MODEL SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION

(I) BASIS OF PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspect of the Accounting Standard (AS) Notified by Companies Accounting Standard Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(II) USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP 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. Although these estimates are based on the management's best knowledge of current events and actions, uncertainly about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(III) FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(IV) DEPRECIATION / AMORTIZATION

a) Depreciation on Fixed Assets is provided on Straight Line Method/ Written Down Value Method at the rates and in the manner specified in the Income Tax Act, 1961/ Companies Act, 1956 except in the case of the following, where depreciation is equally charged over the estimated useful lives.

Block of Assets		**Estimated useful life**
Furniture & Fixtures	-	5 Years
Plant & Machinery	-	4 Years

b) Intangible Assets are Amortized Equally over:

Trademark	-	10 years
Copyrights	-	3 years
Goodwill	-	Not being amortized. (Tested for Impairment)

c) Depreciation on the Fixed Assets added/disposed off/discarded during the year is provided on pro-rata basis with reference to the month of addition/disposal/discarding.

"Continuous process plants" are classified based on technical assessment and depreciation is provided accordingly

(V) IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value. An impairment loss if any, is charged to Statement of Profit and Loss Account in the year in which an asset is identified as impaired. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.

(VI) BORROWING COST

Borrowing Costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset up to the date when such assets are ready for its intended use.
Other borrowing costs are charged to the Statement of Profit and Loss Account.

(VII) TRANSLATION OF FOREIGN CURRENCY ITEMS

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. With respect to exchange difference arising on translation/settlement of long term foreign currency items, the Company has adopted following policy:

(i) Foreign exchange difference on account of a depreciable asset is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset.

(ii) In other cases, the foreign exchange difference is accumulated in a Foreign Currency Monetary Item Translation Difference Account, and amortised over the balance period of such long term asset/liability.

Exchange difference on restatement of all other monetary items is recognised in the Statement of Profit and Loss. Other non-monetary items like fixed assets, investments in equity shares are carried in terms of historical cost using the exchange rate at the date of transaction.

(VIII) DERIVATIVE INSTRUMENTS

The Company uses derivative financial instruments such as forward exchange contracts, currency swaps and interest rate swaps to hedge its risks associated with foreign currency fluctuations and interest rate. Currency and interest rate swaps are accounted in accordance with their contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss in the year which the exchange rates changes. Profit/Loss on cancellation/renewal of forward exchange contract is recognised as income/expense for the year.

(IX) INVESTMENTS

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.

Current Investments are stated at lower of cost and fair value. Long term investments are stated at cost after deducting provisions made, if any, for other than temporary diminution in the value.

(X) INVENTORIES

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

Work in progress and finished goods are valued at lower of cost and net realizable value. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
Cost of inventories is computed on a weighted average/FIFO basis.

(XI) GOVERNMENT GRANTS

Government Grants are recognized when there is reasonable assurance that the same will be received. Revenue grants are recognized in the Statement of Profit & Loss account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants in nature of promoter's contribution are credited to capital reserve.

(XII) REVENUE RECOGNITION

Revenue are recorded net of trade discounts, rebates and include excise duty. Revenue from sale of products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer

Income from services are recognized as they are rendered based on agreements/arrangements with the concerned parties.

Fertilizer price support under Group Concession and other Scheme of Government of India is recognized based on management's estimate taking into account known policy parameters and input price escalation/de-escalation.

Income from Certified Emission Reductions (CERs) is recognized at estimated realisable value on confirmation of CERs by the concerned authorities

Dividend income on investments is accounted for when the right to receive the payment is established.

(XIII) RETIREMENT AND OTHER EMPLOYEE BENEFITS

(i) Defined Contribution Plan
The company makes defined contribution to Provident Fund, ESI and Superannuation Schemes which are recognized in the Statement Profit and Loss Account on accrual basis.

(ii) Defined Benefit Plan
The company's liabilities under Payment of Gratuity Act, long term compensated absences and pension are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for Short term compensated absences which are provided for based on estimates. Actuarial gain and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(XIV) TAXATION

Tax expense comprises of current, deferred and fringe benefit tax.

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

In case of unabsorbed losses and unabsorbed depreciation, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profit.

Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(XV) OPERATING LEASES

(a) As a Lessee:
Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as Operating Leases and lease rentals thereon are charged to Profit and Loss Account on a straight line basis over lease term.

(b) As a Lessor:

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

(XVI) CASH AND CASH EQUIVALENT

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash on hand and cash at bank including fixed deposit with original maturity period of three months or less and short term highly liquid investments with an original maturity of three months or less.

(XVII) MEASUREMENT OF PROFIT BEFORE INTEREST TAX AND DEPRICATION/AMORTISATION (PBDIT)

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present PBDIT as a separate line item on the face of the Statement of Profit and Loss. The Company measures PBDIT on the basis of profit/loss from continuing operations. In its measurement, the Company does not include depreciation and amortisation expenses, finance costs and tax expenses.

(XVIII) CASH FLOW STATEMENT

Cash flows are reported using the indirect method, 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 from operating, investing and financing activities of the Company are segregated.

(XIX) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(XX) CONTINGENT LIABILITIES AND PROVISIONS

Contingent Liabilities are possible but not probable obligations as on Balance Sheet date, based on the available evidence.

Provisions are recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions are determined based on best estimate required to settle the obligation at the Balance Sheet date.