

## SAFFRON INDUSTRIES LIMITED

### SIGNIFICANT ACCOUNTING POLICIES

#### **A. Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention and on accrual basis.

#### **B. Fixed Assets :**

- i) Fixed assets are stated at cost, alongwith costs directly attributable to bring the asset to their working condition. The MODVAT credit available on fixed assets in respect of Kraft upgradation Plant was deducted from cost of the respective asset. Fixed Assets acquired for Power Project and for upgradation of existing plant, are stated at cost inclusive of excise duty. The company has disposed off a part of its fixed Assets as these were obsolete. This will impact its production capacity.
- ii) Depreciation has been provided in the manner and at the rates calculated as per remaining useful life of tangible assets, as stipulated in the Schedule II of the Companies Act, 2013, on straight line method.
- iii) The Company has settled leave encashment and Gratuity payable to employees whose service period is completed. The entire expenses, considered as deferred revenue expenditure, are being written off over five years.

#### **C. Sales-tax :**

The unit is eligible for incentives under the Package Scheme of Incentives 1993, of the State Government. Considering the incentives availed so far, the company is liable for payment of tax on part of its turnover Sales tax refunds and set off, available are accounted for on accrual basis.

#### **D. Inventories :**

Inventories comprising of raw materials, chemicals, packing materials, goods in process and finished products have been valued at lower of cost (exclusive of Excise Duty) or net realisable value. The consumables have been valued at cost.

#### **E. Deferred tax Liability :**

No Provision has been made in respect of Deferred Tax Asset calculated as per Ind AS 12, of about ` 48222 hundreds (Last year ` 610000 hundreds as per Accounting standard 22), arising due to timing differences in the depreciation charged under the Income-tax Act, 1961 and that charged under the Companies Act, 1956, and unabsorbed loss brought forward, in view of the profitability trends, the amount of Unabsorbed Depreciation available and the liability of the company for payment of Income tax in near future.

#### **F. Revenue Recognition:**

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection.

**G. Segment Reporting:**

As the company operates in a single segment, segment wise reporting is not applicable.

**H. Borrowing Cost :**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account.

**I. Provisions, Contingent Liabilities and Contingent Assets :**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**J. General :**

Other accounting policies of the Company are consistent with generally accepted accounting policies.

For Utsav Sumit Associates  
Chartered Accountants  
Firm Reg. No. 016514C

For SAFFRON INDUSTRIES LTD

Sumit Agrawal  
Partner  
For & on behalf of  
Utsav Sumit & Associates  
Chartered Accountants

Vinod Maheshwari  
Chairman  
DIN 00340953

Manoj Sinha  
Wholetime Director  
DIN 07564967

Saurabh Somani  
Company Secretary

NAGPUR  
May 30, 2019

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May 30,2019