the ICAI to consider and provide guidance on. This would help entities to comply with the new requirements without being overburdened with undue cost, time and effort while providing relevant information to the users.

We hope that this feedback will be helpful in assessing the disclosure amendments with respect to supplier financing arrangements. We would be happy take part in further discussions if there are any areas of our reply that you would like to explore.

**For Tata Steel Limited**

A handwritten signature in black ink, appearing to read 'Pratik Chatterjee', written over a horizontal line.

**Pratik Chatterjee**  
**Chief Financial Planning and Corporate Reporting**

**TATA STEEL LIMITED**

Registered Office Bombay House 24 Homi Mody Street Fort Mumbai 400 001 India  
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Corporate Identity Number L27100MH1907PLC000260



### **Observation 1: Scope of supplier financing arrangement**

The amendment provides a wide definition of supplier financing arrangements by virtue of which all types of financing arrangements would fall within the ambit of the proposed amendment. We believe it may result in the scope being applied too widely in practice and would also encapsulate arrangements that are immaterial to the overall cash flow position of the entity – thereby mitigating the overall objective of the amendment.

**Suggestion:** The scope of the amendment should be well defined which would result in the proposed amendment to apply on those arrangements that are material to the overall cash flow position of the entity and the extended credit facilities as compared to the market term. A risk-based approach can also be applied to identify supplier financing arrangement which are material to the entity and therefore, would require disclosure.

### **Observation 2: Payment to suppliers from finance providers**

The amendment requires disclosure of information relating to “the carrying amount of financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers”.

- This information will not be visible or readily available to entities and could require contractual changes, increase compliance costs and thereby add considerable burden to the preparation of financial statements. Further, in cases where a bilateral arrangement has been entered into between the supplier and the financial institution to which the entity is not a party, capturing such information will be challenging since the same would be covered by confidentiality clauses and privacy laws.
- We also have concerns about how an entity would address disclosure of this information from an internal control perspective, and whether reliance will be needed, and can be obtained, on the controls operating at the provider of supplier financing.
- It will also be challenging for auditors to obtain timely and sufficient appropriate audit evidence to support these disclosures since this information will not arise from an entity's accounting records.

**Suggestion:** It is hereby suggested to dispense with the proposed disclosure.

### **Observation 3: Disclosure of confidential information**

The proposed amendment requires an entity to disclose the terms and condition for each supplier financing arrangement. Disclosure of such confidential information might impede the entity's competitive advantage in the industry.

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**Suggestion:** We suggest that there be a relaxation with respect to the requirement for disclosing such information which are confidential to the entity and might impact the competitive edge in the industry. An entity should be allowed to apply judgement in disclosing the information that would be considered relevant for the users of financial statements without affecting its competitiveness in the industry.

**Observation 4: Misinterpretation of the Net Debt position of an entity**

The proposed disclosures require an entity to provide quantitative information of any payables that were approved as part of the supplier finance arrangements, its corresponding presentation in the balance sheet and separately disclosing the amount received by the trade payables from the finance providers.

In this regard, disclosure of trade payables for which payments have been received from the finance providers may be construed as financial debt by the users of the financial statements which may not be correct, more so, in cases where the discounting is at the discretion of the supplier. The decision whether to receive early payment or not, would depend on factors which are external to the entity e.g., working capital needs and funding requirements of the suppliers. In our view, adjustment to financial debt is appropriate only when the requirements of Ind AS 109 with respect to derecognition of trade payables, are met, and should not be driven by a mere disclosure as proposed above.

Any implied adjustments to the net debt may have a potential adverse impact on the financial covenants of the entity and consequential credit ratings.

**Suggestion:** It is hereby suggested that ICAI should formulate appropriate guidance in this area, to provide clarity and consistency.

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