

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Name of the Entity: [Insert Name of the Entity Here]

1. Background of the Business / Entity

[Provide a brief background of the entity and its business operations here.]

2. Summary of Significant Accounting Policies

a. Basis of Preparation

The financial statements are prepared under the historical cost convention on an accrual basis of accounting (OR Cash Basis, as applicable). They adhere to generally accepted accounting principles and the mandatory accounting standards issued by the Institute of Chartered Accountants of India. Accounting policies, in all material respects, have been consistently applied by the Entity and are consistent with those in the previous year.

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b. Estimates and Assumptions

Estimates and assumptions used in preparing the financial statements are based on management's evaluation of relevant facts and circumstances as of the financial statement date. Differences between actual results and estimates are recognized in the period in which the results are known/materialized. The preparation of financial statements requires management to make judgments, estimates, and assumptions affecting reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities. While based on the best knowledge of current events, uncertainties in these assumptions and estimates could lead to material adjustments to carrying amounts of assets or liabilities in future periods.

c. Changes in Accounting Policies

Details of any changes in accounting policy are to be provided here.

Property, Plant and Equipment

Tangible Assets:

Stated at cost less accumulated depreciation and impairment losses, if any.

Cost comprises purchase price, borrowing costs (if capitalization criteria are met), and any cost attributable to bringing the assets to their working condition for intended use (including taxes, freight, installation, and allocated incidental expenditure during construction/acquisition, and exclusive of Input Tax Credit).

Parts of tangible assets with different useful lives are accounted for as separate major components.

For depreciation and gain/loss on disposal, the Block of Assets concept as per the Income Tax Act, 1961, is adopted.

Depreciation rates specified under Income Tax regulations are used (Caution: qualification required in Audit Report)

Depreciation on assets used for less than 180 days in the purchase year is calculated at 50% of the above rates.

Intangible Assets:

Acquired intangible assets are capitalized at acquisition price.

Internally generated intangible assets are recorded at reliably measurable cost during the development phase, when future economic benefits are probable.

Assets Acquired as Lease:

Finance Leases: Leases transferring substantially all risks and rewards of ownership are capitalized at the lower of the asset's fair value or present value of minimum lease payments at inception.

Operating Leases: Lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Cost of leasehold land is amortized over the lease period.

Leasehold improvements and assets acquired on finance lease are amortized over the lease term or useful life, whichever is lower.

Advances paid towards the acquisition of Property, Plant and Equipment:

Outstanding advances are shown under capital advances.

Cost of Property, Plant and Equipment not ready for intended use is disclosed under capital work-in-progress.

d. Impairment of Assets

Carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment based on internal/external factors. An impairment loss is recognized when the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation/amortization is provided on the revised carrying amount over its remaining useful life.

e. Borrowing Costs

Incurred for the Purchase of Property, Plant and Equipment:

Borrowing cost includes interest, amortization of ancillary costs, and exchange differences from foreign currency borrowings to the extent they adjust the interest cost. Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets (those taking a substantial period to get ready for use) are capitalized. All other borrowing costs are recognized as expenditure in the period incurred.

f. Foreign Currency Transactions

Initial recognition: Foreign currency transactions are recorded by applying the exchange rate at the date of the transaction.

Conversion:

Foreign currency monetary items are reported using the closing rate.

Non-monetary items carried at historical cost are reported using the exchange rate at the transaction date.

Non-monetary items carried at fair value are reported using exchange rates existing when such values were determined.

Exchange differences: Arising on settlement of monetary items or on reporting them at different rates are recognized as income or expenses in the year they occur.

Forward Exchange Contracts (if applicable):

The Entity uses foreign exchange forward contracts to hedge exposure to foreign exchange movements, generally with banks and not for trading/speculation.

For contracts hedging existing foreign currency risk: Premium or discount is amortized as income or expense over the contract life. Profit or loss on cancellation or renewal is recognized as income or expense for the period.

Exchange difference on such contracts is calculated as the difference between the foreign currency amount translated at the Balance Sheet date (or settlement date) and the same amount translated at the later of inception date or last reporting date. Such differences are recognized in the Profit and Loss Account in the reporting period of exchange rate change.

For contracts hedging highly probable transactions or firm commitments: Valued at fair value at each Balance Sheet date. Resultant losses are recognized in the Profit and Loss Account. Resultant gains are generally not accounted for unless they reverse previously recognized fair valuation losses.

g. Investments

Initial Recognition: All investments are measured at cost, comprising purchase price and directly attributable acquisition charges (brokerage, fees, duties).

If acquired by issuing shares/securities, acquisition cost is the fair value of securities issued.

If acquired in exchange for another asset, acquisition is determined by reference to the fair value of the asset given up or acquired, whichever is more clearly evident.

Current investments are carried at the lower of cost and fair value determined individually.

Long-term investments are carried at cost. Provision for diminution in value is made for declines other than temporary.

On disposal, the difference between carrying amount and net disposal proceeds is charged or credited to the Profit and Loss Account.

h. Investment Property

An investment in land or buildings not intended for substantial use by the Entity is classified as investment property. Stated at cost, net of accumulated depreciation and impairment losses, if any. Cost comprises purchase price and directly attributable cost of bringing the property to its working condition. Depreciation on the building component is calculated on a straight-line basis using the rate derived from the useful life estimated by management (e.g., ____% depreciation rate). This is deducted from income generated from the investment property. On disposal, the difference between carrying amount and net disposal proceeds is charged or credited to the Profit and Loss Account.

i. Revenue Recognition

Revenue is recognized when it's probable economic benefits will flow to the Entity and revenue can be reliably measured.

Revenue from sale of goods: Recognized when significant risks and rewards of ownership are transferred to the buyer, recorded net of trade discounts, rebates, Sales Tax, Value Added Tax, Goods and Service Tax, and gross of Excise Duty.

Revenue from services: Recognized pro-rata over the contract period as services are rendered and collectability is reasonably assured. Recognized net of Goods and Service Tax.

'Unbilled receivables' (included in other current assets) represent cost and earnings in excess of billings.

'Unearned revenues' (included in other current liabilities) represent billing in excess of revenue recognized.

Interest Income: Recognized on a time proportion basis taking into account the outstanding amount and applicable interest rate.

Dividend Income: Recognized when the Entity's right to receive dividend is established.

Retirement and Other Employee Benefits

Defined Contribution Plan:

The Entity makes defined contributions to Government Employee Provident Fund, Government Employee Pension Fund, Employee Deposit Linked Insurance, ESI, and Superannuation Schemes.

These are recognized in the Profit and Loss Account on an accrual basis.

The Entity has no further obligations beyond monthly contributions.

Defined Benefit Plan - Gratuity:

The Entity provides for retirement benefits in the form of Gratuity.

Accounted for on the basis of an actuarial valuation at the Balance Sheet date.

In accordance with the Payment of Gratuity Act, 1972, the plan provides for lump sum payments on retirement, death, or termination (15 days basic salary per completed year of service). Vesting occurs after five years of service.

Present value of obligation determined by the projected unit credit method, adjusted for past service cost and fair value of plan assets.

Resultant actuarial gain or loss (on change in present value of obligation or return on plan assets) is recognized as income or expense in the Profit and Loss Account.

Expected return on plan assets is based on assumed rate of return.

The Entity contributes to a fund set up by Life Insurance Entity of India/trust managed by the Entity.

Other Long-Term Benefits:

Leave Encashment - Encashable:

Employees are entitled to ___ days leave per calendar year, accumulable up to ___ days.

Liability for unavailed leave is provided at year-end per actuarial valuation using the Projected Unit Credit Method.

The Entity contributes to a fund set up by Life Insurance Entity of India/trust managed by the Entity.

Actuarial gains and losses are recognized in the Profit and Loss Account as incurred.

Leave Encashment - Not Encashable:

Employees are entitled to __ days leave per calendar year, accumulable up to __ days. No encashment is permissible.

Liability for unavailed leave is provided at year-end per actuarial valuation using the Projected Unit Credit Method.

Liabilities for this type of leave are unfunded.

Actuarial gains and losses are recognized in the Profit and Loss Account as incurred.

j. Cash and Cash Equivalents

Include cash in hand, demand deposits with banks, and other short-term highly liquid investments with original maturities of three months or less.

k. Inventories

Raw materials, components, stores and spares, and packing material: Valued at lower of cost and net realisable value. However, these items are considered realisable at replacement cost if finished goods (in which they are used) are expected to be sold below cost.

Cost of inventories is computed on a weighted-average/FIFO basis.

Cost includes purchase price (excluding recoverable taxes), freight inwards, and other expenditure incurred to bring inventories to their present location and condition.

Work in progress and manufactured finished goods: Valued at the lower of cost and net realisable value.

Cost of work in progress and manufactured finished goods is determined on a weighted average basis, comprising direct material, cost of conversion, and other costs to bring them to their present location and condition.

Cost of traded goods is determined on a weighted average basis.

Provision for obsolescence on inventories is based on management's estimate considering demand and market.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Comparison of cost and net realisable value is made on an item-by-item basis.

I. Income Taxes

Tax expense comprises current tax, deferred tax, and Minimum Alternate Tax (MAT) credit (where applicable). Provision for current tax is made based on estimated taxable income for the current year in accordance with the Income-tax Act, 1961. Current tax assets and liabilities are offset when there's a legally enforceable right to set off and an intention to settle on a net basis. Deferred tax for timing differences is accounted for using tax rates and laws substantively enacted as of the reporting date. Deferred tax charge/credit and corresponding liabilities/assets reflect tax effects of timing differences. Deferred tax assets are recognized only to the extent there is reasonable certainty of realization in the future. For unabsorbed depreciation or carry forward of losses, recognition requires virtual certainty of realization. Deferred tax assets are reviewed at each balance sheet date and adjusted to reflect the amount reasonably/virtually certain to be realized. At each reporting date, the Entity reassesses any unrecognized deferred tax assets. Alternate Minimum Tax (AMT) paid is charged to the Profit and Loss Account as current tax. AMT credit available is recognized as an asset only if there is convincing evidence that the Entity will pay normal income tax during the specified period. When AMT credit is recognized, it's created by crediting the Profit and Loss Account and shown as "AMT Credit Entitlement." The "AMT credit entitlement" asset is reviewed at each reporting date and written down if convincing evidence of normal tax payment during the specified period is lacking.

m. Contingent Liability, Provisions and Contingent Asset

The Entity creates a provision when there is a present obligation resulting from a past event, it probably requires an outflow of resources, and a reliable estimate of the amount can be made. Provisions are not discounted to present value and are determined based on management's estimate required to settle the obligation at the balance sheet date. They are reviewed and adjusted at each balance sheet date. Contingent Liabilities are disclosed when there is a possible obligation or a present obligation where a cash outflow is not probable, or a reliable estimate cannot be made. Contingent assets are neither recorded nor disclosed in the financial statements.

n. Government Grants and Subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that:

The Entity will comply with the conditions attached.

The grant/subsidy will be received.

Revenue-related grants/subsidies: Recognized as income on a systematic basis in the Profit and Loss Account over periods necessary to match them with related costs.

Asset-related grants: Recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

OR: The grant is shown as a deduction from the gross value of the asset concerned, recognizing it in the profit and loss statement over the useful life of a depreciable asset through reduced depreciation.

Non-monetary grants:

If acquired, accounted for on the basis of its acquisition cost.

If given free of cost, recognized at a nominal value.

Government grants of the nature of promoters' contribution: Credited to capital account and treated as part of Partners' Funds / Capital.

OR: Credited to capital reserve and treated as part of shareholders' funds.

The nature and extent of government grants recognized, including non-monetary assets given at a concessional rate or free of cost, are as per below:

(a) [Details]

(b) [Details]

(c) [Details]

o. Segment Reporting

Accounting policies for segment reporting conform to the Entity's overall accounting policies. The Entity's operating businesses are organized and managed separately based on product/service nature, with each segment representing a strategic business unit. Geographical segment analysis is based on areas where major operating divisions operate. Inter-segment revenue is accounted for based on agreed transaction prices, primarily market-based. Unallocated items include general corporate income and expense items not allocated to any business segment.

p. Leases

As a Lessee:

Finance leases: Capitalized at inception at the lower of fair value of leased property and present value of minimum lease payments.

Lease payments are apportioned between finance charges and reduction of lease liability to achieve a constant interest rate on the remaining balance.

Finance charges are recognized as finance costs in the Profit and Loss Account.

Lease management fees, legal charges, and other initial direct costs are capitalized.

A leased asset is depreciated on a straight-line basis over its useful life. If there's no reasonable certainty of obtaining ownership, the asset is depreciated over the shorter of its estimated useful life and the lease term.

Operating leases: Lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

As a Lessor:

Finance leases: Assets given under finance lease are recognized as a receivable equal to the net investment in the lease.

Lease rentals are apportioned between principal repayment and interest income to achieve a constant periodic rate of return on the net investment outstanding.

Interest income is recognized in the Profit and Loss Account.

Initial direct costs (legal costs, brokerage costs, etc.) are recognized immediately in the Profit and Loss Account.

Operating leases: Assets subject to operating leases are included in property, plant and equipment.

Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term.

Costs, including depreciation, are recognized as an expense in the Profit and Loss Account.

Initial direct costs (legal costs, brokerage costs, etc.) are recognized immediately in the Profit and Loss Account.