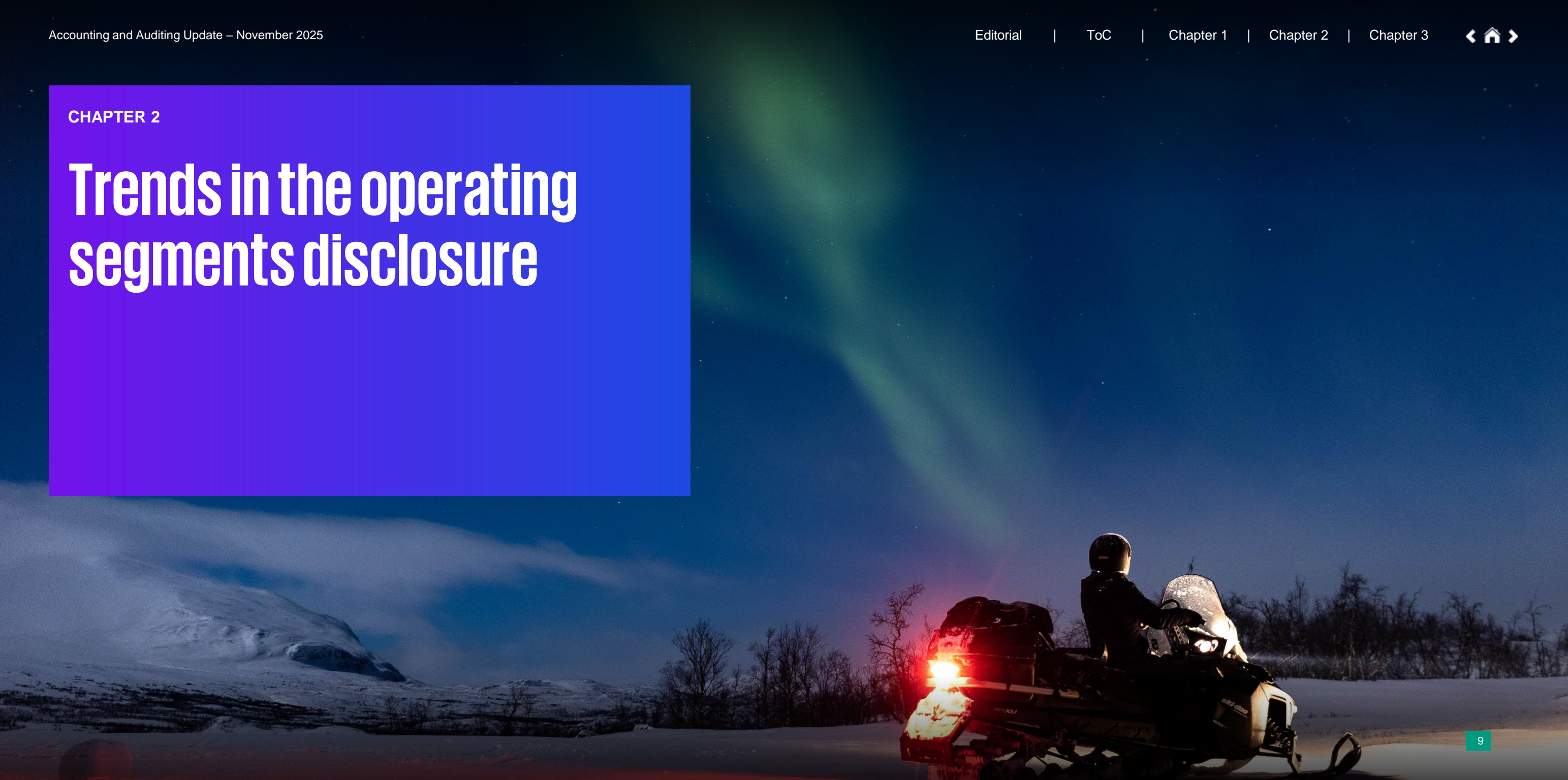


CHAPTER 2

# Trends in the operating segments disclosure



## Introduction

Operating segment disclosure has gained increasing relevance in today's dynamic business environment, driven by growing diversification and international expansion of enterprises. In the Indian context, Ind AS 108, *Operating Segments* mandates the presentation of segment information based on how management views various components/parts of its business. This provides stakeholders with deeper insights into the company's varied business activities, risk exposures, profitability drivers, and resource allocation.

As India's capital markets continue to evolve, segment disclosures help reduce gaps in information between companies and investors. They offer a more nuanced understanding of financial performance and risks of individual segments – in addition to what is visible in the financial statements. This detailed view supports better investment decisions, improves transparency, and makes it easier to compare companies.

1. List extracted from NSE Website > Regulation> Corporates> Company compliance> Eligibility based on Market Capitalisation- SEBI LODR and Other Regulations as on 31 December 2024
2. One company of the real estate sector was tagged under the forest materials sector in Nifty 500 Index. For the purpose of this analysis, we have tagged this company under realty sector.
3. List extracted from NSE Website > Products & Services > Capital Market > Indices > Broad Market Indices > Nifty 500 Index as on 28 March 2025
4. Ministry of Corporate Affairs notification number 1/2/2014-CL-V dated 23 February 2018

## Profile of companies covered

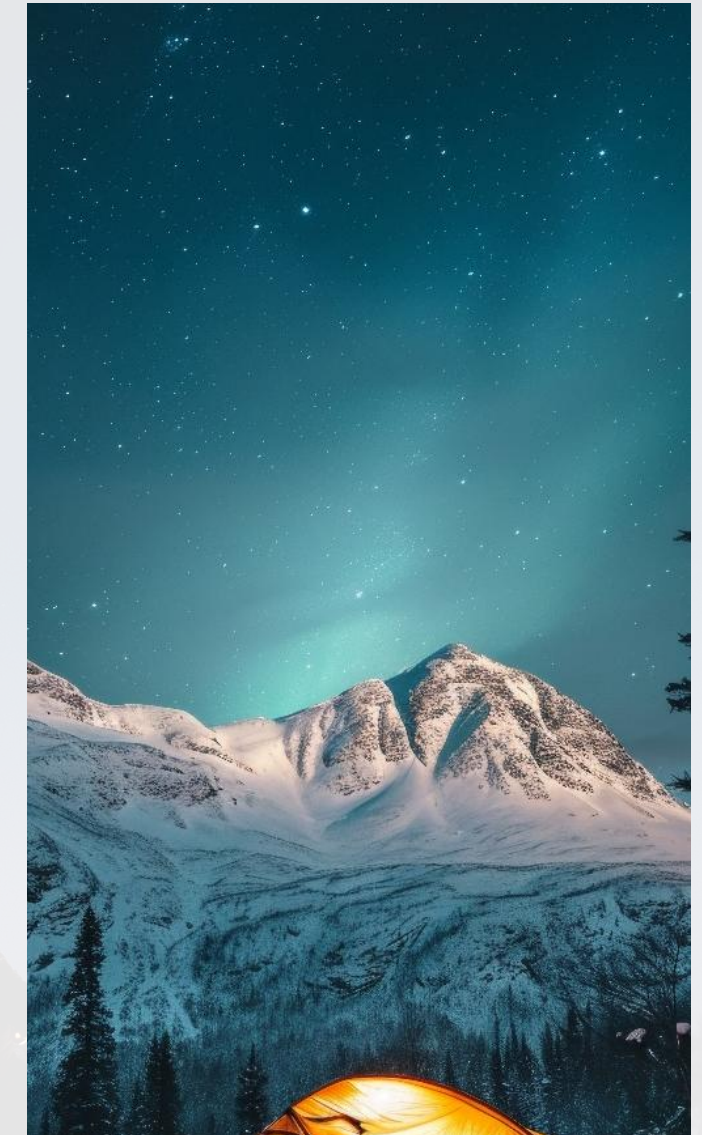
For the purposes of this article, we have identified the top 5 companies (by market capitalisation as at 31 December 2024<sup>1</sup>) listed on the National Stock Exchange (NSE) for each of the 20<sup>2</sup> sectors of the Nifty 500 Index<sup>3</sup>, based on the Industry classification by NSE except in case of 'diversified' sector which comprised of 3 companies only.

Further, in case of the companies covered under 'financial services' sector, we have considered only Non-Banking Financial Companies (NBFCs) for this exercise as all other constituent companies, (i.e. banks and insurance companies) forming part of Financial Services sector, prepare financial statements under Accounting Standards and not under Indian Accounting Standards (Ind AS). Similarly, of the

5 companies covered under capital goods, 2 were government companies engaged in defence production which did not present segment reporting disclosures in accordance with the exemption provided by the Ministry of Corporate Affairs (MCA)<sup>4</sup>. Consequently, the total number of companies covered in our analysis is 96 (covered companies).

The period covered by this analysis covered the disclosures relating to the financial year ended 31 March 2025 except in case of 2 companies whose disclosures related to the year ended 30 September 2024 and 31 December 2024 respectively.

The objective of this analysis is to identify key trends in the segment disclosures.



# Sectoral overview

The table below presents a sectoral overview of:

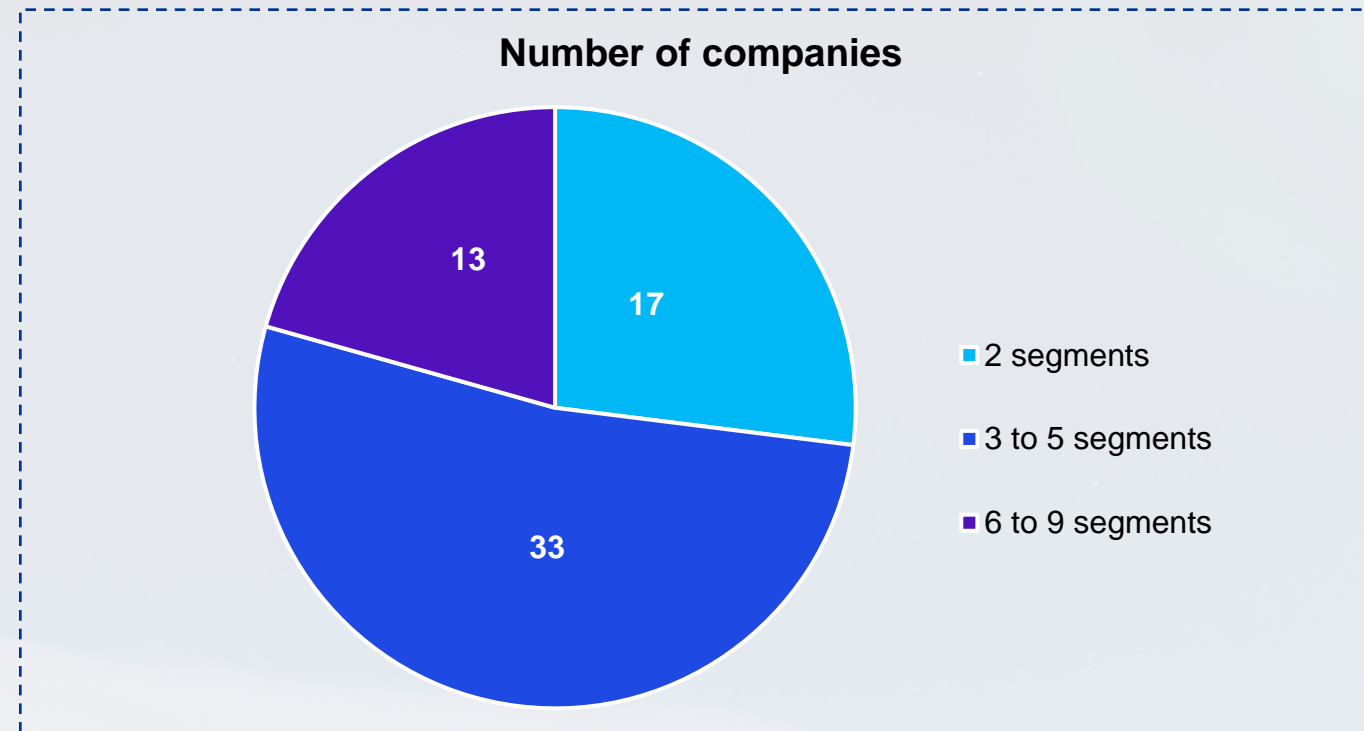
- the number of companies in each sector – with one operating segment and those with more than one operating segment

- the average number of operating segments disclosed across each sector
- detailed overview of companies reporting 2 segments, 3 to 5 segments and those reporting 6 to 9 segments

| Sector                              | Average number of segments disclosed | Number of companies with one operating segment | Number of companies with more than one operating segment | Number of companies with 2 segments | Number of companies with 3 to 5 segments | Number of companies with 6 to 9 segments |
|-------------------------------------|--------------------------------------|--|--|-------------------------------------|--|--|
| Automobile and auto components      | 2.8                                  | 2  | 3  | -                                   | 3  | -  |
| Capital goods                       | 5                                    | -  | 3  | -                                   | 2  | 1  |
| Chemicals                           | 2.4                                  | 1  | 4  | 2                                   | 2  | -  |
| Construction                        | 3.4                                  | -  | 5  | 2                                   | 2  | 1  |
| Construction materials              | 2.2                                  | 2  | 3  | 2                                   | 1  | -  |
| Consumer durables                   | 2.6                                  | 3  | 2  | -                                   | 1  | 1  |
| Consumer services                   | 3                                    | 2  | 3  | -                                   | 3  | -  |
| Diversified                         | 7                                    | -  | 3  | -                                   | 1  | 2  |
| Fast Moving Consumer Goods (FMCG)   | 3                                    | 2  | 3  | -                                   | 3  | -  |
| Healthcare                          | 1.6                                  | 3  | 2  | 1                                   | 1  | -  |
| Information technology              | 4.6                                  | -  | 5  | 1                                   | 2  | 2  |
| Media entertainment and publication | 2                                    | 3  | 2  | -                                   | 2  | -  |
| Metals and Mining                   | 5.2                                  | 1  | 4  | -                                   | 1  | 3  |
| Financial services (NBFCs)          | 1.8                                  | 4  | 1  | -                                   | 1  | -  |
| Oil, gas and consumable fuels       | 4.4                                  | 1  | 4  | -                                   | 3  | 1  |
| Power                               | 2.6                                  | -  | 5  | 3                                   | 2  | -  |
| Realty                              | 1.6                                  | 4  | 1  | -                                   | 1  | -  |
| Services                            | 1.6                                  | 2  | 3  | 3                                   | -  | -  |
| Telecommunication                   | 3.6                                  | 2  | 3  | 1                                   | -  | 2  |
| Textiles                            | 2.4                                  | 1  | 4  | 2                                   | 2  | -  |
|                                     |                                      | <b>33</b>                                      | <b>63</b>  | <b>17</b>                           | <b>33</b>                                | <b>13</b>                                |

Source: KPMG in India analysis, 2025 based on the primary data gathered from disclosures provided by covered companies

The below chart summarises the distribution of 63 companies reporting more than 1 operating segment:



Source: KPMG in India analysis, 2025 based on the primary data gathered from disclosures provided by covered companies



### Our analysis:

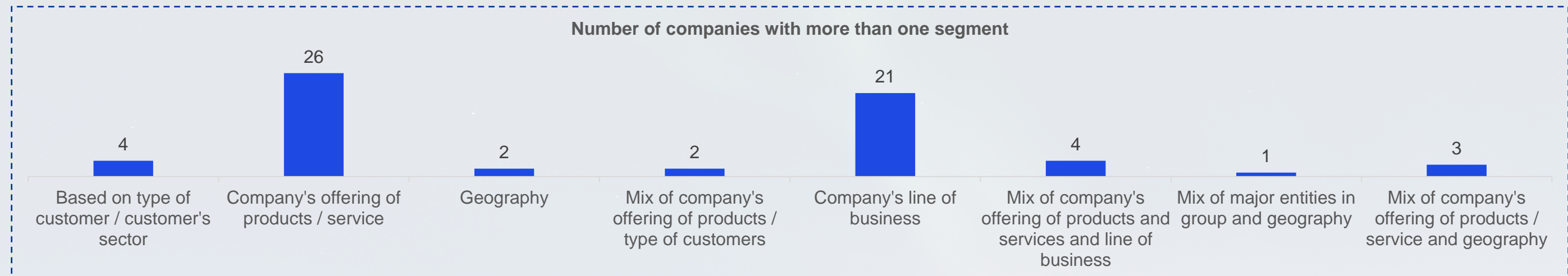
Out of the total 96 covered companies, 17 companies disclosed 2 segments which may be due to relatively simple structure while 13 companies have 6 to 9 segments, indicating multi-industry, offering of their products/services, type of customers, etc.

In terms of the average number of segments, the 63 covered companies exhibit notable variation in the average number of segments disclosed across sectors. Range of average operating segment varies from 1.6 segments in sectors such as service, realty and healthcare to 5.2 operating segments in metals and mining sector and 7 segments in the diversified sector. This variation is largely influenced by the nature of the sector and the operational diversity of individual companies within each sector.

It was noted that all companies in the construction, capital goods, diversified, information technology and power reported more than one segment. Further, companies in the metals and mining and oil, gas and consumable fuels sectors tend to report a higher number of operating segments, reflecting the complexity and breadth of their business activities. In contrast, sectors such as healthcare, NBFCs, services, and realty typically report fewer segments, may be due to more streamlined or specialised operations.

## Basis on which reportable operating segments are being identified

As per Ind AS 108, an operating segment is fundamentally defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, has results reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment and has discrete financial information available. This definition emphasises the operational and financial distinctiveness of each segment. In this section, we analysed the approach adopted by the 63 companies, which reported more than one operating segment.



Source: KPMG in India analysis, 2025 based on the primary data gathered from disclosures made by provided companies

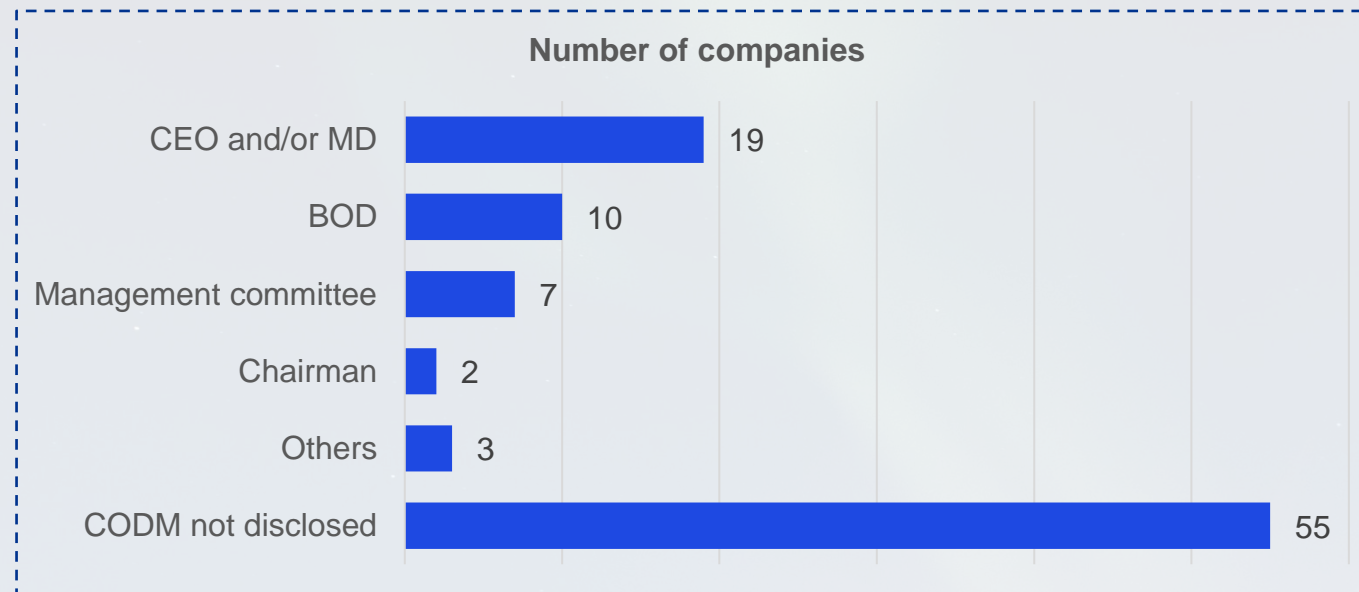


### Our analysis:

The above broad categories have not been specifically called out by the covered companies and is interpreted and determined based on the description of the segments in the respective financial statements, by KPMG in India solely for the purpose of this analysis. For most companies segment based on products/ services or line of business which aligns with the understanding that internal reporting often follows these dimensions. Fewer companies use customer type or geography as the primary basis, suggesting these are secondary considerations for most businesses. Few companies used a combination e.g. products and geography.

# Who was identified as the CODM?

Under applicable accounting standards, the term Chief Operating Decision Maker (CODM) is defined by function rather than title. The CODM refers to the individual or group responsible for allocating resources and assessing the performance of operating segments. While Chief Executive Officers (CEOs) and Chief Operating Officers (COOs) are traditionally recognised as CODMs, recent practices show a shift towards identifying executive committees, management committees, or Boards of Directors (BOD) as CODMs. This chart represents the CODM identified across 96 covered companies.



Source: KPMG in India analysis, 2025 based on the primary data gathered from disclosures provided by covered companies



## Our analysis:

Although Ind AS 108 does not mandate the disclosure of the CODM, our review of segment disclosures across 96 companies revealed varied practices in identifying the CODM. Out of the 55 companies that did not disclose the CODM, 32 companies were companies which had a single operating segment. Among the companies that disclosed the CODM, CEO, CEO and/or MD were the most common, followed by the BOD in 10 companies and the Management Committee in 7 companies. 'Others' included group management, management, etc. Interestingly, there was no consistent sector-specific trend in CODM identification, suggesting that the CODM composition is more influenced by organisational decision-making frameworks than by industry norms.



## Restatements in segment disclosure

As per Ind AS 108, if an entity changes its internal structure, causing a change in reportable segments, it is mandated to restate prior period segment information (including interim periods) unless the information is unavailable or the cost of developing it is excessive. If restatement is not done, a company is required to disclose current period segment information on both the old and new bases of segmentation, along with an explanation. In our review of the financial statements, restatement instances were relatively few. Out of the 96 companies analysed, only 5 companies reported restatements, and the reasons cited were

primarily strategic or methodological in nature such as:

- Companies split previously aggregated 'other' segments into more detailed segments, largely driven by changes in the business environment, new or emerging business opportunities, strategic realignment or increased materiality of previously minor segments.
- Companies revised the method used to calculate segment results, segment assets and segment liabilities to improve transparency, align with internal practices, and comply with updated regulatory guidance.



## Other considerations - disclosures

An important aspect of segment disclosures under Ind AS 108 relates to entity-wide disclosures, which are required in addition to operating segment information. These disclosures apply to all entities, including those with a single reportable segment, unless the information is unavailable or the cost of developing it is excessive. These disclosures offer users of financial statements a broader understanding of the nature and extent of a company's operations, especially when segment information is limited or aggregated. Entity-wide disclosures typically include:

- Revenue from external customers by each product and service or group products and services
- Geographical information, including revenues from external customers and non-current assets by location
- Information about major external customers
- The application of the above disclosures' requirement varied across the covered companies.

Ind AS 115, *Revenue from Contracts with Customers*, also requires disclosures on the disaggregation of revenue streams. Ensuring consistency between these disclosures and those under Ind AS 108 enhances transparency and helps users better understand the financial statements.

Our analysis revealed instances where the revenue note presented more aggregated information compared to operating segment disclosures, or where different bases were used for disaggregation, for example, revenue broken down by geography in one case, and detailed product-level disaggregation in another.

Companies should be mindful in terms of ensuring consistency in these disclosures as aligning these ensures transparency, comparability, and a clear link between how the business is managed internally and how performance is communicated externally.

## Business segments vs CGUs

The identification of Cash Generating Units (CGUs) is a key aspect of impairment testing under Ind AS 36, *Impairment of Assets*. Ideally, CGUs should represent the smallest group of assets that generate largely independent cash inflows, and their identification should be consistent with how management monitors and reports business performance. This section explores whether the covered companies maintained alignment between their segment disclosures and the CGU identification used for impairment testing.

Among the 63 companies that reported more than one business segment, we observed that details of CGUs were available in the financial statements of 42 companies. Out of these, 13 companies aligned CGUs with operating segments, others adopted alternative approaches such as defining CGUs at the business unit level, geographical level, or subsidiary level - with business unit and subsidiary levels being more prevalent alongside operating segment alignment.

## Bottom line

Segment disclosures are key to transparent financial reporting, offering stakeholders a clear view of performance drivers and risk profiles. This granularity enables investors, analysts, and regulators to assess the sustainability of earnings, evaluate resource allocation, and make more informed decisions. Our analysis underscores that while the top listed companies are broadly aligned with the requirements of Ind AS 108, there remains variability in how segment information is interpreted and disclosed. This variability is influenced by sectoral characteristics, internal governance

structures, and strategic reporting choices. By strengthening alignment between internal management views and external disclosures, improving CODM transparency, and ensuring coherence across segment, MD&A and revenue disclosures, companies can further elevate investor confidence.

As regulatory expectations and investor scrutiny continue to rise, robust and consistent segment reporting will be key to building trust, enabling informed decision-making, and supporting sustainable growth in India's capital markets.

