DEC - 2020 Q3.

(Rs'mn)

HCL —35%→ HCD (BD) —80%→ HIL (IND.)

SL

1,480 × 35% = 518	350 ← 1000 × 35%	1000	+ 600	= 1,600
	+ 168 ← 600 × 80% × 35%			
	518		PAP.C =	1,480

1/1/2017

HCD —80%→ HIL

INV 55

NA
- S/C - 50
- R/E - 23
- 73

IRRELEVANT

1/12/19

HCL —35%→ HCD — ASSOCIATE

NA - GROUP

INV 984.5 (1)

- S/C - 1,485
- FCTR - 322
- R/E - 1,581
- 3,388
- 35%
- 1,185.8

GBP 201.3 (2)

30/9/2020 — SUB

HCL —+10%→ HCD

(1) - CASH 250 (6)

(2) - SHARE ISSUE = 75mn × 10% × 1/5 = 1.5mn × FV OF HCL SHARE (70)

105 (7)

(3) - CONTINGENT PAYMENT

$\frac{150}{(1.1)^3} \times 70\% = 78.88$ (8)

NA - COMPANY

- S/C - 1,485
- FCTR - 440
- R/E - 1,850
- 3,775

FV ADJ
- FAVOURABLE LEASE (375-250) +125
- DT - 125×28% (35)

FV OF NA 3,865 (10)

- PURCHASE OF CONVERTIBLE BONDS.

60,000 × Rs.10,000 = 600 / 8% P.A / 3YR

CAN BE CONVERTED TO O/S AT

60/= PER SHARE = $\frac{600}{60}$ = 10mn SHARES.

PRICE IS IN THE MONEY.

$\frac{10mn}{(75mn + 10mn)} \times 100\% = 11.76\%$

EXISTING O/S

$75mn \times 45\% = \frac{33.75}{85} = 39.71\%$

51.47%

$\frac{10 + 33.75}{85} \times 100\% = 51.47\%$

NCI at FV

$75mn \times 55\% \times Rs.\ 53 = 2,186.25$ (9)

FV of existing investment

$75mn \times 35\% \times Rs.\ 53 = 1,391.25$

30/9/2020

HCC $\xrightarrow[\text{from HCD}]{25\% \times 80\% - 20\%}$ HIL

Inv 30 (11)

\+

$\xrightarrow[\text{from NCI}]{20\% \times 20\% = 4\%}$ HIL

NCI at FV

$5mn \times 49\% \times Rs.\ 25$

$= 61.25$ (13)

	NA
S/C -	50
R/E -	63
R/R -	10
	123 (14)

Favourable lease

HCD ⟶ Lease

ROU 250

AGREED AMT	10	10	10	10	----

PV: 250

MKT RATE	18	18	18	18	----

PV: 375

+125 ✓ FV ADJ.

REDUNDANCY — NOT RECOGNISED ON 30/9/2020.

GROUP STRUCTURE.

65%

HCL — 35% + 10% + C/BONDS → HCD.

? SUB | ASSO.

→ CONTROL → S/I

HCD: 80% - 20% = 60%

55 - □ = 41.25

HCL — 20% + 4% = 24% → HIL

D × 65%

GW

COMPANY	E/H %	NCI %
HCD	45% + CONV. BONDS	55%
HIL	24% + (60% × 45%) = 51%	49% ✓

"CONTROL" — POWER OVER RELEVANT ACTIVITIES.
+
EXPOSURE TO VARIABLE RETURNS.
+
ABILITY USE POWER TO INFLUENCE RETURNS.

> 50% VOTING RIGHTS → CONTROL

>50% VOTING RIGHTS → CONTROL

ABILITY TO APPOINT MAJORITY OF BOD → CONTROL

↓

ACQUIRE MAJORITY VOTING RIGHTS

OR

CONTRACTUAL ARRANGEMENT

EXISTING = 35% + 10% = 45%

+

POTENTIAL VOTING RIGHTS (CONVERTIBLE BONDS) → ?

51.47%

↓

?

CONSIDER ONLY IF VOTING RIGHTS ARE SUBSTANTIVE ✓ — YES

↓

EXERCISABLE ✓

↓

OPTIONS ARE IN THE MONEY

✓ – OPTION PRICE < FV → IN THE MONEY

– " > FV → OUT OF MONEY

CONSOLIDATION WORKING

	Investment in Associate	GW - HCD	NCI - HCD	GW - HIL	NCI - HIL	R/E	FCTR
Inv - 1/12/19 (1)	984.5						
GBP - " (2)	201.3					201.3	
FCTR - 1/12/19 - 20/9 (3)	42.7						42.7
R/E - " (4)	96.95					96.95	
Bal - 30/9/2020	1325.45						
Excess existing (5)	1,325.45						

EQUIV							
– 75mn × 35% × 53		1,391.25 35%				+65.8	
						+42.7	(42.7)
TRF TO P&L - FCTR							
NEW INV							
– CASH 6		250					
– SHARE ISSUE 7		105	10%				
– CONTINGENT CONS 8		78.88					
NCI AT FV 9		2,186.25	2,186.25				
NA - 30/9/2020 10		(3,865)					
GW - 30/9/2020		146.38					
INV - BY HCL 11				30			
– BY HCD - BALANCE			[55%]	[45%]			
$\frac{55}{80\%} \times 60\% = 41.25$ 12			(22.69) DR	18.56 DR			
NCI OF HTL 13				61.25 DR	61.25 CR		
NA OF HTL 14				(123)			
GBP				(13.19)		+13.19	

ASSOCIATE

1/12/19 — 30/9/2020.

HCL $\xrightarrow{35\%}$ HCD $\xrightarrow{80\%}$ HIL

HCD SUB

HIL SUB

PAT - 35%

+

HIL PAT - 80% × 35%

POST ACQ^N PAT OF HCD AS AN ASSOCIATE

	Group (1/12/19)		Group (30/9/2020)
FCTR	322	+ 122	444
R/E	1,581	+ 277	1,858

FCTR PORTION TO HCL = 122 × 35% = 42.7 (3)

R/E " " " = 277 × 35% = 96.95 (4)