GLOBALISATION OF ACCOUNTING STANDARDS AND COMPETITIVE POSTURE OF INDIAN COMPANIES

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Abstract


Unification of the global financial reporting system is essential to enable comparability of financial statements at the international level in post crisis competitive environment. IFRSs are increasingly gaining acceptance as global accounting standards. With European Union adopting the IFRS in 2005, as on date over 116 countries have already either converged their accounting standards with IFRS or adopted IFRS as such and many more are in the process. Countries refusing IFRS are likely to be viewed as more risky by the international investors thereby affecting the inflow of capital to such countries. In India, the Institute of Chartered Accountants of India (ICAI) the apex body dealing with accounting standards has declared the roadmap of IFRS convergence in a phased manner from April 1, 2011. Our paper highlights the status of Indian accounting standards converging to IFRS as of now. In addition, a full fledged theoretical framework is developed showcasing, the convergence timeline, the major differences in the treatment of select items under these two alternative accounting environments, exact stage at which the Indian accounting standards are today in view of the announced convergence to IFRS and the legal and regulatory issues in converging to IFRS in India. We investigate the case of 150 odd firms and show the impact of convergence on financial ratios and the related valuation concerns. Finally, we indicate the strategic implications of IFRS adoption to Indian companies.

IFRS, Indian GAAP, convergence, fair value, regulations, AS, IAS

Recent financial crisis has altogether changed the rules of the accounting game and the concept of fair value is under large debate across the academicians, practitioners and economic society at large (Noyer, 2008). It is seen that developed markets particularly U. S., after the financial cries is now realising the need for a uniform standard (Fosbre, 2009). The firm’s characteristics and accounting changes are closely related (Watts and Zimmerman, 1978). The introduction of international standards can have serious economic consequences, because companies will adjust their behavior to fit the new accounting standards (Tang, 1994). Valuation of firms has gone tremendous change after the adoption of International Financial Reporting Standards (IFRS). The globalisation of accountings standards is expected to foster a more stabilized and prosperous world economy and address the problems associates with reporting.

Indian economy being one of the fastest growing economies in the world, need huge investments to nurture its growth programmes at par with the counterparts in the developed world. Researches indicate the competitiveness of companies do depend on the firms’ financial posture implying the availability of cheaper sources of funds. As prerequisite, foreign funds in the country, the financial statements of Indian companies need to be comparable and reliable. This accentuates the adoptions of accounting systems that harmonise the global accounting practices. Fair valuation implied by IFRS for Indian firms is essential to mobilise foreign capital and for India is to remain in the main stream of global economy coupled with growth concerns.
The international capital market has grown tremendously in the last few years and has contributed a lot of transparency in the functioning of capital market. In spite of that, cross border investment by individuals is relatively low primarily because of the suspicion or non-comparability of financial statements of companies in different geographical locations. Armstrong et al. (2007) believe that IFRS reporting makes it less costly for investors to compare firms across countries and capital markets. Daske and Gebhardt, (2006) show that financial reports under IFRS provide higher quality information to investors than most local reporting regimes.

Barth et al. (2008), Gassen & Sellborn (2006) show that IFRS adoption improve analysts information environment by enhancing disclosure and transparency or by increasing the comparability of financial reports. In order that a financial statement become comparable, the methodology should encompass the use of similar accounting standards irrespective of the geographical locations of companies. Investors must be able to meaningfully analyze performance across time periods and among companies (Levitt, 1998). IFRS have the potential to position itself as a global financial reporting system and over 116 countries have adopted or converged to IFRS (including European Union) showing the growing popularity. Inversely, the countries that have not converged or likely to converge to IFRS in the near future may be perceived adversely by potential international investors. Contrarily, Ball (2006) argues that vis-à-vis domestic accounting standards IFRS adoption may render financial reporting less informative, thereby reducing the quality of analysts’ information. In addition, earnings may become more volatile and thus more difficult for analysts to forecast under IFRS. In this paper we examine the current status of IFRS adoption in India, convergence schedule and present a case of comparison between IFRS and Indian GAAP for 150 sample firms using financial ratios and present the strategic implications for Indian companies that could altogether change the competitive posture in a global market place.

Present status of Indian Accounting Standards Convergence

ICAI formed a task force in October 2006 to enable development of a concept paper to determine the road map for adoption or convergence with IFRS in India. The paper released in October 2007 recommended convergence to IFRS in a phased manner beginning April 1, 2011 (ICAI, 2010). The financial statements drawn as per the converged standards will remain IFRS compliant even if the converged standards reduce the number of options available under IFRS. Alternatively the converged standards may add any of the disclosure requirements in conformity with legal or regulatory requirements as per the conditions prevailing in India. The fact that the International Accounting Standard Board (IASB) accepts that adding disclosure requirement or reducing the options available will not lead to non-compliance with IFRS provides the requisite flexibility to the respective countries in adopting the same.

The Indian Accounting standards differ from various IAS/IFRS and in some case do not even have IFRS (Namjoshi, 2005). The progress seems to be late in light of the deadline provided and many legislative amendments are yet to take place (Table I).

I: Status of Indian Accounting Standards converging to IFRS

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Indian Accounting Standard (AS)</th>
<th>International Accounting Standard (IAS)</th>
<th>Description</th>
<th>Status as on August 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AS2</td>
<td>IAS 2</td>
<td>Inventories</td>
<td>Exposure Draft</td>
</tr>
<tr>
<td>2</td>
<td>AS3 (Revised)</td>
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<td>Cash Flow Statements</td>
<td>Exposure Draft</td>
</tr>
<tr>
<td>3</td>
<td>AS10 (Revised)</td>
<td>IAS 16</td>
<td>Accounting for Government Grants and Disclosure of Government Assistance</td>
<td>Exposure Draft was open for comments till 19/04/2010</td>
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<tr>
<td>4</td>
<td>AS 12 (Revised)</td>
<td>IAS 20</td>
<td>Presentation of Financial Statements</td>
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<tr>
<td>5</td>
<td>AS 1 (Revised)</td>
<td>IAS 1</td>
<td>Financial Disclosure</td>
<td>Exposure Draft was open for comments till 28/06/2010</td>
</tr>
<tr>
<td>6</td>
<td>AS 32 (Revised)</td>
<td>IFRS 7</td>
<td>Construction Cost</td>
<td>Exposure Draft was open for comments till 30/04/2010</td>
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<td>7</td>
<td>AS 7 (Revised)</td>
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<td>8</td>
<td>AS 29 (Revised)</td>
<td>IAS 37</td>
<td>Provision Contingent Liability, Contingent Asset</td>
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<tr>
<td>9</td>
<td>AS 33</td>
<td>IFRS 2</td>
<td>Share based Payment</td>
<td>Exposure Draft was open for comments till 11/06/2010</td>
</tr>
<tr>
<td>S. No.</td>
<td>Indian Accounting Standard (AS)</td>
<td>International Accounting Standard (IAS)</td>
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<tr>
<td>11</td>
<td>AS 25</td>
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<td>Interim Financial Reporting</td>
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<td>14</td>
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<tr>
<td>15</td>
<td>AS 15</td>
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<td>Employee benefit</td>
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<td>16</td>
<td>AS 17</td>
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<td>Operating Segment</td>
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<td>Effect of changes in foreign exchange rate</td>
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<tr>
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<td>Financial Reporting in hyper inflationary economies</td>
<td>Exposure Draft</td>
</tr>
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<td>AS 26</td>
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<td>Intangible Asset</td>
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<td>AS 41</td>
<td>IFRS 1</td>
<td>First Time adoption of International Financial Reporting Standards</td>
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<td>29</td>
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<td>IFRS 3</td>
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<td>30</td>
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<td>IFRS 4</td>
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<tr>
<td>31</td>
<td>AS 5 (Revised)</td>
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<td>AS 22</td>
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<td>33</td>
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<td>IAS 26</td>
<td>Accounting and reporting by retirement benefit Plans</td>
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</tr>
<tr>
<td>34</td>
<td>AS 19 (Revised)</td>
<td>IAS 17</td>
<td>Leases</td>
<td>Held back for revision by IASB</td>
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<td>35</td>
<td>AS 24</td>
<td>IFRS 5</td>
<td>Non Current Assets held for sale and discontinued Operations</td>
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</tr>
<tr>
<td>36</td>
<td>AS 18 (Revised)</td>
<td>IAS 24</td>
<td>Related party disclosures</td>
<td>Exposure Draft was open for comments till 25/05/2010</td>
</tr>
<tr>
<td>37</td>
<td>AS 27</td>
<td>IAS 31</td>
<td>International Financial Reporting Standards</td>
<td>Exposure Draft was open for comments till 21/06/2010</td>
</tr>
<tr>
<td>38</td>
<td>AS 40</td>
<td>IFRS 9</td>
<td></td>
<td>Exposure Draft was open for comments till 28/06/2010.</td>
</tr>
</tbody>
</table>
As per the International Accounting Standards Board, IFRS are more suited for publicly accountable companies. On the same principles the converged accounting standards would be adopted for listed companies, banks and insurance companies in the phased manner (Table II).

### II: Implementation Phases

<table>
<thead>
<tr>
<th>Phases</th>
<th>Applicability Date</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>April 1, 2011</td>
<td>In this phase, companies part of National Stock Exchange – Nifty 50, Bombay Stock Exchange – Sensex 30, having shares or other securities listed on stock exchanges outside India and finally companies (whether listed or not) having net worth in excess of Rs. 1,000 crores, are required to convert their opening balance sheets as at April 1, 2011, in accordance with the notified accounting standards which are in convergence with IFRS. All insurance companies will convert their opening balance sheet as at April 1, 2012 in compliance with the converged Indian Accounting Standards.</td>
</tr>
<tr>
<td>Phase II</td>
<td>April 1, 2013</td>
<td>The companies (whether listed or not) having net worth in excess Rs. 500 crores but upto Rs. 1,000 crores are required to convert their opening balance sheet as on April 1, 2013 in accordance with the notified accounting standards which are in convergence with IFRS. All scheduled commercial banks and urban co-operative banks (UCBs) having net worth exceeding Rs. 300 crores are required to convert their opening balance sheet as on April 1, 2013 in accordance with the converged Indian Accounting Standards. As far as the non-banking financial companies (NBFCs) are concerned, these will convert their opening balance sheet as at April 1, 2013 if the financial year commences on April 1, or if the financial year commences on any other date, then on the date immediately following April 1, 2013 in compliance with the first set of Accounting Standards (i.e., the converged Indian Accounting Standards).</td>
</tr>
<tr>
<td>Phase III</td>
<td>April 1, 2014</td>
<td>Listed companies having net worth up to Rs. 500 crores are required to convert their opening balance sheet as on April 1, 2014, in accordance with the notified accounting standards which are in convergence with IFRS. Urban co-operative banks having net worth exceeding Rs. 200 crores but up to Rs. 300 crores will convert their opening balance sheets as on April 1, 2014 in accordance with the converged Indian Accounting Standards. Implicitly urban co-operative banks having net worth up to Rs. 200 crores and Regional Rural banks (RRBs) are not required to prepare their financial statements in accordance with converged Indian accounting standards.</td>
</tr>
</tbody>
</table>

As per the International Accounting Standards Board, IFRS are more suited for publicly accountable companies. On the same principles the converged accounting standards would be adopted for listed companies, banks and insurance companies in the phased manner (Table II).

**Comparison of IFRS v. Indian GAAP**

The Indian accounting practices differ significantly from IFRS (Baingaini and Agrawal, 2005). Most of the Indian accounting standards are rule based are less flexible compared to the global standards. The regulatory authorities do dominate the accounting rules. Conceptually, IFRS provide the scope of judgement rather than rules, which is missing in Indian GAAP. The item wise major differences are provided in Table III.

A closer look at the regulatory requirements reveals the compliance focus and multiplicity of legislations factors prevalent in Indian accounting standards. The Companies Act 1956, Income tax Act, 1965, guidelines framed by Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA) and also sector specific disclosures due to ministerial requirements of centre and state governments need to be adhered to in addition to the accounting standards prescribed by ICAI. Majority differs from those required by IFRS (Table IV).

The thrust of IFRS is on the fair value treatment, which would result quite often in the unrealised gain or loss. The government is yet to come out regarding tax treatment of unrealised gain or loss since it is going to affect both the exchequer as well as the corporate sector. The imperative is therefore to amend Companies Act, 1956 and Income Tax Act, 1956 together with the SEBI framework in order to quickly achieve the status of IFRS compliant.

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1 Such NBFCs are:
- Companies which are part of NSE – Nifty 50.
- Companies which are part of BSE – Sensex 30.
- Companies, whether listed or not, which have a net worth in excess of Rs. 1,000 crores.
- All listed NBFCs and those unlisted NBFCs which do not fall in the above categories and which have a net worth in excess of Rs. 500 crores will convert their opening balance sheet as at April 1, 2014 if the financial year commences on April 1, or if the financial year commences on any other date, then on that date following April 1, 2014) in compliance with the first set of Accounting standards (i.e., converged Indian Accounting Standards).
- Unlisted NBFCs which have a net worth of Rs. 500 crores or less will not be required to follow the first set of accounting standards (i.e., the converged Indian accounting standards), though they may voluntarily opt to do so, but need to follow only the notified Indian accounting standards which are not converged with the IFRSs.
### III: Indian GAAP vs. IFRS

<table>
<thead>
<tr>
<th>Head</th>
<th>Indian GAAPs</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventory</strong></td>
<td>In case inventory is purchased on deferred payment, the difference between the price as per normal credit terms and that under deferred payment terms is recognized as interest expenses (it is not treated as part of cost of inventory).</td>
<td>No separate treatment of inventory purchased on deferred payment terms.</td>
</tr>
<tr>
<td></td>
<td>Present Accounting Standard 2 excludes selling and distribution cost from cost of inventory. Such expenses are charged to profit in the period in which these are incurred.</td>
<td>International Accounting Standard 2 excludes only the selling cost from the value of inventory.</td>
</tr>
<tr>
<td><strong>Depreciation Accounting</strong></td>
<td>No periodic review under the present Accounting Standard 6. Change in depreciation method is applicable retrospectively. As a consequence, of economic benefit, depreciation method should be changed to represent the revised pattern leading to adjustment in the period in which the method of depreciation was changed.</td>
<td>As far as operational lease is concerned in IFRS, the initial costs incurred by manufacturer or dealer lessor are expensed in the period in which selling profit is recognized.</td>
</tr>
<tr>
<td><strong>Accounting of Fixed Assets</strong></td>
<td>Cost of replacement or inspection of fixed assets is charged to profits in the period in which such expenditure is incurred.</td>
<td>Replacement cost of a part of equipment, cost of major overhaul and inspection are capitalized.</td>
</tr>
<tr>
<td><strong>Lease Accounting</strong></td>
<td>In India the accounting of leases is done as per International Accounting Standard 19. It stipulates that the initial direct cost incurred is deferred and allocated to the income over the lease term in proportion to the rent income or else recognized as expense during the period in which it is incurred.</td>
<td>As far as operational lease is concerned in IFRS, the initial direct cost incurred is deferred and allocated to the income over the lease term in proportion to the rent income or else recognized as expense during the period in which it is incurred.</td>
</tr>
<tr>
<td><strong>Revenue Recognition</strong></td>
<td>There is no such requirement and revenue can be recognized even when there is legally enforceable agreement to sale and other condition of recognizing the revenue is met.</td>
<td>Revenue is recognized only when with reference to the respective stage of completion when the agreement significantly transfers the risk and reward of ownership to the buyer in addition to transfer of control.</td>
</tr>
<tr>
<td></td>
<td>No adjustment of time value of money is there.</td>
<td>In case there is significant time lag in the realization of the cash, the discounting to the present value is required i.e., time value of money is taken into account in IFRS in order to recognize revenue.</td>
</tr>
<tr>
<td><strong>Revenue Recognition</strong></td>
<td>Revenue is recognized in all transactions irrespective of guarantee/warrantee.</td>
<td>Revenues arising through the transactions involving extended guarantee/warranties are deferred and recognized over the period covered by guarantee.</td>
</tr>
<tr>
<td><strong>Constructive obligation</strong></td>
<td>Liabilities not recognized on constructive obligation basis under Accounting Standard 29.</td>
<td>International Accounting Standard 37 deals with provisions, contingent liability and contingent asset. Provisions are required to be made on constructive obligation basis. This implies that liabilities are recognized even before these are required to be legally recognized.</td>
</tr>
</tbody>
</table>
We have performed the financial ratio analysis of 150 companies representing 17 manufacturing and service sectors to investigate the impact of IFRS adoption and valuation. For sample selection, we use the CNX 500 Index of National Stock Exchange of India (NSE) to select the sample of 150 listed companies (see Appendix I). The sample companies represent the 12 manufacturing (56 sub sectors) and 5 services sectors. The companies selected within the sector are leading in the sector and are fair representation of “Large Capitalisation Stocks”. The selected samples are capable of being analysed for the impact of IFRS adoption with respect to major accounting issues and valuation practices.

We find that convergence to IFRS in India changes the values of major accounting ratios. The huge difference inter-alia include differing accounting practices with respect to valuation of fixed assets, depreciation methods, inventory valuation techniques and income recognition. The stress level range from 70% to 100% across asset liability items. In case of certain companies, the converged financial statements are of such an extent that pre-conversion statements appear to be prima facie fraudulent. This surprise is debated across all industrial sectors, though mathematically bigger firms absorb the heat of convergence to some extent. The large effects are

<table>
<thead>
<tr>
<th>Head</th>
<th>Indian GAAPs</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of time value of money concept</td>
<td>No requirement of provision to be discounted to its present value under Accounting Standard 29.</td>
<td>In case time value of money is significant, the provision should be made on the present value of expected future expenditure to settle the obligation as per International Accounting Standard 37.</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>Intangible assets may have definite or indefinite life under Accounting Standard 38. Under indefinite life there is no presumption of length of useful life. As per Accounting Standard 26, the intangible assets have definite life that too is not exceeding 10 years from the date when asset is available for use. Revaluation model is not permitted under Accounting Standard 26.</td>
<td>Intangible assets are recorded as per cost model or revaluation method.</td>
</tr>
</tbody>
</table>

IV: Differing Legal Requirements vis-à-vis IFRS

<table>
<thead>
<tr>
<th>Heads</th>
<th>Indian Legal &amp; Regulatory requirements</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preference shares</td>
<td>Redeemable preferential share are classified as equity under Schedule VI of Companies Act, 1956.</td>
<td>Preference share are treated as debt.</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>Proposed dividend is treated as current liability or provision, under Schedule VI of Companies Act, 1956.</td>
<td>Proposed dividend is treated as a non-adjusting event after the reporting period and is not to be provided in the accounts of reporting period as per International Accounting Standard 10.</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Depreciation rates for each category of assets are, as per prescribed the Companies Act, 1956 under Schedule XIV. (depreciation to be charged for a significant part of an item of an asset separately not permissible)</td>
<td>As per International Accounting Standard 16, each part, which has a cost significant in relation to total cost of the asset, shall be depreciated separately.</td>
</tr>
<tr>
<td>Definition of control different from IFRS</td>
<td>Company Act, 1956 prescribes methods of depreciation which are different from those under IFRS</td>
<td>International Accounting Standard 16 recognizes 'units of production method' also as a method of depreciation, whereas the Company Act, 1956 does not</td>
</tr>
<tr>
<td>SEBI</td>
<td>Interim financial reports may be on standalone if a company has presented its latest annual basis. Only for annual results companies have financial statements on consolidated basis, in such to mandatory submit consolidated financial a case its interim financial statements should also to statements in addition to stand alone financial be presented on the same consolidated basis.</td>
<td>As per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines with employees and others providing similar Schedule I, the accounting for options granted services, the entity is required to measure the fair during the accounting period may be based on the value of the equity instruments granted. Intrinsic intrinsic value of the option or, if the company so value is not permitted.</td>
</tr>
</tbody>
</table>

IFRS v. Indian GAAPs: Comparative Financial Analysis

We have performed the financial ratio analysis of 150 companies representing 17 manufacturing and service sectors to investigate the impact of IFRS adoption and valuation. For sample selection, we use the CNX 500 Index of National Stock Exchange of India (NSE) to select the sample of 150 listed companies (see Appendix I). The sample companies represent the 12 manufacturing (56 sub sectors) and 5 services sectors. The companies selected within the sector are leading in the sector and are fair representation of "Large Capitalisation Stocks". The selected samples are capable of being analysed for the impact of IFRS adoption with respect to major accounting issues and valuation practices.

We find that convergence to IFRS in India changes the values of major accounting ratios. The huge difference inter-alia include differing accounting practices with respect to valuation of fixed assets, depreciation methods, inventory valuation techniques and income recognition. The stress level range from 70% to 100% across asset liability items. In case of certain companies, the converged financial statements are of such an extent that pre-conversion statements appear to be prima facie fraudulent. This surprise is debated across all industrial sectors, though mathematically bigger firms absorb the heat of convergence to some extent. The large effects are
observable on FMCG, infrastructure, and conventional engineering and cement companies.

We present the case of Noida Toll Bridge Company Ltd. to show the impact of convergence on the financial reports for the year 2009–2010 (Table V). Significant differences in short-term solvency ratios are observable primarily attributable to stringent recognition of provisions under IFRS compared to Indian GAAPs. The long-term solvency ratios and sales based profitability ratios have similar value under both the alternative accounting environments. All profitability ratios show large differences due to divergent accounting rules followed under the two sets of accounting principles. Conversely, operating asset turnover ratio shows its value to be considerably higher in IFRS environment. Essentially, the analysis shows that no financial ratio has the same value under the two alternative accounting environments. We argue that this would significantly affect the valuation of Indian companies in global market place. Moreover, the domestic financing profile is expected to undergo a major change.

**Strategic Implications for Indian Companies**

The IFRS adoption is expected to bring improvement in comparability of financial performance information and reporting compared with global peers and industry standards. The transparency of financial reporting of firms activities benefit stakeholders in India and outside borders. It is observed that companies have started gaining in terms of better access to global capital markets and are able to reduce the cost of financing given the fact that globally competitive fund raising cost is far lower than in India, especially in the developed markets. US Securities and Exchange Commission (SEC) is now permitting foreign companies listed in the US to present financial statements in accordance with IFRS implying that such companies need not prepare separate financial statements under Generally Accepted Accounting Principles in the US (US GAAP). This would certainly benefit Indian companies listed in the US by saving in financial and compliance costs preparing a single set of IFRS compliant financial statements. Daske et al. (2007) also find that serious IFRS adopters experienced significant declines in their cost of capital and substantial improvements in their market liquidity compared to label adopters.

The issue of accounting quality is prominent in a global business model. Soderstrom and Sun (2007) show that a financial reporting regime is but one determinant of accounting quality and that a country's legal and political systems through enforcement of accounting standards and litigation against managers and auditors, together with the development of financial markets, concentration of firm ownership, and the tax system cannot be ignored in the equation of accounting quality determination. We argue that the change of financial reporting regime requires a drastic change in the legal, political and institutional structures.

The fundamental obstacles to harmonization also pointed by Nobes & Parker (2002) include (a) the size of the present differences between the accounting practices of different countries, (b) the lack of strong professional accountancy bodies in some countries, and (c) the differences in political and economic systems. IFRS adoption in Indian firms is also under constraint due to lack of professional in India to handle the conversions projects. This implies leveraging the knowledge and experience gained from IFRS conversion in other countries and incorporating IFRS into the curriculum for professional accounting courses.

In case of banking companies, the IFRS adoption would mean a sea change in the reporting standards and presentation styles, since the central bank of the country - Reserve Bank of India (RBI) has a well-defined set of reporting norms. It is important to mention here that RBI norms and reporting standards also played a role in lessening the impact of global financial crisis on Indian financial system. The debate is on whether the reporting quality will improve when we shift from prescriptions to judgments. However, on a summative basis, IFRS would make Indian

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>1.35</td>
<td>0.99</td>
<td>0.36</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>1.35</td>
<td>0.98</td>
<td>0.37</td>
</tr>
<tr>
<td>Financial Charge ratio</td>
<td>3.85</td>
<td>3.82</td>
<td>0.03</td>
</tr>
<tr>
<td>Debt-Equity ratio</td>
<td>0.54</td>
<td>0.59</td>
<td>−0.05</td>
</tr>
<tr>
<td>Long Term Fund to Asset</td>
<td>1.025</td>
<td>0.99</td>
<td>0.035</td>
</tr>
<tr>
<td>Debt-Service Coverage</td>
<td>1.55</td>
<td>1.54</td>
<td>0.01</td>
</tr>
<tr>
<td>Gross-Profit ratio</td>
<td>0.99</td>
<td>0.98</td>
<td>0.01</td>
</tr>
<tr>
<td>Operating Profit ratio</td>
<td>0.72</td>
<td>0.69</td>
<td>0.03</td>
</tr>
<tr>
<td>Net Profit ratio</td>
<td>0.38</td>
<td>0.29</td>
<td>0.09</td>
</tr>
<tr>
<td>Return on Capital Employed</td>
<td>8.13%</td>
<td>7.32%</td>
<td>0.81</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>8.22%</td>
<td>6.75%</td>
<td>1.47</td>
</tr>
<tr>
<td>Operating Asset Turnover</td>
<td>12.09%</td>
<td>15.12%</td>
<td>−3.03</td>
</tr>
</tbody>
</table>
banks more competitive globally and improve their financial performance.

On similar lines, the insurance industry is also expected to open wings in the global market though being perceived as "privatised domestically," IFRS will increase transparency due to more, or better, comparable information across companies and countries (SwissRe, 2004). However, there are concerns as to increase in the volatility of liabilities of insurance companies. IRDA is in the process of revising the guidelines for reporting and compliance to meet the global standards of various insurance associations. Technology companies, the biggest exporters of service products in India have already converged or near convergence since competition post crisis will not allow them to do business globally unless they adopt. We believe that IFRS adoption is directly linked to corporate governance and can play a major role particularly the corporate scam like Satyam Computers that created havoc among the regulators and the markets. In the words of Shleifer and Vishny (1997), effective corporate governance is designed in such a way that expropriation by insiders and managers is minimized. Opinions on corporate governance are mixed. Though researchers and practitioners argue that IFRS adoption leads to better information environment and forecasting capabilities (Horton and Serafeim, 2009), practitioners perceive corporate governance more of a managerial issue. However, there is growing evidence among Indian firms that IFRS would contribute to better corporate governance.

In spite of IFRS potential benefits, suspicion exists. Ashbaugh and Pincus (2001) have argued that even if IFRS are properly implemented, the adoption effect should be small in EU countries with domestic accounting standards similar to IFRS. In a present context, European firms have raised serious concerns that IFRS has been superimposed and mandated and have started proposing local or industry-specific exceptions to IFRS, known as "carve-outs" (Satin and Lin, 2009). However, same is not the situation with Indian firms probably their perceived competitive environment is different.

CONCLUSION

The globalisation of accounting standards has certainly changed the competitive posture for Indian companies, regulators and accounting bodies. The IFRS would change the competitive environment in terms of information to stakeholders, global capital raising and corporate positioning. Indian firms are behind the schedules set for adoption due to variety of reasons including – (a) inability to conceptualise the essence of fair value implied by IFRS, (b) conventional complexity of business models and (c) lack of accounting professional to facilitate conversion. Over and above the huge modification in the regulatory norms implicit in various statutes generic or specific to companies is required. The concerns of valuations domestic and global are genuine for Indian companies since IFRS imply major departures from conventional styles. We believe that these issues are short term and in the time to come, Indian companies would certainly reap benefits of harmonisation of accounting practices.

Appendix I

- List of Companies

Abrasives
Carborundum Universal Ltd.

Airconditioners
Blue Star Ltd.
Voltas Ltd.

Aluminium
Hindalco Industries Ltd.
National Aluminium Co. Ltd.

Auto Ancillaries
Amara Raja Batteries Ltd.
Amtek Auto Ltd.
Amtek India Ltd.
Asahi India Glass Ltd.
Automotive Axles Ltd.
Banco Products (India) Ltd.
Bosch Ltd.
Exide Industries Ltd.
Federal-Mogul Goetze (India) Ltd.

Automobiles
Motherson Sumi Systems Ltd.
Munjal Showa Ltd.
Omax Autos Ltd.
Pricol Ltd.
Rico Auto Industries Ltd.
Shanthi Gears Ltd.
Sona Koyo Steering Systems Ltd.

Automobiles - 2 And 3 Wheelers
Bajaj Auto Ltd.
Hero Honda Motors Ltd.
TVS Motor Company Ltd.

Automobiles - 4 Wheelers
Ashok Leyland Ltd.
Eicher Motors Ltd.
Escorts Ltd.
HMT Ltd.
Mahindra & Mahindra Ltd.
Maruti Suzuki India Ltd.
Tata Motors Ltd.

Bearings
Fag Bearings India Ltd.
NRB Bearings Ltd.
SKF India Ltd.
Brew/Distilleries
Radico Khaitan Ltd.
United Breweries Ltd.
United Spirits Ltd.

Cables - Telecom
Aksh Optifibre Ltd.

Castings/Forgings
Bharat Forge Ltd.
Electrosteel Castings Ltd.

Cement And Cement Products
ACC Ltd.
Ambuja Cements Ltd.
Binani Cement Ltd.
Birla Corporation Ltd.
Everest Industries Ltd.
India Cements Ltd.
KCP Ltd.
Kesoram Industries Ltd.
Globalisation of accounting standards and competitive posture of Indian companies

Madras Cements Ltd.
Prism Cement Ltd.
Ramco Industries Ltd.
Shree Cement Ltd.
Ultratech Cement Ltd.

Chemicals - Inorganic
GHCL Ltd.
Godrej Industries Ltd.
Gujarat Alkalies & Chemicals Ltd.
HSIL Ltd.

Construction
Hindustan Construction Co. Ltd.
Housing Development And Infrastructure Ltd.
IVRCL Infrastructures & Projects Ltd.
Indiabulls Real Estate Ltd.
Jaypee Infratech Ltd.
Kajaria Ceramics Ltd.
Lanco Infratech Ltd.
Mahindra Lifespace Developers Ltd.
Nagarjuna Construction Co. Ltd.
Omaxe Ltd.
Oswal Chemicals & Fertilizers Ltd.
Parsvnath Developer Ltd.
Patel Engineering Ltd.
Peninsula Land Ltd.
Phoenix Mills Ltd.
Punj Lloyd Ltd.
 Puravankara Projects Ltd.
Simplex Infrastructures Ltd.
Sobha Developers Ltd.
Sunteck Realty Ltd.
Unitech Ltd.
Unity Infrastructure Ltd.

Consumer Durables
BPL Ltd.
Micromax Information Technology Ltd.
Videocon Industries Ltd.

Cycles
Tube Investments Of India Ltd.

Detergents
Nirma Ltd.

Diesel Engines
Cummins India Ltd.
Greaves Cotton Ltd.
Swaraj Engines Ltd.
Andhra Sugars Ltd.

Diversified
Balmer Lawrie & Co. Ltd.
Century Textile & Industries Ltd.
DCM Shriram Consolidated Ltd.
E.I.D. Parry (India) Ltd.
Hindustan Unilever Ltd.
Jaiprakash Associates Ltd.
Orient Paper & Industries Ltd.

Dyes And Pigments
Atul Ltd.
Clariant Chemicals (India) Ltd.

Electrical Equipment
ABB Ltd.
Areva T&D India Ltd.
Bharat Heavy Electricals Ltd.
Crompton Greaves Ltd.
Havells India Ltd.
Siemens Ltd.
Sterlite Technologies Ltd.
Suzlon Energy Ltd.
Thermax Ltd.

Electrodes
Ador Welding Ltd.
ESAB India Ltd.
Graphite India Ltd.
H.E.G. Ltd.

Electronics - Industrial
Asian Electronics Ltd.
Bharat Electronics Ltd.

Media & Entertainment
Television Eighteen India Ltd.
UTV Software Communication Ltd.
Ibn18 Broadcast Ltd.

Metals
Hindustan Zinc Ltd.
Nava Bharat Ventures Ltd.
Sterlite Industries (India) Ltd.
Tata Sponge Iron Ltd.
Tinplate Company Of India Ltd.

Mining
Gujarat Mineral Development Corporation Ltd.
Gujarat NRE Coke Ltd.
NMDC Ltd.
Sesa Goa Ltd.

Oil Exploration/Production
Aban Offshore Ltd.
Cairn India Ltd.
Great Offshore Ltd.
Hindustan Oil Exploration Co. Ltd.

Oil & Natural Gas Corporation Ltd.
Oil India Ltd.
SEAMEC Ltd.

Packaging
Cosmo Films Ltd.
Essel Propack Ltd.
Jindal Poly Films Ltd.
Max India Ltd.
UFLEX Ltd.

Paints
Akzo Nobel India Ltd.
Asian Paints Ltd.
Berger Paints India Ltd.
Kansai Nerolac Paints Ltd.

Paper And Paper Products
Ballarpur Industries Ltd.
Paper Products Ltd.
Tamil Nadu Newsprint & Papers Ltd.
West Coast Paper Mills Ltd.

Personal Care
Colgate Palmolive (India) Ltd.
Dabur India Ltd.
Gillette India Ltd.
Godrej Consumer Products Ltd.
Marico Ltd.
Procter & Gamble Hygiene & Health Care Ltd.

Pesticides And Agrochemicals
Hikal Ltd.
Monsanto India Ltd.
Rallis India Ltd.
United Phosphorus Ltd.

Petrochemicals
Bhansali Engineering Polymers Ltd.
Castrol (India) Ltd.
Chemplast Sanmar Ltd.
DCW Ltd.
Finoil Industries Ltd.
India Glycols Ltd.
Supreme Petrochem Ltd.
Tamilnadu Petroproducts Ltd.

Pharmaceuticals
Ajanta Pharmaceuticals Ltd.
Alembic Ltd.
Astrazeneca Pharma India Ltd.
Aurobindo Pharma Ltd.
Aventis Pharma Ltd.
Bioclin Ltd.

Refineries
Hindustan Petroleum Corporation Ltd.
Indian Oil Corporation Ltd.
Mangalore Refinery & Petrochemicals Ltd.
Reliance Industries Ltd.
Refractories
Vesuvius India Ltd.
Shipping
ABG Shipyards Ltd.
Essar Shipping Ports & Logistics Ltd.
Great Eastern Shipping Co. Ltd.
Mercator Lines Ltd.
Shipping Corporation Of India Ltd.
Varun Shipping Co. Ltd.

Solvent Extraction
Agro Tech Foods Ltd.
K.S. Oils Ltd.
Ruchi Soya Industries Ltd.

Steel And Steel Products
Bhushan Steel Ltd.
Ispat Industries Ltd.
JSW Stainless Ltd.
JSW Steel Ltd.
Jindal Saw Ltd.
Jindal Steel & Power Ltd.
Maharashtra Seamless Ltd.
Mahindra Ugine Steel Co. Ltd.
Monnet Ispat Ltd.
PSL Ltd.
Steel Authority Of India Ltd.
Surya Roshni Ltd.
Tata Metaliks Ltd.
Tata Steel Ltd.
Usha Martin Ltd.
Uttam Galva Steels Ltd.
Welspun Corp Ltd.

Sugar
Bajaj Hindusthan Ltd.
Balkampur Chini Mills Ltd.
Bannari Amman Sugars Ltd.
Dhampur Sugar Mills Ltd.
Dwarikesh Sugar Industrial Ltd.
Sakthi Sugars Ltd.
Shree Renuka Sugars Ltd.
Triveni Engineering & Industries Ltd.

Tea And Coffee
Jay Shree Tea & Industries Ltd.
Mclvod Russel India Ltd.
Tata Coffee Ltd.
Tata Global Beverages Ltd.

Telecommunication - Equipment
AGC Networks Ltd.
GTL Infrastructure Ltd.
Himachal Futuristic Communications Ltd.

Telecommunication - Services
Bharti Airtel Ltd.
GTL Ltd.
Idea Cellular Ltd.
Mahanagar Telephone Nigam Ltd.
Reliance Communications Ltd.
Tata Communications Ltd.
Tulip Telecom Ltd.

Textile Machinery
Lakshmi Machine Works Ltd.

Textile Products
Arvind Ltd.

Chemicals - Inorganic
Aarti Industries Ltd.

Chemicals - Organic
Pidilite Industries Ltd.

Chemicals - Speciality
BASF India Ltd.

Cigarettes
Godfrey Phillips India Ltd.
ITC Ltd.

Compressors / Pumps
Dynamatic Technologies Ltd.
Elgi Equipments Ltd.
Ingersoll Rand (India) Ltd.
KSB Pumps Ltd.

Computers - Hardware
CMC Ltd.
HCL Infosystems Ltd.
Moser Baer India Ltd.
Tata Elxsi Ltd.

Computers - Software
3i Infotech Ltd.
Atek Ltd.
Aptech Ltd.
Educomp Solutions Ltd.
Financial Technologies (India) Ltd.
Firstsource Solutions Ltd.
Geometric Ltd.
HCL Technologies Ltd.
Hexaware Technologies Ltd.
Info Edge (India) Ltd.
Infosys Technologies Ltd.
Infotech Enterprises Ltd.
KPIT Cummins Infocom Ltd.
Mastek Ltd.
Mindtree Ltd.
Mphasis Ltd.
NIIT Ltd.
Oracle Financial Services Software Ltd.
PVP Ventures Ltd.
Patri Computer Systems Ltd.
Polaris Software Lab Ltd.
Ramco Systems Ltd.
Rolta India Ltd.
Sonata Software Ltd.
Tata Consultancy Services Ltd.
Tech Mahindra Ltd.
Wipro Ltd.
Zensar Technologies Ltd.

Construction
Ackeruti City Ltd.
Anant Raj Industries Ltd.
Ansal Properties & Infrastructure Ltd.
B L Kashyap & Sons Ltd.
Brigade Enterprises Ltd.
Century Plyboards (India) Ltd.
D B Realty Ltd.
D.S. Kulkarni Developers Ltd.
DLF Ltd.
Era Infra Engineering Ltd.
GMR Infrastructure Ltd.
Gammon India Ltd.
Gammon Infrastructure Projects Ltd.

Electronics - Industrial
Honeywell Automation India Ltd.
NEILCO Ltd.

Engineering
Alfa Laval (India) Ltd.
BEML Ltd.
Engineers India Ltd.
Larsen & Toubro Ltd.
Praj Industries Ltd.
Reliance Industrial Infrastructure Ltd.

Fasteners
Sundram Fasteners Ltd.

Fertilisers
Chambal Fertilizers & Chemicals Ltd.
Coromandel International Ltd.
Deepak Fertilisers & Petrochemicals Corp. Ltd.
Gujarat Narmada Valley Fertilisers Co. Ltd.
Gujarat State Fertilizers & Chemicals Ltd.
Nagarjuna Fertilizers & Chemicals Ltd.
National Fertilizers Ltd.
Rashtriya Chemicals & Fertilizers Ltd.
Zuari Industries Ltd.
Food And Food Processing
Advanta India Ltd.
Britannia Industries Ltd.
Carol Info Services Ltd.
GlaxoSmithKline Consumer Healthcare Ltd.
Heritage Foods (India) Ltd.
Jubilant Foodworks Ltd.
Kohinoor Foods Ltd.
Lakshmi Energy & Foods Ltd.
Rei Agro Ltd.
Venky’s (India) Ltd.

Gas
BOC India Ltd.
Everest Kanto Cylinder Ltd.
GAIL (India) Ltd.
Gujarat Fluorochemicals Ltd.
Gujarat Gas Co. Ltd.
Gujarat State Petronet Ltd.
Indraprastha Gas Ltd.
Petronet LNG Ltd.

Gems Jewellery And Watches
Gitanjali Gems Ltd.
Rajesh Exports Ltd.
Shrenuj & Co. Ltd.
Titan Industries Ltd.

Hotels
EIH Ltd.
Hotel Leelaventure Ltd.
Indian Hotels Co. Ltd.
Oriental Hotels Ltd.
Taj GVK Hotels & Resorts Ltd.

Leather And Leather Products
Bata India Ltd.
Mirza International Ltd.

Media & Entertainment
Balaji Telefilms Ltd.
Entertainment Network India Ltd.
Hathway Cable & Datacom Ltd.
Inox Leisure Ltd.
NDTV Ltd.
Saregama India Ltd
Shree Ashtavinayak Cine Vision Ltd.
Sun TV Network Ltd.
TV Today Network Ltd.

Pharmaceuticals
Cadila Healthcare Ltd.
Cipla Ltd.
Dishman Pharmaceuticals & Chemicals Ltd.
Divi’s Laboratories Ltd.
Dr. Reddy’s Laboratories Ltd.
Elder Pharmaceuticals Ltd.
FDC Ltd.
 Fresenius Kabi Oncology Ltd.
GlaxoSmithKline Pharmaceuticals Ltd.
Glenmark Pharmaceuticals Ltd.
Ind-Swift Laboratories Ltd.
Ipea Laboratories Ltd.
J.B. Chemicals & Pharmaceuticals Ltd.
Lupin Ltd.
Merek Ltd.
Orchid Chemicals & Pharmaceuticals Ltd.
Panacea Biotech Ltd.
Pfizer Ltd.
Piramal Healthcare Ltd.
Runbaxy Laboratories Ltd.
Shasun Chemicals & Drugs Ltd.
Sterling Biotech Ltd.
Strides Arcolab Ltd.
Sun Pharmaceutical Industries Ltd.
Torrent Pharmaceuticals Ltd.
Unichem Laboratories Ltd.
Wockhardt Ltd.
Wyeth Ltd.

Plastic And Plastic Products
Jain Irrigation Systems Ltd.
Nilkamal Ltd.
Sintex Industries Ltd.
Supreme Industries Ltd.
V.I.P Industries Ltd.

Power
Adani Power Ltd.
Alstom Projects India Ltd.
CESC Ltd.
GKV Power & Infrastructures Ltd.
Gujarat Power Industries Co. Ltd.
JSW Energy Ltd.
Jaiprakash Power Ventures Ltd.
NHPC Ltd.
NTPC Ltd.
Neyveli Lignite Corporation Ltd.
P.T.C India Ltd.
Power Grid Corporation Of India Ltd.
Reliance Infrastructure Ltd.
Reliance Power Ltd.
Tata Power Co. Ltd.
Torrent Power Ltd.

Printing And Publishing
Deccan Chronicle Holdings Ltd.
HT Media Ltd.
Jagran Prakashan Ltd.
Navneet Publications (India) Ltd.

Refineries
Bharat Petroleum Corporation Ltd.
Chennai Petroleum Corporation Ltd.
Essar Oil Ltd.

Textile Products
Bombay Rayon Fashions Ltd.
Gokaldas Exports Ltd.
Himatsingka Seide Ltd.
House Of Pearl Fashions Ltd.
Koutons Retail India Ltd.
Provoc (India) Ltd.
Raymond Ltd.
S. Kumars Nationwide Ltd.
Zodiac Clothing Co. Ltd.

Textiles - Cotton
Abhishek Industries Ltd
Vardhman Textiles Ltd.

Textiles - Synthetic
Aditya Birla Nuvo Ltd.
Alok Industries Ltd.
Bombay Dyeing & Manufacturing Co. Ltd.
Century Enka Ltd.
Garden Silk Mills Ltd.
Grasim Industries Ltd.
Indo Rama Synthetics Ltd.
SRF Ltd.

Trading
3M India Ltd.
Adani Enterprises Ltd.
Gujarat Ambuja Exports Ltd.
Redington (India) Ltd.
State Trading Corporation Of India Ltd.

Transmission Towers
Jyoti Structures Ltd.
Kalpataru Power Transmission Ltd.
Kee International Ltd.

Tyres
Apollo Tyres Ltd.
MRF Ltd.
REFERENCES


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