

GEI INDUSTRIAL SYSTEMS LIMITED

REGD OFFICE: 26-A, INDUSTRIAL AREA, GOVINDPURA, Bhopal – 462023 (MP)

LIMITED REVIEW REPORT

2017-18

Auditors:

Shikha Tiwari & Associates

Chartered Accountants

Office: Flat no 9, 3rd Floor, Harikrishna Arcade, MP Nagar Zone II, Bhopal (MP)

Phone: 0755-4276327, Email. ca.shikhatiwari@gmail.com

We conducted our limited review in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the limited review to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An limited review involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design limited review procedures that are appropriate in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified limited review opinion on the standalone financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of Balance Sheet, of the state of affairs of the Company as at 31 March, 2018; and
- b) In the case of Statement of Profit and Loss, of the loss of the Company for the year ended on that date.

Other Matters



Limited Review Report

To,

The Members of,

GEI INDUSTRIAL SYSTEM LTD.

Report on the Standalone Financial Statements

We have conducted the limited review of accompanying standalone financial statements of GEI Industrial Systems Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to conduct limited review on these standalone financial statements based on our review.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the limited review report under the provisions of the Act and the Rules made thereunder.



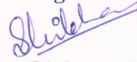
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- i) The company has not accounted for interest on Inter Corporate Deposits (ICD's) during the year. The total outstanding as on March 31st, 2018 was Rs. 1362.77 Lacs;
- ii) The company has not make provision for workmen's compensation during the year. The total amount payable is Rs. 658.30 Lacs.;
- iii) The financials were prepared without incorporating figures of subsidiary – GEI Power Limited;
- iv) Liability on account of interest on various borrowings from financial institutions, which has not been provided for in the accounts on account of litigation or classification as NPA is Rs. 390134850 (estimated).; and
- v) Other than above, those reported in Notes to the Accounts.

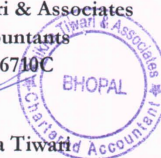
Report on Other Legal and Regulatory Requirements

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our limited review;
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The balance sheet and the statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- i. the Company has pending litigation as of March, 2018 and the known contingent amount is mentioned in notes to the accounts;
- ii. the Company has not any foreseeable losses on long-term contracts including derivative contracts

For Shikha Tiwari & Associates
Chartered Accountants
Firm Reg no 016710C


CA Shikha Tiwari
(Partner)

Place: Bhopal
Date: 30.10.2018



GEI INDUSTRIAL SYSTEMS LTD.

BALANCE SHEET AS AT 31ST MARCH, 2018

	NOTES	AS AT 31ST MARCH 2018	AS AT 31ST MARCH 2017
Shareholders' Funds			
Share Capital	1	196,792,480	196,792,480
Reserves & Surplus	2	-1,317,806,824	-227,939,656
		-1,121,014,344	-31,147,176
Long-term borrowings	3	839,982,390	839,982,390
Current Liabilities			
Short-term Borrowings	4	1,657,443,147	1,665,832,215
Trade Payables	5	54,012,961	55,376,353
Other Current Liabilities	6	278,614,717	1,993,569,630
TOTAL		1,709,038,872	2,802,404,844
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	7	407,663,915	457,841,789
Intangible Assets			0
		407,663,915	457,841,789
OTHER NON-CURRENT ASSETS	8	220,899,110	925,158,314
Non-Current Investments	9	266,297,508	266,297,508
Long Term Loans and Advances		-	-
Current Assets			
Current Investments	10	497,016	497,016
Inventories	11	29,423,688	353,208,034
Trade Receivables	12	616,490,497	630,552,820
Cash and Bank Balances	13	18,310,078	18,310,077
Short Term Loans / Advances	14	102,992,806	103,197,247
Other Current Assets	15	46,464,254	47,342,038
		814,178,339	1,153,107,233
Miscellaneous Expenditure (to the extent not written off or adjusted)		-	-
TOTAL		1,709,038,872	2,802,404,843

Significant Accounting policies

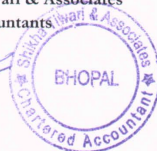
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As per our report of even date
For, Shikha Tiwari & Associates
Chartered Accountants
FRN - 016710C

Shikha Tiwari
Partner
M. No. 412886
Date - 31.10.2018
Place - Bhopal



For and on behalf of the Board of Directors

C E Fernandes
DIN - 00054508
Chairman & Managing Director

GEI INDUSTRIAL SYSTEMS LTD.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

	Notes	2017-18	2016-17 (Amount in Rs.)
INCOME			
Revenue from Operations	16	0	-
Other Income	17	649,835	2,629,852
Prior Period Item	18	11,400,000	204,093,882
Total Revenue		12,049,835	206,723,734
EXPENDITURE:			
Prior Period Item	19	-	200,915,217
Cost of Materials consumed/Diminution in value	20	1,028,043,550	8,879
Employee Benefits/ Expenses	21	12,112,652	8,843
Finance Costs	22	7,824	1,062,805
Depreciation and Amortisation Exp	23	50,177,874	59,785,783
Other Expenses	24	11,575,103	21,990,232
Total Expenses		1,101,917,003	283,771,760
Profit /Loss (-) before Exceptional Items & Tax		(1,089,867,168)	(77,048,026)
Exceptional Items			
Provision for Liquidated Damages			
Provision for Bad Debts			
Profit /Loss(-) before Taxation		(1,089,867,168)	(77,048,026)
Provision for Taxation		-	-
Profit/Loss(-) for the year		(1,089,867,168)	(77,048,026)

Significant Accounting policies

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As per our report of even date
For, Shikha Tiwari & Associates
Chartered Accountants
FRN - 016710C

Shikha
Shikha Tiwari
Partner

M. No. 412886
Date - 31.10.2018
Place - Bhopal

For and on behalf of the Board of Directors

C E Fernandes
C E Fernandes
DIN -

Chairman & Managing Director

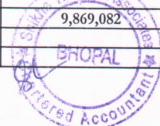
NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

1 SHARE CAPITAL	AS AT 31ST MARCH, 2018 (Amount in Rs.)	AS AT 31ST MARCH, 2017 (Amount in Rs.)
Authorised Share Capital:		
231,25,000 Equity Shares of Rs. 10 each	231,250,000	231,250,000
30,00,000 (9%)Cumulative Redeemable Preference shares of Rs. 10 each	30,000,000	30,000,000
25,55,000 (5%)Cumulative Convertible Preference Shares of Rs. 250 each	638,750,000	638,750,000
	900,000,000	900,000,000
Issued, Subscribed and Paid up:		
1,96,79,248 Equity Shares of Rs. 10 each	196,792,480	196,792,480
	196,792,480	196,792,480

2 RESERVES & SURPLUS	AS AT 31ST MARCH, 2018 (Amount in Rs.)	AS AT 31ST MARCH, 2017 (Amount in Rs.)
General Reserve	15,675,000	15,675,000
Securities Premium Account	1,113,247,230	1,113,247,230
Revaluation Reserve		
As per last Balance Sheet	103,797,031	103,797,031
Less: Transferred to Profit & Loss Account	-	-
	103,797,031	103,797,031
	1,232,719,261	1,232,719,261
Capital Redemption Reserve Account		
	30,000,000	30,000,000
Profit and Loss Account		
As per last Balance Sheet	(1,490,658,917)	(1,413,610,891)
Total	(1,490,658,917)	(1,413,610,891)
Dividend on Preference Shares	-	-
Tax on Dividend	-	-
Add: Profit for the year	(1,089,867,168)	(77,048,026)
	(2,580,526,085)	(1,490,658,917)
TOTAL	(1,317,806,824)	(227,939,656)

3 LONG TERM BORROWINGS	(Amount in Rs.)	(Amount in Rs.)
	Non-Current	Non-Current
Secured		
L&T Finance Ltd.	4681411	4,681,411
MP Financial Corporation	2155389	2,155,389
HDFC Bank Ltd. - Vehicle Loan	2179066	2,179,066
Kotak Mahindra Prime Ltd. - Car Loan	68777.6	68,778
LIC of India (Short term loan)	14022876	14,022,876
ICICI Bank Ltd. - Car Loan	784438	784,438
Axis Bank (FTTL)	75759090.36	75,759,090
Axis Bank (WCTL)	241424401.5	241,424,402
IDBI FTTL	60971221	60,971,221
IDBI WCTL	285903505	285,903,505
SBI WCTL	152032214	152,032,214
SUB TOTAL	9,869,082	9,869,082
Unsecured		
	9,869,082	9,869,082
TOTAL	830,113,308	830,113,308

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4	SHORT TERM BORROWINGS	AS AT		AS AT	
		31ST MARCH, 2018		31ST MARCH, 2017	
		(Amount in Rs.)		(Amount in Rs.)	
	Secured				
	From ICICI Bank Ltd.	237382377.4		237,382,377	
	From IDBI Bank Ltd.	115136672.5		115,136,673	
	From State Bank of India	149022289		149,022,289	
	From Axis Bank Ltd.	80449414.76		80,449,415	
	From Yes Bank Ltd.	91099340.47		91,099,340	
	From Kotak Mahindra Bank Ltd.	61970280		61,970,280	
	From Standard Chartered Bank Ltd.	117161320		117,161,320	
		852,221,694		852,221,694	
	BILL DISCOUNTING				
	SBI Global Factors Ltd.	154136197		154,136,197	
	IFCI Factors Ltd.	159079579		159,079,578	
	IDBI Bank Ltd.	-61653.9	313,154,122	(61,654)	313,154,121
	Unsecured				
	Other Loans and Advances:				
	Related parties	52332137.9		52,698,049	
	Others	600000		600,000	
	Inter corporate and other deposits	136277723		136,277,723	
	Others				
	From Banks				
	Citibank Ltd.	265691844.3		273,715,002	
	HSBC Ltd.	37,165,626		37,165,626	
		492,067,331		500,456,400	
		1,657,443,147		1,665,832,215	

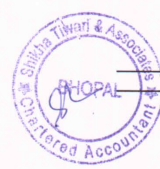
5	TRADE PAYABLES	AS AT		AS AT	
		31ST MARCH, 2018		31ST MARCH, 2017	
		(Amount in Rs.)		(Amount in Rs.)	
	Micro small and medium enterprises				
	Others	54012961.48		55,376,353	
		54,012,961		55,376,353	

6	OTHER CURRENT LIABILITIES	AS AT		AS AT	
		31ST MARCH, 2018		31ST MARCH, 2017	
		(Amount in Rs.)		(Amount in Rs.)	
	Creditors for expenses	30932086		30,954,586	
	Advance from customers	-79869928.32		(86,949,844)	
	Other payables *	327552559.8		328,356,320	
	TOTAL	278,614,717		272,361,062	

*Including Statutory dues and subject to inter-group adjustments

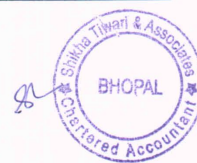
8	OTHER NON-CURRENT ASSETS	AS AT		AS AT	
		31ST MARCH, 2018		31ST MARCH, 2017	
		(Amount in Rs.)		(Amount in Rs.)	
	Doubtful debts	220899110		220,899,110	
	Non-moving stock WIP	0		704,259,204	
	Total Other non-current Assets	220,899,110		925,158,314	

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(Amount in Rs.)										
FIXED ASSETS										
Description	Gross block				Depreciation / Amortisation				Net Block	
	As at 01.04.2017	Addition	Deduction Adjustment/ Transfer	As at 31.03.2018	As at 01.04.2017	For the year	Deduction / Adjustment	Upto 31.03.2018	As at 31.03.2018	As at 31.03.2017
A. TANGIBLE ASSETS:										
OWN ASSETS:										
Land	69,096,000	-	-	69,096,000	-	-	-	-	69,096,000	69,096,000
Building	152,675,422	-	-	152,675,422	80,490,514	5,089,180	-	85,579,694	67,095,728	72,184,908
Machinery	508,616,022	-	-	508,616,022	227,214,958	33,597,215	-	260,812,173	247,803,849	281,401,064
Auxiliary Equipments	88,187,985	-	-	88,187,985	64,900,569	6,168,334	-	71,068,903	17,119,082	23,287,416
Electrical Installations	7,509,490	-	-	7,509,490	7,127,817	381,673	-	7,509,490	-	381,673
Patterns	401,897	-	-	401,897	332,904	8,931	-	341,835	60,062	68,993
Furniture	12,145,267	-	-	12,145,267	9,480,952	779,605	-	10,260,557	1,884,710	2,664,315
Office Equipments	12,602,368	-	-	12,602,368	12,499,945	102,423	-	12,602,368	-	102,423
Computers	29,356,083	-	-	29,356,083	29,356,083	-	-	29,356,083	-	-
Vehicles	26,807,030	-	-	26,807,030	20,377,496	1,825,050	-	22,202,546	4,604,484	6,429,534
Total Tangible Assets - A	907,397,564	-	-	907,397,564	451,781,238	47,952,411	-	499,733,649	407,663,915	455,616,326
B. INTANGIBLE ASSETS:										
OWN ASSETS:										
Intangible Assets	44,464,344	-	-	44,464,344	42,238,881	2,225,463	-	44,464,344	-	2,225,463
Software	13,818,224	-	-	13,818,224	13,818,224	0	-	13,818,224	-	-
Total Intangible Assets - B	58,282,568	-	-	58,282,568	56,057,105	2,225,463	-	58,282,568	-	2,225,463
Grand Total (A + B)	965,680,132	-	-	965,680,132	507,838,343	50,177,874	-	558,016,217	407,663,915	457,841,789
Less : Revaluation										
Net	965,680,132	-	-	965,680,132	507,838,343	50,177,874		558,016,217	407,663,915	457,841,789
Previous Year	965,680,132	-	-	965,680,132	448,052,560	59,785,783	(2,271,524)	507,838,343	457,841,789	517,627,572

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Note – 25 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of financial Statements

The financial statements have been prepared in accordance with the generally Accepted accounting principles and as per the provisions of the Companies Act, 2013 as adopted consistently by the company.

B. Use Of Estimates

The preparation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period in which the results are known/materialized.

C. Fixed Assets

Fixed assets are stated at cost net of recoverable taxes and include amounts added on revaluation, less accumulated depreciation and impairment loss, if any. All costs, including financing costs till commencement of commercial production/up to the date asset is put to use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized.

D. Intangible assets

Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/ depletion. All costs, including costs till commencement of commercial production net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets are capitalized.

E. Depreciation and Amortization

Depreciation on fixed assets is provided to the extent of depreciable amount on written Straight line method (SLM) at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013.

F. Impairment of Assets

An assets is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

G. Foreign Currency Transactions

- (a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of transaction.



- (b) Monetary items denominated in foreign currencies at the yearend are restated at the yearend rates. In case of items which are covered by forward exchange contracts, the difference between the yearend rate and rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- (c) Non monetary foreign currency items are carried at cost.
- (d) Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

H. Investment

Current investments are carried at cost. Long term investments are stated at cost.

Provision for diminution in the value of investments is made only if such a decline is other than temporary.

I. Inventories

The inventory of company comprises of raw material, WIP, finished goods and consumable stock. The valuation of such stock is done on the basis of cost or net realizable value, whichever is less.

J. Revenue recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations include sale of goods, services, sales tax and excise duty adjusted for discount (net) and Value Added Tax (VAT). Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable or as certified by financial institution.

Project related activity and contracts are recognized by applying percentage completion to the contract value determined as a proportion of the cost incurred to-date to the total estimated cost.

K. Employee Benefits

- (i) The company has not recognized claims of staff and workers for the accounting year. The total claim amount is Rs. 658.30 Lacs.

L. Claims by/ against the company

- (i) Claims for liquidated damages against the company are recognized in accounts based on management's assessment of the probable outcomes with reference to the available information supplemented by experience of similar transactions.



- (ii) Claims for export incentives/duty drawbacks/duty refunds and insurance claims etc., if any, are taken into account on accrual basis.
- (iii) Amounts due in respect of price escalation claims and /or variation in contract work are recognized as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.
- (iv) As per information provided by the management, the following are claims of Department of Revenue (Central and State government) :-

Sr. No	Nature of dues	Year	Amount (Rs.)	Forum where the dispute is pending
1	Central Sales-tax	2006-07	17,47,280	Board of Revenue
2	Central Sales-tax	2007-08	8,39,541	Board of Revenue
3	Central Sales-tax	2008-09	41,35,024	Board of Revenue
4	Central Sales-tax	2009-10	1,66,859	Board of Revenue
5	Income-tax	2006-07	35,76,166	Commission of Income-tax
6	Income-tax (TDS)	2012-13 & 13-14	5,75,82,411	Dy. Commission of Income-tax

- (v) Several other staff workers, financial institutions and other institutions (Inter Corporate Deposit's provider) had filed suit against the company which is pending against court of law.

M. Borrowing Costs

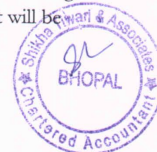
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use. All other Borrowing costs are charged to profit and loss account.

N. Provision for current and deferred tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantially enacted as on the balance sheet date. Deferred tax asset is recognized and carried forward only to the extent that is a virtual certainty that the asset will be realized in future.

O. Provisions, Contingent Liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as result of past events and it is probable that will be



- (i) An outflow of resources - Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.
- (ii) Liability on account of interest on various borrowings from financial institutions, which has not been provided for in the accounts on account of litigation or classification as NPA is Rs. 390134850 (estimated). The liability against guarantee (corporate guarantee given to bank/financial institutions against loans to subsidiary company GEI power Limited and performance guarantee in respect of others is Rs. 1193160078. However no documentary evidence was available to substantiate the claim.
- P. Previous year's figure has been regrouped, rearranged and reclassified wherever found necessary.



Note – 25 - SIGNIFICANT ACCOUNTING POLICIES

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B. Use Of Estimates

The preparation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period in which the results are known/materialized.

C. Fixed Assets

Fixed assets are stated at cost net of recoverable taxes and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. All costs, including financing costs till commencement of commercial production/up to the date asset is put to use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized.

D. Intangible assets

Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/ depletion. All costs, including costs till commencement of commercial production net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets are capitalized.

E. Depreciation and Amortization

Depreciation on fixed assets is provided to the extent of depreciable amount on written Straight line method (SLM) at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013.

F. Impairment of Assets

An assets is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

G. Foreign Currency Transactions

(a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of transaction.



- (b) Monetary items denominated in foreign currencies at the yearend are restated at the yearend rates. In case of items which are covered by forward exchange contracts, the difference between the yearend rate and rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- (c) Non monetary foreign currency items are carried at cost.
- (d) Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

H. Investment

Current investments are carried at cost. Long term investments are stated at cost.

Provision for diminution in the value of investments is made only if such a decline is other than temporary.

I. Inventories

Inventories are stated at their book values as management has not provided net realizable value of stock.

J. Revenue recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations include sale of goods, services, sales tax and excise duty adjusted for discount (net) and Value Added Tax (VAT). Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable or as certified by financial institution.

Project related activity and contracts are recognized by applying percentage completion to the contract value determined as a proportion of the cost incurred to-date to the total estimated cost.

K. Employee Benefits

- (i) The company has not recognized claims of staff and workers for the accounting year.

L. Claims by/ against the company

- (i) Claims for liquidated damages against the company are recognized in accounts based on management's assessment of the probable outcomes with reference to the available information supplemented by experience of similar transactions.
- (ii) Claims for export incentives/duty drawbacks/duty refunds and insurance claims etc., if any, are taken into account on accrual basis.



- (iii) Amounts due in respect of price escalation claims and /or variation in contract work are recognized as revenue only when there are conditions in the contracts for such claims or variations and/or evidence of the acceptability of the same from customers. However, escalation is restricted to intrinsic value.
- (iv) Several other staff workers, financial institutions and other institutions (Inter Corporate Deposit's provider) had filed suit against the company which is pending against court of law.

M. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use. All other Borrowing costs are charged to profit and loss account.

N. Provision for current and deferred tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantially enacted as on the balance sheet date. Deferred tax asset is recognized and carried forward only to the extent that is a virtual certainty that the asset will be realized in future.

O. Provisions, Contingent Liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as result of past events and it is probable that will be

- (i) An outflow of resources - Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.
- (ii) Liability on account of interest on various borrowings from financial institutions, which has not been provided for in the accounts on account of litigation or classification as NPA is Rs. 220994949 (estimated). However no documentary evidence was available to substantiate the claim.

