

Rajasthan State Industrial Development and Investment Corporation Limited

General Information & Significant Accounting Policies forming part of Standalone Financial Statements for the year ended March 31, 2019

1. General information

Rajasthan State Industrial Development and Investment Corporation Limited, Jaipur (RIICO) is incorporated and domiciled in India having registered office at Udhog Bhavan, Tilak Marg, Jaipur. The Corporation is wholly owned by Government of Rajasthan.

RIICO has pioneered industrialization of the State of Rajasthan by creating industrial infrastructure through setting up of industrial areas. RIICO also acts as a financial institution by providing loan to large, medium and small scale projects. RIICO has set up 27 Regional Offices all over Rajasthan to administer the development and management of the industrial areas.

RIICO has played a catalytic role in the industrial development of Rajasthan. Services provided by RIICO to investors and entrepreneurs include: Site selection and Acquisition of land, financial assistance to small medium and large scale projects, Equity participation in large projects on merit, Technical consultancy for project identification and technical tie up, Escort services, facilitation of government clearances, extending incentives and concessions according to the policy of State Government and Department of Industries.

Physical infrastructure developed includes roads, power, street light, water supply, drainage etc. along with provisions for basic social infrastructure. RIICO has so far developed 347 industrial Areas by acquiring around 84441.16 acres of land. RIICO has catalyzed investment of around Rs 94.43 billion with RIICO's contribution to term loan being around Rs.36.67 billion and generating employment of around 1.12 lac persons. More than 39704 industrial units are in production in these industrial areas.

2. Significant accounting policies

The principal accounting policies are set out below:

2.1 Statement of compliance

The financial statements have been prepared on going concern basis in accordance with Indian Accounting Standards ("Ind ASs") notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. In addition, the guidance notes/announcements

issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment.

The financial statements are approved for issue by the Corporation's Board of Directors on

2.2 Basis of Accounting

The Corporation maintains accounts on accrual basis following the historical cost basis except for accounting of certain transaction on cash basis as mentioned hereunder and except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on this basis.

Fair value measurements under Ind AS are categorized as below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the valuation of assets/liabilities

Above levels of fair value hierarchy are applied consistently and generally, there are no transfers between the levels of the fair value hierarchy unless the circumstances change warranting such transfer.

2.2.1: Transactions accounted for on Cash Basis:

- Recovery from areas/estates transferred by State Govt. Interest on Water Charges, & Refund against short land.
- Back end Subsidy/ Incentives which are given to the allottee @ 25% of the total cost of land after commencement of production activity. Continuous production Incentive Scheme, backward area Incentive Scheme.
- Interest on land allotted on instalment/additional recovery against land, Interest on

land allotted on installment and Sheds/house.

- Conversion charges for change in land use.

2.3 Use of Estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. The principal accounting estimates used have been described under the relevant income/expense and/or asset/liability item in these financial statements. The Management believes that the estimates used in the preparation of these Financial Statements are prudent and reasonable. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only the period of the revision and future periods if the revision affects both current and future periods.

2.4 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 (“the Act”). The statement of cash flows has been prepared and presented as per the requirements of Ind AS 7 “Statement of Cash flows”. The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees in Lakhs rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013. Per share data are presented in Indian Rupees to two decimals places.

All assets and liabilities have been classified as current or non-current as per the Corporation’s normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Corporation has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

2.5 Revenue Recognition

The Corporation adopted Ind AS 115 “Revenue from Contracts with Customers” effective April 1, 2018. Ind AS 115 supersedes Ind AS 11 “construction contracts”, Ind AS 18 “Revenue” and “Guidance Note on accounting for Real Estate Transaction”. The Corporation has applied Ind AS 115 using the modified retrospective method and the cumulative impact of transition to Ind AS

115 has been adjusted against the Retained earnings as at April 1, 2018. Accordingly, the figures of the previous year are not restated under Ind AS 115.

The following is a summary of new and/or revised significant accounting policies related to revenue recognition-

The Corporation recognizes revenue from contracts with customers when it satisfies a performance obligation by transferring promised good or service to a customer. The revenue is recognized to the extent of transaction price allocated to the performance obligation satisfied.

The Corporation's contracts with customers could include promises to transfer multiple products and services to a customer. The Corporation assesses the products / services promised in a contract and identify distinct performance obligations in the contract. Identification of distinct performance obligation involves judgment to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

The Corporation exercises judgment in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Corporation considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

For performance obligation satisfied over time, the revenue recognition is done by measuring the progress towards complete satisfaction of performance obligation. The progress is measured in terms of a proportion of actual cost incurred to-date, to the total estimated cost attributable to the performance obligation.

Transaction price is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring good or service to a customer excluding amounts collected on behalf of a third party.

Contract assets are recognised when there is right condition on something other than passage of time, as per contractual terms. Unearned and deferred revenue ("contract liability") is recognised when there is an obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.5.1 Revenue from Infrastructure Activities:-

Consequent to withdrawal of the Guidance Note on accounting for Real Estate Transaction and Ind AS 115 specifically excluding from its scope the lease contracts within scope of Ind AS 17, agreement underlying the Infrastructure Activities, was examined and it was deduced that such type of arrangement contain two components, one which is lease of land and other elements being the development activity.

As per IND AS 17, if an arrangement contains a lease, the parties to the arrangement shall apply the requirements of Ind AS 17 to the lease element of the arrangement and other elements of the

arrangement not within the scope of Ind AS 17 shall be accounted for in accordance with other Standards.

For the purpose of applying the requirements of Ind AS 17, payments and other consideration required by the arrangement shall be separated at the inception of the arrangement or upon a reassessment of the arrangement into those for the lease and those for other elements on the basis of their relative fair values. The Corporation has used significant judgment, estimate and assumptions in allocating the transaction price to each element (land & development activity) based on cost plus margin approach, as the standalone selling price of each distinct product or service promised in the contract was not observable.

The Management believes that the estimates used in the preparation of these Financial Statements are prudent and reasonable.

2.5.1.1. Accordingly the principles and provisions of IND AS 17 ‘ Leases’ (policy in this respect covered under Policy for ‘Leases’) have been applied in case of Land component and in case of Development activities the provisions of IND AS 115 have been applied and the policies in that respect are mentioned here-under.

2.5.1.2. Development activities:

- Where the performance obligations are satisfied over time and entity can reasonably measure its progress towards complete satisfaction of the performance obligation, revenue is recognized as per the percentage-of-completion method.
- Where Corporation is not able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, Corporation recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.
- Reasonable measure of progress is considered to be achieved upon fulfillment of all the following conditions:
 - i. All critical approvals necessary for commencement of the project have been obtained;
 - ii. When the stage of completion of the project reaches a reasonable level of development. A reasonable level of development is not achieved if the expenditure incurred on construction and development costs (excluding land cost) is less than 25 % of the estimated total construction and development costs (excluding land cost).
 - iii. At least 25% of the saleable project area is secured by contracts or agreements with buyers; and
 - iv. At least 10% of the total revenue as per the agreements of sale or any other legally enforceable documents is realized at the reporting date in respect of each of the contracts and the parties to such contracts can be reasonably expected to comply with the contractual payment terms.

- Significant Judgement are used in determining the revenue to be recognised in case of performance obligation satisfied over a period of time; revenue recognition is done by measuring the progress towards complete satisfaction of performance obligation. The progress is measured in terms of a proportion of actual cost incurred to-date, to the total estimated cost attributable to the performance obligation.
- For computation of revenue, Percentage of Completion is determined based on the proportion of actual cost incurred including, associated financial costs and construction and development costs to-date, to the total estimated development cost of the project. When the outcome of the project can be ascertained reliably and all the aforesaid conditions are fulfilled, Revenue from allotment of land is determined by multiplying Percentage of Completion as determined above to the transaction price under Ind AS 115 i.e. (value of land allotted less fair value of land component.)
- On cancellation of allotted plots , due interest is recognized as income only to the extent of amount eligible for refund after appropriation of due charges as per terms of allotment/lease as applicable and excess ,if any, is refunded to the allottees.
- Income of one-time economic rent is recognized over a period of ten years and Income of One Time (lump sum) service charges received are recognized over a period of 10 years.

2.5.1.3. For the periods ended on or **before March 31, 2018**, Revenue from Infrastructure development activity by way of allotment of land, is recognized based on the ‘Percentage of completion method’ (POCM) when the outcome of the contract can be estimated reliably upon fulfillment of all the following conditions:

- i. All critical approvals necessary for commencement of the project have been obtained;
- ii. When the stage of completion of the project reaches a reasonable level of development. A reasonable level of development is not achieved if the expenditure incurred on construction and development costs (excluding land cost) is less than 25 % of the estimated total construction and development costs (excluding land cost).
- iii. At least 25% of the saleable project area is secured by contracts or agreements with buyers; and
- iv. At least 10% of the total revenue as per the agreements of sale or any other legally enforceable documents is realized at the reporting date in respect of each of the contracts and the parties to such contracts can be reasonably expected to comply with the contractual payment terms.

The costs incurred on Infrastructure activities are carried as “inventories” till such time the outcome of the project cannot be estimated reliably and all the aforesaid conditions are fulfilled. When the outcome of the project can be ascertained reliably and all the aforesaid conditions are fulfilled, revenue is recognized using percentage of completion

method. Percentage of completion is determined based on the proportion of actual cost incurred to date to the total estimated cost of the project.

2.5.1.4. Value of land allotted:-

- i. Amount received/receivable against allotment of land is credited to value of land allotted as and when allotment is made to the allottee irrespective of pending execution of lease deed.
- ii. The allotment of plots/ sheds is treated as cancelled/surrendered on taking physical possession of the same by the Corporation and amount received/receivable earlier is debited to value of land allotted.
- iii. In respect of un-developed land acquired either for specific projects or where the development of industrial areas is not assessed as economically viable, the cost of such land is accounted for in proportion to the land allotted.
- iv. Rebate on allotment of land to special categories, as specified in para 3 (a) of RIICO Disposal of Land Rules, 1979, are accounted for by way of reduction from corresponding amount of allotment to that extent.
- v. Land allotment is considered while pending execution of lease deed in favour of RIICO by the competent authorities.

2.5.1.5 Determination of Cost of Infrastructure /property development activity

- (a) Accounting of the Infrastructure Activities is done on industrial area-wise considering estimated cost of development of land, value of land allotted and estimated saleable area.
- (b) Estimated cost of development of land includes: -
 - (i) Estimated direct cost to be incurred against development of industrial area,
 - (ii) Estimated overheads , and
 - (iii) Estimated finance charges during the development period.
- (c) Estimated cost of development of land is calculated on the following basis:-
 - (i) Estimated direct developmental expenditure as planned in the respective administrative sanction/revised sanction.
 - (ii) Estimated overheads are accounted as follows:-

Where Original

Estimated Overheads

Administrative sanction

were issued

-
- | | | |
|------|---------------------------|--|
| (i) | Prior to 1-4-91 | @ 10% of estimated direct cost |
| (ii) | Between 1-4-91 to 31-3-96 | @ 1% of compensation plus 10% of remaining estimated direct cost. |
| (ii) | Between 1-4-96 to 14-7-97 | At (ii) above plus 1% of compensation, each for Village Amenities Development Scheme and Skill Development Scheme. |
| (i) | From 15-7-97 onwards | At (iii) above plus 2% of compensation for external development charges. |

(iii) Estimated finance charges are worked out on the basis of periodicity of development of industrial areas, without considering the realization made on account of allotment of land during development period.

(d) Estimated Saleable Area:-

Total saleable area is determined either as per latest planning/administrative sanction of the area or as per area allotted plus area pending for allotment. The effect on account of difference between the above is taken into consideration in the year of identification.

(e) Direct Developmental Expenditure:-

Direct developmental expenditure includes expenditure pertaining to compensation, civil works, power, water supply, upgradation of infrastructure and water harvesting etc. However:-

- (i) Cost of compensation and other expenditures are charged to direct developmental expenditure on taking-over the possession of land or on receipt of documents evidencing its title, whichever is earlier.
- (ii) Provision of expenditure on development / maintenance works in Industrial areas is made in respect to the payments made to the party's upto the last day of the succeeding month of the close of the financial year. Accounting impact of issue of

- Administrative/Revised Administrative Sanctions is given in the year in which it is issued.
- (iii) Development Expenditure on water & electricity supply in industrial areas through PHED & Electricity Companies are accounted for in the year of details/certificates received from the department concerned.
 - (iv) Consumption of stores and spares is arrived on the basis of quantity consumed; further stores and spares returned to stores are accounted for only in terms of quantity. Subsequent issues of the same are made at nil value.
 - (v) Expenditure incurred on fixed assets for common uses as well as own uses including land and building/civil works in the industrial areas is charged to direct developmental expenditure and does not form part of the Fixed Assets in the Balance Sheet.
 - (vi) As per circulars issued by the Industries Department of Govt. of Rajasthan, provision is made for allotment of prescribed percentage of residential/industrial and commercial developed land in lieu of cash compensation to Khatidar's. Accordingly, while working out the cost sheets of Administrative Sanctions of the respective industrial area, net compensation and net saleable area is considered by excluding the compensation of khaddar's who opted for land in lieu of land and saleable area.

2.5.2. Revenue from rendering of services is recognized over time as and when the customer receives the benefit of the Corporation's performance and the Corporation has an enforceable right to payment for services transferred. Unbilled revenue represents value of services performed in accordance with the contract terms but not billed.

2.5.3. Other revenue represents income earned from the activities incidental to the business and is recognized when the performance obligation is satisfied and right to receive the income is established as per the terms of the contract.

2.5.4. Dividend income is recorded when the right to receive payment is established.

2.6 Lease

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

Finance Lease

Leases where the Corporation has substantially all the risks and rewards of ownership of the related assets are classified as finance leases.

Operating Lease

The leases which are not classified as finance lease are operating leases.

2.6.1 Corporation as a Lessor

- A. Assets leased out under operating leases are continued to be shown under the respective class of assets.
- B. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease. The sales revenue recognized at the commencement of the lease term is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest.

2.6.2 Corporation as a Lessee

- A. Assets under finance leases are capitalized at the commencement of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- B. Lease rentals on assets under operating lease are charged to the Statement of Profit and Loss on a straight line basis over the term of the relevant lease, unless either:
 - (a) another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished, even if the payments to the lessors are not on that basis; **or**
 - (b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary according to factors other than inflation, then this condition is not met.

2.7 Employee Benefits

Employee benefits include salaries, wages, provident fund, gratuity, leave encashment towards un-availed leave, compensated absences, post-retirement medical benefits. All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

Defined contribution plans

Employee Benefit under defined contribution plans comprising provident fund, post-retirement medical benefits and staff welfare fund is recognized based on the undiscounted amount of obligations of the Corporation to contribute to the plan.

Defined benefit plans

Defined retirement benefit plans includes gratuity and is recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

Net interest on the net defined liability is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is recognized the Statement of Profit and Loss. Re-measurement of defined retirement benefit plans, comprising actuarial gains and losses, and the return on plan assets (excluding net interest as defined above), are recognized in other comprehensive income in the period in which they occur and are not subsequently reclassified to profit or loss. The retirement benefit obligation recognized in the Financial Statements represents the actual deficit or surplus in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

Other long term employee benefits

Other long term employee benefit comprises of leave encashment towards un-availed leave and compensated absences; these are recognized based on the present value of defined obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted. Re-measurements of leave encashment towards un-availed leave and compensated absences are recognized in the Statement of profit and loss except those included in cost of assets as permitted in the period in which they occur.

2.8 Income Taxes

Income tax expense for the year comprises of current tax. It is recognized in the Statement of Profit and Loss except to the extent it relates to an item which is recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable/receivable on the taxable income/ loss for the year using applicable tax rates at the Balance Sheet date, and any adjustment to taxes in respect of previous years. Interest income/ expenses and penalties, if any, related to income tax are included in current tax expense.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis.

As per Notification S.O. 529(E)dt 05.02.2018, read with Notification S.O. 1465(E) dt 02.04.2018, the provisions of Indian Accounting Standard 12 relating to deferred tax asset or deferred tax liability shall not apply, with effect from the 1st April, 2017, to a Government Corporation which:

(a) is a public financial institution under sub-clause (iv) of clause (72) of section 2 of the Companies Act, 2013.

RIICO Ltd. (Rajasthan State Industrial Development & Investment Corporation Limited) which is a Public Financial Institution under sub-clause (iv) of clause (72) of section 2 of the Companies Act, 2013 will be covered under the aforesaid notification and has accordingly decided not to account for Deferred Tax.

Transaction or event which is recognized outside profit or loss, either in other comprehensive income or in equity, is recorded along with the tax as applicable.

2.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount and are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit and Loss during the period in which they are incurred.

Gains or losses arising on retirement or disposal of property, plant and equipment are recognized in the Statement of Profit and Loss.

Depreciation on addition to/ deduction from Property, Plant & Equipment during the year is charged on pro-rata basis from/ up to the date on which the asset is available for use /disposal. Depreciation is charged on the straight line method based on estimated useful life prescribed under Schedule II to the Companies Act, 2013 with the exception of Assets costing Rs 2,500 or less are fully depreciated in the year of purchase.

The residual values, useful lives and method of depreciation of property, plant and equipment is reviewed at each financial year end and adjusted prospectively, if appropriate.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress".

The Corporation had elected to measure all its property, plant and equipment and intangible assets at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS that is 1st April, 2015.

2.10 Investment Property –

Properties, including those under construction, held to earn rentals and/or capital appreciation are classified as investment property and are initially measured and reported at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognized using straight line method so as to write off the cost of the

investment property less their residual values over their useful lives specified in Schedule II to the Companies Act, 2013 or in case of assets where the useful life was determined by technical evaluation, or in case of leased assets, over the lease period, over the useful life so determined. Depreciation method is reviewed at each financial year end to reflect the expected pattern of consumption of the future benefits embodied in the investment property. The estimated useful life and residual values are also reviewed at each financial year end and the effect of any change in the estimates of useful life/ residual value is accounted on prospective basis. Freehold land and properties under construction are not depreciated.

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 property is recognised in the Statement of Profit and Loss in the same period.

2.11 Intangible Assets

Separately purchased intangible assets are initially measured at cost. Subsequently, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Finite-life intangible assets are amortized on a straight-line basis over the period of their expected useful lives. The amortization period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues, if not, it is impaired or changed prospectively basis revised estimates.

The Corporation has assessed useful life of following Intangible Asset –

1. Computer Software - 5 years

2.12 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and 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. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Corporation of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rate.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use.

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 recognised immediately in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.13 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associate and joint venture are carried at cost less accumulated impairment losses, if any. Investments are assistance in the form of contribution to Joint Sector, Associates, Assisted Companies and Joint Ventures in their Equity and Preference shares, Units/ Corpus as per objective for development of industries in the State. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

2.14 Inventories

a) Valuation of Land:

Closing stock of land is valued at cost or realizable value, whichever is lower. The cost of the area in stock is actual direct development expenditure incurred on the area. However, market realizable value of land stock under litigation/encroachment is considered at Rs Nil.

b) Others:

- i. Raw materials, stores & spares, tools & implements are valued at cost or realizable value, whichever is lower.
- ii. The closing stock of sheds, shops, kiosks, houses and flats is valued at cost or realizable value, whichever is lower

Assessment of realizable value is made in each subsequent period and when the circumstances that previously caused inventories to be written-down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the write-down, if any, in the past period is reversed to the extent of the original amount written-down so that the resultant carrying amount is the lower of the cost and the revised net realizable value.

2.15 Borrowing Costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of assets acquired on finance lease and exchange differences arising on foreign currency borrowings to the extent they are regarded as an adjustment to interest costs

Borrowing costs net of any investment income from the temporary investment of related borrowings that are attributable to the acquisition, construction or production of a qualifying asset are capitalized/inventoried as part of cost of such asset till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Provisions and Contingent Liabilities and Contingent Assets

(a) Provisions are recognized only when:

- (i) The Corporation has a present obligation (legal or constructive) as a result of a past event; and
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

(b) Contingent liability is disclosed in case of:

- (i) A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- (ii) A present obligation arising from past events, when no reliable estimate is possible.

(c) Contingent assets are disclosed where an inflow of economic benefits is probable.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

2.17 Financial instruments

2.17.1 Financial Assets

Financial assets are recognised when the Corporation becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value, in case of financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction cost is attributed to the acquisition value of the financial asset.

Financial assets are subsequently classified as measured at

- i. Amortized cost
- ii. Fair value through profit and loss (FVTPL)
- iii. Fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their recognition, except if and in the period the Corporation changes its business model for managing financial assets.

(a) Trade Receivables and Loans:

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortized cost, using the effective interest rate (EIR) method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument.

(b) Debt Instruments:

Debt instruments are initially measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL') till derecognition on the basis of (i) the entity's business model for managing the financial assets and (ii) the contractual cash flow characteristics of the financial asset.

(a) Measured at amortized cost: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortized cost using the effective interest rate ('EIR') method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

(b) Measured at fair value through other comprehensive income: Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the Statement of Profit and Loss.

(c) Measured at fair value through profit or loss: A financial asset not classified as either amortized cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognized as 'other income' in the Statement of Profit and Loss.

Equity Instruments (other than investment in Subsidiary, Associates & Joint Ventures):

All investments in equity instruments classified under financial assets are initially measured at fair value, the Corporation may, on initial recognition, irrevocably elect to measure the same either at FVOCI or FVTPL.

The Corporation makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument are recognised as other income in the Statement of Profit and Loss unless the Corporation has elected to measure such instrument at FVOCI. Fair value changes excluding dividends, on an equity instrument measured at FVOCI are recognized in OCI. Amounts recognised in OCI are not subsequently reclassified to the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised in the Statement of Profit and Loss when the right to receive such dividend has been established.

Derecognition of financial assets

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset. On De-recognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of De-recognition and the consideration received is recognised in profit or loss.

Modification of Cash Flows of financial assets and revision in estimates of Cash Flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with Ind AS 109, the Corporation recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred are adjusted to the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If the Corporation revises its estimates of payments or receipts (excluding modifications and changes in estimates of expected credit losses), it adjusts the gross carrying amount of the financial asset or amortized cost of a financial liability to reflect actual and revised estimated contractual cash flows. The Corporation recalculates the gross carrying amount of the financial asset or amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

2.17.2 Impairment of financial assets

The Corporation applies a three-stage approach to measuring expected credit losses (ECLs) as required by Para 5.5 of IND AS 109 for financial assets that are not measured at fair value

through profit or loss. Financial Assets are categorized into following 3 stages based on the change in credit risk since initial recognition:

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination are classified under this stage. A provision of 12- month ECL is provided on such assets.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Interest income using EIR method is booked on the gross carrying amount of the asset.

Stage 3: This stage covers financial assets that have objective evidence of impairment at the reporting date. For financial assets classified under this stage interest income using EIR will be calculated on the net carrying amount of the financial asset.

The net carrying amount of a financial asset is equal to Gross Carrying amount less Loss allowance.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows that the Corporation expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Corporation estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Corporation measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

To assess whether the credit risk on an asset has increased significantly, the Corporation uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

For calculating the Expected Credit Losses for Trade Receivables IND AS 109 provides simplified approach by using the practical expedients such as the use of provision Matrix. In devising such a provision matrix, Corporation uses its historical credit loss experience (adjusted as necessary to reflect current conditions) for trade receivables to estimate the 12-month expected credit losses or the lifetime expected credit losses on the financial assets as relevant, as required.

2.17.3 Financial Liabilities:

Initial recognition and measurement

Financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortized cost unless at initial recognition, they are classified as fair value through profit and loss. In case of trade payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortized cost, using the effective interest method.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the Statement of Profit and Loss.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognised in profit or loss.

2.17.4 Offsetting of assets and liabilities

The financial assets and financial liabilities are offset and presented on net basis in the Balance Sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

2.18 Appropriation of Proceeds:

(a) Realisation from borrowers is appropriated in the following order:

- (i) Liquidated damages,
- (ii) Interest on term loan,
- (iii) Overdue principal,
- (iv) Current liabilities.

(b) Accounting of sale proceeds received in case of sale of unit is done in the following order:

- (i) All types of take-over expenses and other dues.
- (ii) Earmarked for State Government dues, (30% of residual sales proceeds) as per Government directives dated 05.04.2002
- (iii) Principal amount of term loan
- (iv) Normal Interest
- (v) Liquidated damages
- (vi) Other dues
- (vii) Equity

After above appropriations, deficit, if any, is written off. In case of surplus the excess amount is refunded to the borrower after realisation of entire dues from the buyer of the assets of the unit.

(c) (i) In the case of One Time Settlement (OTS) of term loan, the amount of OTS is appropriated towards outstanding in the following order:

1. Principal amount of term loan
2. Normal interest
3. Liquidated damages

(ii) The shortfall of principal/interest, if any, is written off in the year in which final payment is received as per terms of OTS. However, where payment has not been received as per terms of OTS, the OTS is treated cancelled.

(iii) Principal / interest recovered in OTS cases, as per terms of OTS, are accounted for in the year of receipt.

2.19 Government Grants

Grants/subsidies are accounted for on the basis of its eligibility which is worked out on a systematic and rational basis and matched with the costs incurred for which the grant is intended to compensate. The amount of grants/subsidies eligible for recognition is considered as income and disclosed in "Other Operating Revenue". Recognition of grant receivable has been made taking into account the principles of reasonable assurance of realization of grants. Grant received over and above its admissibility is considered as un-utilized grants and shown as current liabilities. If there exists any contingency about its realization after the grant has been recognised and treated as income, the same shall be treated in accordance with Ind AS 36 "Provisions, Contingent Liabilities & Contingent Assets and provision, if any, required shall be made.

2.20 Segment Reporting

Operating segments are identified and reported taking into account the different risks and returns, the organization structure and the internal reporting systems.

2.21 Cash Flow Statement

Cash flows are reported using the indirect method as per Ind AS 7, 'Statement of Cash flows whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows are segregated into operating, investing and financing activities.

2.22 Cash & Bank Balances

Cash and Cash Equivalents in the Balance Sheet comprise cash at banks and on hand and all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having an original or pending maturity of three months or less at the Balance sheet date.

Cash and bank balances include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation and Short term and liquid investments being subject to more than insignificant risk of change in value.

2.23 Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Corporation has not applied as they are effective from April 1, 2019:

(A) Ind AS 116 – Leases

Ind AS 116 will replace the existing leases standard, Ind AS 17 Leases.

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lessee accounting model for lessees. A lessee recognizes right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The Corporation will adopt Ind AS 116 effective annual reporting period beginning April 1, 2019. The Corporation will apply the standard to its leases, retrospectively, with the

cumulative effect of initially applying the standard, recognized on the date of initial application (April 1, 2019). Accordingly, the Corporation will not restate comparative information, instead the cumulative effect of initially applying this Standard will be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

(B) Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Corporation does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following:

- (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty
- (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount
- (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. We do not expect any significant impact of the amendment on its financial statements.

(C) Ind AS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. We do not expect this amendment to have any impact on its financial statements.

(D) Ind AS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Corporation does not expect

this amendment to have any significant impact on its financial statements.

(E) Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Corporation does not expect any impact from this amendment.

(F) Ind AS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies Ind AS 109 Financial Instruments, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

(G) Ind AS 103 – Business Combinations and Ind AS 111 – Joint Arrangements

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.