

INDIAN DRUGS & PHARMACEUTICALS LIMITED

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS (2014-15)

NOTE 1: ACCOUNTING POLICIES

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENT

These financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. Commission to C & F agents and Service Agents are recognized on realization of dues from Receivables. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified and applicable).

2. USE OF ACCOUNTING ESTIMATES

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Examples of such estimates include provisions for doubtful receivables, employee benefits, provision for income taxes, accounting for contract costs expected to be incurred, the useful lives of depreciable fixed assets and provisions for impairment. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognized in the period in which the results are known / materialize.



3. LAND

Land acquired free of cost on freehold/ leasehold basis from State Government has been taken in the books of a concerned unit(Rishikesh and Hyderabad) at a nominal Value of Rs. 1/-.

4. INVESTMENTS

- i. Non-current investments are carried at cost less any other-than-temporary diminution in value, determined on the specific identification basis.
- ii. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is carried out separately in respect of each investment.
- iii. Profit or loss on sale of investments is determined as the difference between the sale price and carrying value of investment, determined individually for each investment.

5. VALUATION

STOCK IN TRADE

- i) Formulations
 - a) Formulation for sale in the country: The closing stock of formulation in the plant is valued at cost or lowest selling price whichever is lower. In Marketing Division (RSO Delhi, RSO Hyderabad, RSO Mumbai) closing stock transferred from Plants is valued at transfer price less 20% less. In case of RO Lucknow and RO Kolkata, valuation of Inventory is made at rate of STN/PPP and at purchase price and net realizable value whichever is lower. In calculating the cost of formulations, the cost of bulk drugs is taken at 12 months weighted average cost.
- b) Bulk Drugs :



The Closing Stock is valued at cost or selling price, whichever is lower.

- c) Expired stock transferred to plant are made at nil value.
- ii) Finished goods at plants valued on Technical evaluation basis.
- iii) Rejects are valued on the basis of average recovery as reduced by the standard cost of raw materials required for salvage.
- iv) Scrap: Scrap is valued at estimated realizable value.
- v) The value of closing stock of finished goods in the plants includes Excise duty on such stock.
- vi) Cost of Manufactured Goods:
The cost price of manufactured goods comprises all items of expenses excluding selling & Distribution expenses.

6. PRIOR PERIOD ADJUSTMENTS

Adjustments pertaining to prior periods are accounted for as per the provisions of the accounting standard 5 of the Institute of Chartered Accountants of India i.e. the item relating of the errors and omissions of previous years only are booked to the prior period adjustments accounts. In case of Plants Items relating to previous years not exceeding Rs. 100,000/- and in case of RSO Lucknow Items relating to previous years not exceeding Rs. 10,000/- are treated as current.

7. PREPAID EXPENSES

In Plants, RSO Delhi and RSO Lucknow, expenditure up to Rs.25,000/- in each case is not considered in appropriation of prepaid expenses.



8. FIXED ASSETS AND DEPRECIATION

- i. Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.
- ii. Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date, is disclosed under capital work-in-progress.
- iii. Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Management of the Company. Depreciation for assets purchased/ sold during a period is proportionately charged. The Company believes that the useful lives as given above best represent the useful lives of these assets based on internal assessment and supported by technical advice where necessary which is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

9. DEFERRED REVENUE EXPENDITURE

Charges in respect of technical assistance, training and interest there on are treated as deferred revenue expenditure to be written off in five years from the year in which the plant is commissioned for commercial production.

10. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular



revenue generating, investing and financing activities of the Company are segregated.

11. PROVISION AND CONTINGENT LIABILITIES

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that is reasonably estimable and it is probable that an outflow of economic benefits will be required to settle obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

12. IMPAIRMENT OF ASSETS

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

13. SALES

- i. Sales are accounted for on the basis of dates of invoices for confirmed orders and ascertained goods.



- ii. Sales include delivery of goods to carting/ Transport agents for onward dispatch to buyers and the related documents are made "To Self" and given to banks for delivery against payment.
 - iii. Sales are inclusive of excise duty. (Plants)
 - iv. Sales returns are accounted for only in the year of actual receipt of stock.
 - v. Sales are made at prices fixed by Head Office from time to time .(Delhi & Lucknow)
 - vi. In Marketing Division ,Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection . Revenue on sales is recognized on the delivery of medicines when all contractual obligations have been satisfied, the property in the goods is transferred for a price ,significant risk and rewards of ownership have been transferred and no effective ownership control is retained.
 - vii. In Marketing Division ,Sales comprise of sale of medicines. Sales are recognized including trade discounts ,rebates but excluding sales tax and excise duties. The Trade discounts and rebates are separately debited to Profit and Loss Statement.
14. Provisions for Gratuity and Leave encashment have been accounted for on basis of amount calculated by the corporate office, Gurgaon Plant & Hyderabad Plant while in Rishikesh Plant it has been calculated on actuarial valuation basis.
15. Payment to employees under VRS is accounted for on cash basis.

