Companies (Ind AS) Amendment Rules, 2026

G.S.R. 725(E), dated 12 August 2026: what changes for your FY 2026-27 financial statements

Ministry of Corporate Affairs, in consultation with NFRA | Sections 133 and 469, Companies Act 2013

IND AS 109 IND AS 107 ESG-LINKED LOANS RENEWABLE PPAS E-PAYMENT SETTLEMENT

A S Banka Advisors Private Limited

The One-Line Summary

The MCA has rewritten how Ind AS treats three instruments Indian corporates now sign at speed: ESG or sustainability-linked loans, renewable power purchase agreements, and electronic payment settlement.

Standards Touched

Ind AS 109, Ind AS 107, Ind AS 101, Ind AS 110 and Ind AS 7

Alignment

Aligns Indian standards with IASB amendments to IFRS 9 and IFRS 7 following the post-implementation review of classification and measurement

When It Bites

Annual reporting periods beginning on or after 1 April 2026. FY 2026-27 accounts ending 31 March 2027 are the first to carry them.

Theme 1: The Sharpened SPPI Test and ESG-linked Loans

IND AS 109 IND AS 107

New paragraphs in Ind AS 109: B4.1.8A, B4.1.10A, B4.1.16A, B4.1.20A. New disclosures in Ind AS 107: paragraphs 20B to 20D.

The Solely Payments of Principal and Interest test decides whether a loan sits at amortised cost or is forced to fair value through profit or loss.

⚠ The trap: a large margin step-up on missing a carbon target can push the whole instrument to fair value through profit or loss, and the volatility that follows.

B4.1.8A

Focus on what the lender is compensated for, not merely how much. Cash flows tied to equity, commodity prices or a share of revenue break the basic lending pattern.

B4.1.10A

An ESG or carbon-linked loan can stay at amortised cost only if, in all contractually possible scenarios, its cash flows are not significantly different from the same loan without the feature.

Theme 2: Derecognising a Liability Paid Through an Electronic Payment System

IND AS 109 | NEW PARAGRAPH B3.3.8

New Ind AS 109 paragraph B3.3.8 lets you take a financial liability off the books before the settlement date, but only if all three tests are met:

1

No Withdrawal Ability

You have no practical ability to withdraw, stop or cancel the payment instruction.

2

No Cash Access

You have no practical ability to access the cash earmarked for settlement.

3

Insignificant Settlement Risk

The settlement risk of the electronic payment system is insignificant.

B3.3.9: Settlement risk is insignificant where completion follows a standard administrative process with a short window between initiation and cash delivery.

B3.3.10: This is an accounting-policy choice applied uniformly to every settlement through the same payment system. You cannot cherry-pick.

Theme 3: Renewable Power Purchase Agreements

IND AS 109 IND AS 107

New paragraph 2.3A of Ind AS 109 defines contracts referencing nature-dependent electricity: contracts exposed to volume variability because generation depends on wind, sun or water.

Own-Use Scope Exception

Paragraphs B2.7 to B2.8: a renewable PPA can sit outside the fair value net, treated as an own-use executory contract, where the entity is a net purchaser of that electricity over a period not exceeding 12 months.

Hedge Accounting Relief

Paragraph 6.10.1: you may designate a variable nominal amount of forecast electricity as the hedged item, aligned to the intermittent volume the facility actually delivers.

Disclosure Requirements

New Ind AS 107 paragraphs 30A to 30C cover volume and delivery-timing risk, unrecognised commitments, and the period cost of electricity, unused purchases and resale proceeds.

Theme 4: Annual Improvements to Ind AS 101, 110 and 7

Ind AS 101 - First-time Adoption (paragraphs B5 to B6)

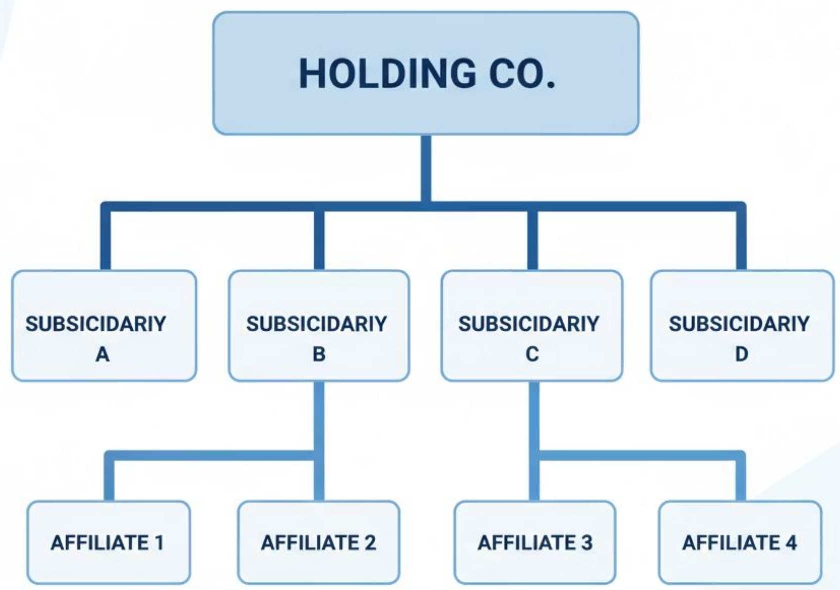
A first-time adopter cannot reflect a hedge that does not qualify. Previously designated net positions may be re-designated individually if they meet current requirements.

Ind AS 110 - Consolidated Financial Statements (paragraph B74)

The de facto agent relationship need not be contractual. An investor weighs a de facto agent's decision rights and variable-return exposure with its own when testing control. This can change consolidation conclusions in group and promoter structures.

Ind AS 7 - Statement of Cash Flows (paragraph 37)

Where associates, joint ventures or subsidiaries are held at cost, report only the cash flows between the investor and the investee, for example dividends and advances.



Effective Date and Transition: What Applies to FY 2026-27

Most Amendments

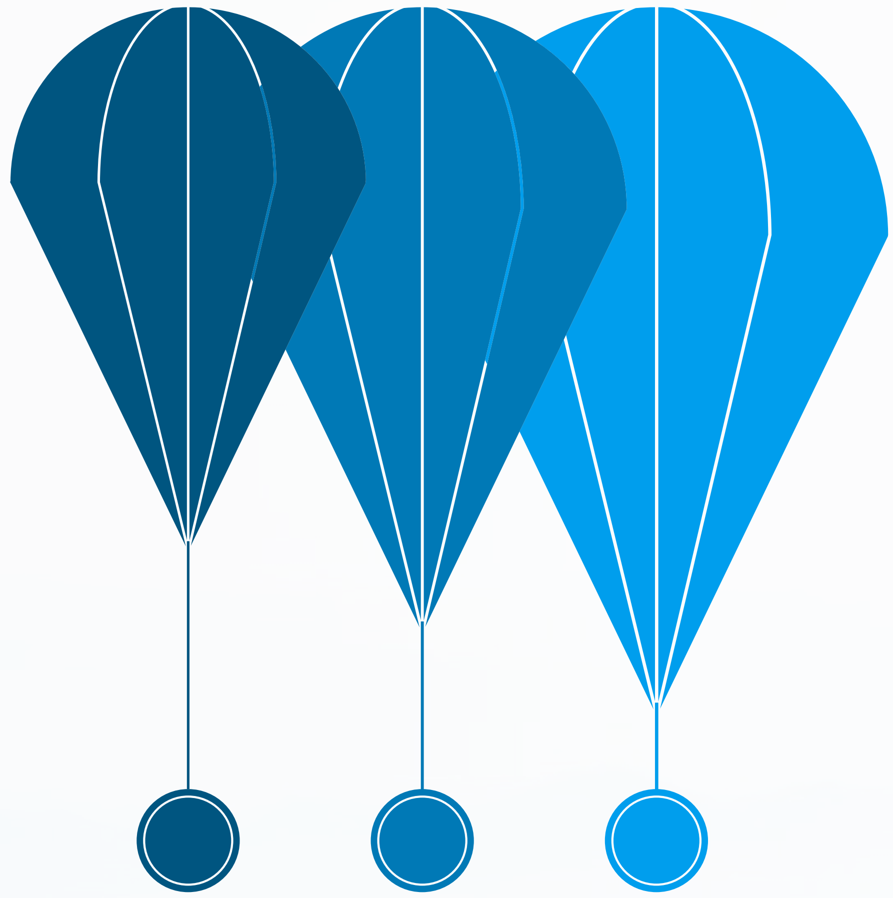
Effective 1 April 2026, standard-specific

Classification & Measurement

Effective 1 April 2026, retrospective

Electricity Contracts

Effective 1 April 2026, retrospective application



Amendment Area	Effective Date	Transition Approach
Most amendments	1 April 2026	As specified in each standard
Classification and measurement of financial instruments	1 April 2026	Retrospective with defined exceptions; no restatement where hindsight would be needed; opening equity adjusted
Nature-dependent electricity contracts	1 April 2026	Retrospective using facts at the date of initial application; comparatives need not be restated; certain contracts may be irrevocably designated at fair value through profit or loss

Plain terms: the accounts for the year ending 31 March 2027 are the first statutory Ind AS financials that must carry these rules.

Who Must Act Now, and How

CFOs and Controllers

Build an inventory of every instrument with a contingent or ESG-linked feature and run the sharpened SPPI test on each. Set the electronic-payment derecognition policy in writing. Map every renewable PPA against the own-use exception. Quantify the opening-equity adjustment and brief the audit committee before the year closes.

Statutory and Internal Auditors

Update the disclosure checklist for Ind AS 107 paragraphs 20B to 20D and 30A to 30C. Test the SPPI conclusions and the net-purchaser judgment. Reconcile fair value swings with the tax computation, because book-to-tax differences flow into the tax audit.

Borrowers and Treasury

The margin ratchet you agree today decides your accounting later. Model the accounting before you sign.

The Bottom Line for Finance Leaders

Two of the four themes, sustainability-linked lending and renewable power, are exactly the instruments Indian corporates have signed for three years without a settled accounting answer. Now there is one.

The SPPI decision is made at the negotiating table, not at the audit. Structure the loan and the PPA with the accounting outcome in view.

If you want a clear read on how G.S.R. 725(E) affects your FY 2026-27 statements, your SPPI conclusions or your hedge documentation, talk to us.

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Book a strategy session

calendly.com/asbanka-info/30min

Sustainability-linked Lending

Three years of signing without a settled accounting answer. Now there is one. The SPPI test applies at the negotiating table.

Renewable Power PPAs

Own-use exception, hedge accounting relief, and new disclosure requirements are now codified for FY 2026-27.

Electronic Payment Settlement

A uniform accounting-policy choice that must be applied consistently across every settlement through the same payment system.

Annual Improvements

Changes to Ind AS 101, 110 and 7 affect first-time adopters, consolidation conclusions, and cash flow reporting for investors.