

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING.

The financial statements are prepared under historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. USE OF ESTIMATES.

In preparing the financial statements in conformity with accounting principles generally accepted in India, the Company makes estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the amount of revenues and expenses during the reported period. Actual result in some cases could differ from those estimates. Any revision of such estimates is recognized in the period in which the same is determined.

3. COMPLIANCE TO REQUIREMENT OF REVISED SCHEDULE-VI TO THE COMPANIES ACT, 1956.

The Financial Statements are prepared in compliance with the provisions of revised Schedule VI to the Companies Act, 1956.

All assets and liabilities have been classified as current and/or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956.

4. (A) FIXED ASSETS.

4.1 All fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment loss, if any. Cost includes all direct expenditure of acquisition, attributable borrowing cost and net of CENVAT/VAT credit, wherever applicable.

4.2 Expenditure on development of land including leasehold land is capitalized as part of cost of land.

4.3 Intangible Assets are stated at acquisition cost, net of accumulated amortization and are amortized on a straight line basis over their estimated useful lives.

NPV and related payments made to Govt. authorities for bauxite mines, Application Software package like ERP and application development tools like RDBMS and Technical know-how right (RTA) are treated as intangible assets.

4.4 Insurance spares valuing more than ₹ 1 lakh per unit are capitalized with the related fixed assets.

4.5 Fixed assets retired from active use and held for disposal are stated at net book value with provision for doubtful realization required, if any, and considered as current asset till the time of its disposal.

4. (B) DEPRECIATION.

4.1 Depreciation on tangible assets is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 except in case of certain assets where depreciation at higher rate is provided based on their estimated remaining useful life, evaluated on the basis of technical estimate made periodically in respect of the following assets.

Earth work portion of:

a) Red mud pond at Alumina Refinery;

b) Ash pond at Alumina Refinery;

c) Ash ponds at Captive Power Plant.

4.2 Intangible assets for software is amortized over a period of 3 years and intangible assets for Mining Rights is amortized over 20 years from the date of payment or date of renewal / deemed renewal whichever is earlier based on respective lease life. Technical know-how right (RTA license) is amortized over the useful life of related plant and machinery.

4.3 Certain assets at Port Facilities are depreciated at rates calculated on the basis of balance lease period of land belonging to the Port Authority on which these assets are installed.

4.4 Assets costing ₹ 5,000/- or less individually are depreciated fully in the year in which they are put to use.

4.5 Assets laid on land not owned by the Company are depreciated over a period of five years.

4.6 Classification of plant and machinery into continuous and non-continuous is made on the basis of technical opinion and depreciation provided accordingly.

4.7 Depreciation on value adjustment is provided prospectively.

5. BORROWING COST.

5.1 General and specific borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset until such time the assets are ready for their intended use.

5.2 Other borrowing costs are recognized as expenses in the period in which these are incurred.

6. IMPAIRMENT.

The Company reviews the carrying amount of its fixed assets, whenever circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated discounted future cash flow expected to result from use of the asset is less than its carrying amount, the asset is deemed to be impaired. The impairment loss is measured as the difference between the carrying amount and recoverable amount.

7. INVESTMENTS.

7.1 Investments intended to be held for not more than one year from the date of such investment, are classified as current investments. All other investments are classified as long term investments. Long-term investments are carried at cost, after providing for diminution in value, if it is of a permanent nature.

7.2 Current investments are stated at cost or fair value whichever is lower.

8. INVENTORY.

8.1 Inventory of stores and spares are valued at cost net of CENVAT / VAT credit wherever applicable. Cost is determined on moving weighted average price on real time basis.

8.2 Stores and spares other than insurance spares held but not issued for more than 5 years are valued at 5% of the cost.

8.3 Shortage of coal up to 1% of the receipt quantity is treated as normal loss and beyond 1% is treated as abnormal loss.

8.4 Materials and other supplies held for use in the production (other than considered as non-moving) are not written down below cost, if the finished products in which they will be incorporated are expected to be sold at or above cost.

8.5 Inventories of finished goods, semi-finished goods, intermediary products and work in process except anode butts and rejects are valued at lower of cost and net realizable value. Cost is generally determined at moving weighted average price of materials on real time basis, appropriate share of labour and related overheads. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

Anode rejects and butts are valued at lower of past realized value or 45% of direct material cost.

8.6 Scrap of various nature internally generated is valued at estimated net realizable value.