

THE STATE TRADING CORPORATION OF INDIA LIMITED

SIGNIFICANT ACCOUNTING POLICIES – 2017-18

1. General Information

STC is a listed entity incorporated in India in 1956. The address of its registered office and branches are disclosed in Annual Report.. STC undertakes import and export of large number of bulk commodities such as rice, wheat, sugar, pulses, edible oils, fertilisers, coal, bullion, etc. It also undertakes import of mass consumption items like wheat, sugar, pulses, etc. as and when called upon by the Government to do so. STC's corporate office is at New Delhi. It has 13 branch offices spread across the country.

2. First time adoption of Indian Accounting Standards (Ind-AS)

The company has adopted Ind-AS, in accordance with Notification dated February 16, 2015 issued by Ministry of Corporate Affairs, Government of India, with effect from April 01, 2017 with a transition date on April 01, 2016.

3. Significant Accounting Policies applicable for the quarterly accounts :

3.1 Statement of Compliance and basis of preparation of Financial Statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) as notified by Ministry of Corporate Affairs, Government of India vide Notification dated February 16, 2015. Accounting policies have been applied consistently to all periods presented in these financial statements. The Financial Statements are prepared under historical cost convention from the books of accounts maintained under accrual basis except items covered under clause 3.5(v) and for certain financial instruments and defined benefit plan – plan assets, which are measured at fair value and in accordance with the Indian Accounting Standards prescribed under the Companies Act, 2013.

The Financial Statements up to the year ended March 31, 2017 were prepared in accordance with Indian Generally Accepted Accounting Practice (GAAP) which include Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the act.

3.2 Application of Indian Accounting Standards (Ind-AS)

As per MCA notification dated 16.02.2015, companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees five hundred crores need to comply with the requirements of Ind AS for its accounting period beginning on or after 01.04.2017.

All amounts included in the financial statements are reported in Crore of Indian rupees (Rupees in Cr.) except number of equity shares and per share data, unless otherwise stated.

3.3 Use of estimates and judgment

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3.4 Functional and presentation currency

These financial statements are presented in Indian rupees, the national currency of India, which is the functional currency of the Company.

3.5 Revenue Recognition

i. Trading Income

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable taking into account the amounts of trade discount and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that economic benefits associated with the transaction will flow to the entity, the associated costs incurred or to be incurred in respect of the transaction can be measured reliably and there is no continuing management involvement with the goods. The point of transfer of risks and rewards depends upon the terms of the contract of sale with individual customers.

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

ii. Cost of Sale and Sales

- a) Purchases and sales are recognised on the performance of contracts.
- b) In cases where contracts provide for crystallization of price or for price adjustment on a subsequent date, corresponding purchases and sales are booked on the basis of expected settlement price and any differential determined subsequently is accounted for at the time of final settlement. Cost of Sale and Sales are accounted for considering all costs and elements including usance interest on supplier's credit as provided for in the contract and incurred till the date of recognition including expenses incurred by and surplus accruing to Business

Associates as per contract terms.

- c) In respect of back-to-back / tripartite / joint-execution / third party arrangements, purchases and sales are booked on the basis of documents furnished by the Business Associate as adjusted for the fixed trade margin accruing to the Company.
- d) In case of dealings on behalf of the Government (including consignments under Government's Gift / Grant Scheme), purchases and sales and incidental expenses or income thereof are accounted for under the respective head of accounts. Surplus or deficit to Government Account, after adjusting company's margin accruing to the Company, is adjusted in Cost of Sales or Trade Income respectively.
- e) In case of certain commodities, import of which is canalised through the company, imported on 'government account' against authorisation letter issued by government of India, purchase/sale is booked in the name of company.
- f) High Sea Sales :
Sale during the course of import by transfer of documents of title i.e. High Sea Sale is booked upon transfer of documents of title to the goods in favour of buyer before the goods cross the customs frontiers of India.

iii. *Dividend and interest income*

Dividend income from investments is recognized when the Company right to receive payment has been established and it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iv. *Claims*

- a. *Pending settlement, certain expenses / gain/ losses like dispatch earned / demurrage payable etc. are accounted for on provisional basis on the best estimates of the Management .*
- b. Claims are recognized in the Statement of Profit & Loss if there is no uncertainty relating to its ultimate realization. Claims recognized in the Statement of Profit & Loss but on subsequently becoming doubtful are provided for through the Statement of Profit & Loss.

v. *Revenue Recognition on Actual Realization*

Income and expenses are accounted for on accrual basis except the following which are recognised on cash basis:-

- a) Claims for refund of excess insurance premium on open policies.
- b) Interest on loans to subsidiaries and on delayed payments of sales/ trade finance where realization is doubtful.
- c) Export benefits.
- d) Interest realisable from the items handled on Government account.
- e) Liquidated damages.
- f) Claims lodged with Insurance Companies.

3.6 Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in Statement of Profit and Loss except to the extent of exchange difference which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalised as cost of assets. Additionally, exchange gains or losses on foreign currency borrowings taken prior to April 1, 2016 which are related to the acquisition or construction of qualifying assets are adjusted in the carrying cost of such assets.

Non-monetary items that are measured in terms of historical costs in a foreign currency are recorded using the exchange rates at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or Statement Of Profit and Loss are also recognised in OCI or Statement Of Profit and Loss, respectively).

3.7 Property, Plant and Equipments

All Property, Plant and Equipments (PPE) are stated at carrying value in accordance with previous GAAP, which is used as deemed cost on the date of transition to Ind AS using the exemption granted under Ind AS 101.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of an item of PPE is the cash price equivalent at the recognition date. The cost of an item of PPE comprises:

- i) Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- ii) Costs directly attributable to bringing the PPE to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the company incurs either when the PPE is acquired or as a consequence of having used the PPE during a particular period for purposes other than to produce inventories during that period.

Subsequent expenditure related to an item of PPE is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing items of PPE, including day-to-day repair and maintenance expenditure, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of items of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

The company has chosen the cost model of recognition for an entire class of PPE. After recognition as an asset, an item of PPE is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under previous GAAP (Indian GAAP), land and buildings, were carried in the balance sheet on the basis of fair valuations performed in 2014-15. The Company has also determined that revaluation carried in 2014-15 does not differ materially from fair valuation as at 1 April 2016 (date of transition to Ind-AS). Accordingly, the Company has not revalued the property at 1 April 2016 again. The Company regards the fair value as deemed cost at the transition date, viz., 1 April 2016.

3.8 Intangible Assets

All Intangible Assets (Computer Software's) are stated at carrying value in accordance with previous GAAP, which is used as deemed cost on the date of transition to Ind AS using the exemption granted under Ind AS 101.

Identifiable intangible assets are recognized when the company controls the asset; it is probable that future economic benefits expected with the respective assets will flow to the company for more than one economic period; and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Cost comprises purchase price, import duties, non-refundable purchase tax, after deducting trade discount, rebate and any cost directly attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by Management. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible Assets are amortized over their useful life as determined by the Management.

Computer software's are amortized on straight line basis over a period of two and a half year beginning from the date of capitalization.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed prospectively. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for prospectively i.e. change in estimate in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

3.9 Depreciation

The depreciable amount of an item of PPE and investment properties is allocated on a straight line basis over its useful life. The residual value and the useful life of an asset are reviewed at each financial year-end. Each part of an item of PPE with a cost that is significant in relation to the total cost of the asset and useful life of that part is different from remaining part of the asset; such significant part is depreciated separately. Depreciation on all such items have been provided from the date they are 'Available for Use' till the date of sale / disposal and includes amortization of intangible assets and lease hold assets. Freehold land is not depreciated. An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Depreciation on PPE other than land is provided in accordance with useful life of assets specified in Schedule II of Companies Act, 2013 on straight-line method except intangible assets, which are depreciated over a period of 2 ½ years .

Leasehold land is amortised over the lease period. Land on perpetual lease is not amortised.

Depreciation on additions to/deductions from PPE during the year is charged on pro-rata basis from the date the asset is available for use till it is de-recognised.

3.10 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).. All of the Company's property interests held under operating leases to earn rentals

or for capital appreciation purposes are accounted for as investment properties.

Investment properties are measured initially at cost, including transaction costs. After initial recognition, the company measures investment property at cost less accumulated depreciation and accumulated impairment loss, if any.

All investment property are stated at carrying value in accordance with previous GAAP, which is used as deemed cost on the date of transition to Ind AS.

Investment properties to be depreciated in accordance to the class of asset that it belongs and the life of the asset shall be as conceived for the same class of asset by the Company.

Though investment property is measured using cost model, the fair value of investment property is disclosed in the notes. Fair values are determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.11 Impairment

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalue amount, in which case the impairment loss is treated as a revaluation decrease.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or

loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

At the end of each reporting period, the company reviews the carrying amounts of its tangible, intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3.12 Leases

Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

i. As a lessee

Finance leases are capitalised at the commencement of the lease. At the inception date leased property is recognised lower of fair value of the leased property or present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

ii. As a lessor

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Lease income from operating leases shall be recognized in income on a straight-line basis over the lease term of relevant lease.

3.13 Inventory

Inventories are carried at lower of cost and net realizable value except by-products which are valued at net realizable value. Cost is determined as:

- a) on yearly weighted average method in respect of inventories pertaining to own business and items handled on Govt. account under PDS or otherwise,
- b) on actual cost as per specific identification method in respect of items handled on back to back arrangement with business associates,
- c) Goods-in-transit valued at CIF cost.

Cost of inventory comprises cost of purchases, cost of conversion and other cost incurred including manufacturing overheads net of recoverable taxes incurred in bringing them in their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most reliable evidence available at the time of estimation as to the amount the inventories are expected to realize.

3.14 Employee benefits

- i. Short term employee benefits expected to be paid are recognized at their undiscounted amount in the accounting period in which they are incurred.
- ii. *Post-retirement benefits* :
 - a. Defined contribution plan : Employees' benefit, under defined contribution plan comprising provident fund (administered through separate trust) and pension fund (administered through defined contribution to LIC) are recognized based on the undiscounted obligation of the company to contribute to the plan in the period in which the employee renders the related service. The same is paid to funds administered through separate Trust.
 - b. Defined Benefit plan:
 - a) Provision for gratuity, leave encashment and half pay leave are determined on the basis of actuarial valuation using the projected unit credit method.
 - b) Liability towards Post Retirement medical benefit is provided based on Actuarial Valuation as at the year end.
 - c) Other Long Term Benefits:

Other long term benefits i.e. Long Service Award are determined on the basis of Actuarial Valuation undertaken at the year end.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to Statement of Profit or Loss.

iii. Termination Benefits:

Retirement benefit under Voluntary retirement scheme is written off in the year in which opted.

3.15 **Borrowing Costs**

Finance cost include exchange differences arising from foreign currency borrowing to the extent they are regarded as an adjustment to the interest cost.

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

3.16 **Financial instruments**

Non-derivative financial instruments

Non-derivative financial instruments consist of:

- a) financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and eligible current and non-current assets;
- b) financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities.

Initial Recognition

Non derivative financial instruments are recognized initially at fair value including any directly attributable transaction costs. Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of the financial assets are neither transferred nor retained, financial

assets are derecognized only when the Company has not retained control over the financial asset.

Subsequent Measurement

Subsequent to initial recognition, non derivative financial instruments are measured as described below:

a) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, at banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand and are considered part of the Company's cash management system. In the statement of financial position, bank overdrafts are presented under borrowings within current liabilities.

b) Investments in liquid mutual funds, equity securities (other than Subsidiaries, Joint Venture and Associates) are valued at their fair value. These investments are measured at fair value and changes therein, other than impairment losses, are recognized in statement of profit and loss and presented within equity, net of taxes. The impairment losses, if any, are reclassified from equity into statement of income. When an available for sale financial asset is derecognized, the related cumulative gain or loss recognised in equity is transferred to the statement of income.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current financial assets, except for those maturing later than 12 months after the reporting date which are presented as non-current financial assets. Loans and receivables are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables, unbilled revenues and other assets.

The company estimates the un-collectability of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances is made.

d) Security Deposits

Security Deposits are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment losses.

e) Trade and other payables

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method. For

these financial instruments, the carrying amounts approximate fair value due to the short term maturity of these instruments.

f) Investments in Subsidiary, Associates and Joint Venture

The company accounts investment in subsidiary, joint ventures and associates at cost. An entity controlled by the company is considered as a subsidiary of the company. Investments in subsidiary company outside India are translated at the rate of exchange prevailing on the date of acquisition. Investments where the company has significant influence are classified as associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement is classified as a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are recognized and measured at fair value. Attributable transaction costs are recognized in statement of income as cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit or loss.

Impairment of financial assets

Financial assets, other than those at Fair Value through Profit and Loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For Available for Sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on individual basis. Objective evidence of impairment for a portfolio of receivables could include Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of zero days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables; such impairment loss is reduced through the use of an allowance account for respective financial asset. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

De-recognition of financial assets

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3.17 Taxation

Tax expense

Tax expense for the period comprises current tax and deferred tax. Tax recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or equity.

1. Current tax

Current tax comprises the accepted tax payable / receivable only taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates and laws enacted or substantially enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company;

- a. As a legal enforceable right to set off the recognised amounts and
- b. Intends either to settle on a net basis, over to realise the assets and settle the liability simultaneously.

2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statement and corresponding tax basis used in computation of taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company have a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

3.18 Current and Non Current Classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is current when it is-

- a. expected to be realised, or intended to sold or consumed in normal operating cycle;
- b. held the asset primarily for the purpose of trading;
- c. expected to be realised within twelve months after the reporting period; or
- d. cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when-

- a. expected to be settled in normal operating cycle;
- b. held the liability primarily for the purpose of trading;
- c. the liability is due to be settled within twelve months after the reporting period; or
- d. there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

3.19 Provisions, Contingent Liabilities and Contingent Assets

General

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects when appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

Contingent liabilities

Contingent liabilities are not recognized but disclosed in Notes to the Accounts when the company has possible obligation due to past events and existence of the obligation depends upon occurrence or non-occurrence of future events not wholly within the control of the company or when estimates cannot be made of the amount of the obligations.

Contingent liabilities are assessed continuously to determine whether outflow of economic resources have become probable. If the outflow becomes probable then relative provision is recognized in the financial statements.

Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. The entity recognizes a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets

Contingent Assets are not recognized in the financial statements. Such contingent assets are assessed continuously and are disclosed in Notes when the inflow of economic benefits becomes probable. If it's virtually certain that inflow of economic benefit will arise then such assets and the relative income will be recognized in the financial statements.

Provision for Doubtful Debts/Advances/Claims

Provision for doubtful debts / advances /claims is made where there is uncertainty of realization irrespective of the period of its dues. For outstanding over three years (except government dues), provision is made unless the amount is considered realizable as per management estimate.

3.20 **Earnings per share**

A basic earnings per equity is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

3.21 **Segment Information**

The Chief Operational Decision Maker monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on their revenue growth and operating income.

The Company has identified its Operating Segments as Exports, Imports and Domestic.

The Assets and liabilities used in the Company's business that are not identified to any of the operating segments are shown as unallocable assets/liabilities.

Exemption from retrospective application:

i) Fair Value as deemed cost exemption:

The company has elected to measure items of property, plant and equipment and intangible assets at its carrying value at the transaction date except for certain class of assets which are measured at fair value as deemed cost.

ii) Cumulative translation differences:

The company has elected to apply Ind AS 21 – The effects of changes in foreign exchange rate prospectively. Accordingly all cumulative gain/losses recognized are reset to Zero by transferring it to retained earnings.

iii) Investment in subsidiaries, joint ventures and associates:

The company has elected to measure investment in subsidiaries, joint Ventures and associate at cost.

