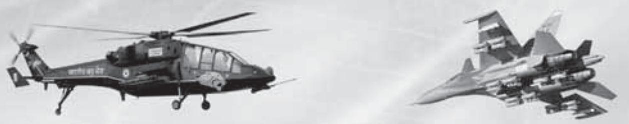

Significant Accounting Policies

1. BASIS OF ACCOUNTING:

The Consolidated Financial Statements are prepared to comply in all material aspects with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of Companies Act 2013 read with relevant rules of the Companies (Indian Accounting Standards)Rules with effect from 1st April 2016.

2. USES OF ESTIMATES:

Preparation of financial statements in conformity with the recognition and the measurement principle of Ind AS requires the management of the Company to make estimates, judgments and assumptions that affects the reported balances of Assets and Liabilities, disclosure relating to contingent liabilities as on the date of the Financial Statements and the reported amount of revenues and expense for the reporting period.

Estimates and the underline assumption are reviewed on ongoing basis. The revision to the accounting estimates if material are recognized in the period in which the estimates are revised.

3. BASIS OF CONSOLIDATION:

The interest in Joint Venture Companies has been accounted by using the Equity method of accounting to the extent of investment made.The financial statement of the subsidiary Company are consolidated on line by line basis.

4. PROPERTY PLANT & EQUIPMENT(PPE):

a) Property, Plant and Equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

b) The costs directly attributable including borrowing cost on qualifying asset are capitalized when the Property, Plant and Equipment are ready for use, as intended by the management.

c) Subsequent expenditure relating to Property, Plant and Equipment including major inspection costs, spare parts, standby and servicing equipment are capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

d) In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Property, Plant and Equipment as their deemed cost as at the Opening Balance Sheet as at April 01, 2015.

e) Lease hold land is capitalized and depreciated over the period of lease.

f) As per para D36 of Ind AS 101, in respect of Assets funded by Customer the Company has adopted and applied Appendix C of Ind AS 18 wherein the assets created after 01.04.2016 has been capitalized.

g) Goods and Service tax (GST) charged by vendors on Property plant and Equipment (PPE) other than civil works are not capitalized, but considered for Input tax credit.

h) Depreciation is calculated on straight line basis over estimated useful life as prescribed in Schedule II of the Companies Act 2013 and the estimated useful lives for the main categories of property, plant and equipment are-

Particulars	Estimated Useful Life (years)
Buildings	Upto 60 years
Plant & Equipment	Upto 25 years
Furniture & Fixtures	Upto 10 years
Motor Vehicles	Upto 10 years
Office Equipment	Upto 5 years
Roads & Drains	Upto 10 years
Water Supply	Upto 15 years
Rail Road Sidings	Upto 15 years
Runways	Upto 10 years
Aircrafts or Helicopters	Upto 20 years

i) Plant and Equipment individually costing ₹50,000 and below are fully depreciated in the year of purchase.

j) Where cost of an item of Property, Plant and Equipment are significant and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.

k) Certain items like Special Tools are amortized over the number of units of production expected to be obtained from the asset based on technical assessment and management estimates depending on the nature and usage of the respective assets.

l) CSR Assets are fully depreciated in the year of capitalization.

m) The cost and the related accumulated depreciation is eliminated from the Financial Statement upon sale or de-recognition or retirement of the asset and the resultant gain or losses are recognized in the Statement of Profit and Loss of the relevant period.

n) The estimated useful lives, residual values and depreciation / amortisation method are reviewed at the end of each reporting period with the effect of changes in estimates accounted for on a prospective basis.

5. INVESTMENT PROPERTY

(a) A property is considered as investment property only if the same is held for capital appreciation and /or earning rentals. Properties held by the company (directly or indirectly) which are used in the production of supply of goods or services for administrative purposes are not considered as Investment Property.

(b) Investment Properties are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. In accordance with Ind AS 101 provisions relating to first time adoption, the Company has chosen to consider the carrying value for all its Investment Property recognized in its Indian GAAP financial statement as their deemed cost as at the transition date viz. April 01, 2015.

6. INTANGIBLE ASSETS

a) Intangible Assets are recognized at cost less any accumulated amortization and accumulated impairment losses if any.

b) Expenditure on Research and Development is charged off as an expenditure in the year in which it is incurred.

c) Development Costs having an useful life are recognized as an intangible asset and amortised over its useful life.

d) Expenditure on licence fees, documentation charges etc, based on the definition criteria of intangible assets in terms of reliability of measurement of cost and future economic benefits from the assets, are amortised over production on technical estimates, and to the extent not amortised, are carried forward.

e) The cost of software internally generated / acquired for internal use which is not an integral part of the related hardware, is recognized as an intangible asset and is amortised over its useful life, on straight line method. Amortisation commences when the asset is available for use.

f) Wherever it is not possible to assess the useful life of an intangible assets (whether or not significant) the same has not been amortised. Impairment on the intangible assets are reviewed annually and when there is an indication of impairment,the asset is impaired.

7. LEASE ACCOUNTING

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Title may or may not eventually be transferred.

Finance Lease:

a) At commencement, assets and liabilities in the balance sheet are recognized at lower of fair value and the present value of the minimum lease payments, each determined at inception of lease.

b) Minimum lease payments shall be apportioned between finance charge and the outstanding liability.

c) Leased assets are depreciated over the useful life of the leased assets.

d) Contingent rentals are recognized as expenses in the period in which they are incurred.

e) Impairment on the leased assets are reviewed annually and when there is an indication of impairment, the asset is impaired.

Operating Lease

a) Lease other than finance leases are operating leases.

b) Upfront lease payments, if any, made under operating leases are recognized in the statement of profit and loss over the terms of the lease.

c) Rent and maintenance charges paid for assets/ liabilities taken on operating leases are charged to revenue in the period in which they arise.

8. LONG TERM INVESTMENT

a) In accordance with Ind AS 101, provision relating to first time adoption, the Company has chosen to consider the carrying amount of investment as their deemed cost as at the Opening Balance sheet as at 01st April, 2015.

b) Investments are carried individually at cost less accumulated impairment in the value of such Investment.

c) Cost of Investment includes acquisition charges such as brokerage, fees and duties.

d) The company reviews the book value of the investment on a yearly basis and provides for diminution in the value of the investment based on the net worth of the investee company

e) Impairment in value of investment is made only if in the opinion of management when there is a permanent fall in value of investment.

9. IMPAIRMENT OF ASSETS

As at the end of each Balance Sheet date, the carrying amount of assets is assessed as to whether there is any indication of impairment. If the estimated recoverable amount is found less than its carrying amount, the impairment loss is recognised and assets are written down to their recoverable amount.

10. FINANCIAL ASSETS AND LIABILITIES

The Company recognizes all Financial Assets and Liabilities at Fair Value on inception and subsequent measurements are done at amortised cost.

11. DEFERRED DEBTS

Unpaid installment payments under deferred payment terms for the cost of imported materials and tooling content of the equipment / products sold are accounted as deferred debts from the customer and are recovered as and when the installments are paid.

12. TRADE RECEIVABLES

Debts from the Government departments are generally treated as fully recoverable and hence the Company does not recognize credit risk of such financial assets. Impairment on account of expected credit loss is being assessed on a case to case basis in respect of dues outstanding for a significant period of time.

13. TRADE AND OTHER PAYABLES

Liabilities are recognized for the amounts to be paid in future for goods / services received whether billed by the supplier or not.

14. INVENTORIES

a) Inventories are valued at lower of cost and Net Realisable Value.

b) The cost of raw material excluding Goods-in-Transit, components and stores are assigned by using the weighted average cost formula. Goods-in-Transit are valued at cost to date. In the case of Finished Goods, Stock-in-Trade and Work-In-Progress, cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

c) Provision for redundancy is assessed on ageing at a suitable percentage / level of the value of closing inventory of raw material and components, stores and spare parts and construction material. Besides, wherever necessary, adequate provision is made for the redundancy of such materials in respect of completed / specific projects and other surplus / redundant material pending transfer to salvage stores.

d) Saleable / Disposable scrap is valued at Net Realisable Value.

e) Stores declared surplus / unserviceable / redundant are charged to revenue in the year of such identification.

f) Consumables issued from stores and lying unused at the end of the year are not reckoned as inventory.

15. REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow directly to the entity and the amount of revenue can be measured reliably.

15.1. Manufacturing, Repair and Overhaul / Spares Sale

a) Sales are set up on the basis of

   i. Acceptance by the buyer’s Inspector, by way of signaling out certificate, in the case of the manufacture of aircraft/helicopters

   ii. For other deliverables like spares, sales are set up based on acceptance by the buyer’s inspection agency or as agreed to by the buyer.

   iii. For Repair of Aircraft/Helicopter/Engine & Repair/Overhaul of Rotables, Site repairs, Cat ’B’ repair servicing etc., sales are recognized on acceptance by the Buyer’s inspection agency or as agreed to by the Buyer.

   iv. For Overhaul of Aircraft/Helicopter/Engine, sales are set up on Percentage Completion of Service (POC) method.

b) Sales are set up based on prices agreed with the customers. Where the prices are yet to be agreed with the customer, sales are set up on provisional basis.

c) Revenue on Warranty is being recognized proportionately to the extent of warranty falling within the reporting period.

15.2. Development Sales

Development Sales are recognized on incurrence of expenditure identifiable to work orders and milestones achieved as per contract. Where milestones have not been defined in terms of their respective contract, sales are recognized based on the actual incurrence of expenditure. Where the Customer’s sanction for revision (time and cost) is pending, the expenditure incurred is retained in WIP/intangible asset .Subsequent sale is recognized on receipt of revised financial sanction from the Customer.

16. EMPLOYEE BENEFITS

a) Gratuity and Provident Fund are Defined Benefit Plans and liability is provided on the basis of actuarial valuation in respect of eligible employees and is remitted to the trust progressively.

b) Provision for Earned leave is a Defined Benefit Plan and the liability is provided on the basis of actuarial valuation.

c) Pension Scheme and Post Superannuation Group Health Insurance Scheme for employees are Defined Contribution Plans and the contribution to the corpus of the same is made by the Company to the trust. The Company's liability is limited to the extent of contribution made to these funds.

17. FOREIGN CURRENCY TRANSACTION

Assets and Liabilities in foreign currency are re-instated at the rate prevalent on each Balance Sheet date. The Income / Expenditure on account of such transaction is charged to Statement of the Profit & Loss.

18. INCOME TAXES

a) Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act,1961(the "Act"). Current Tax includes tax liability computed as per the normal provisions of the Act and /or under Section 115JB of the Act.

b) Deferred Tax is recognized using the Balance Sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred Tax Assets in excess of Deferred Tax Liability are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred Tax Assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

19. CLAIMS BY THE COMPANY

Claims on suppliers / underwriters / carriers towards loss / damages, claims for export subsidy, duty drawbacks, and claims on Customs department for refunds are accounted when claims are preferred and are carried forward till such time the Company has a legal right to recover such amounts.

20. PROVISION AND CONTINGENT LIABILITIES

a) A provision is recognised, when the Company has the present obligation as result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made.

b) Where no reliable estimate can be made or when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources, disclosure is made as Contingent Liability.

c) When 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.

20.1 PROVISION FOR WARRANTY

Provision for warranty is recognized on actuarial valuation for Manufacturing and Repair and Overhaul of Aircraft/ Helicopter/Engine/Rotables and Spares and development activities etc.

20.2 PROVISION FOR LIQUIDATED DAMAGES

Provision for Liquidated Damages is recognized when there is a delay between the due date of supply of the Goods/ rendering of Service as per delivery schedule and the expected date of delivery of said Goods / rendering of Service in respect of Manufacturing and Repair and Overhaul of Aircraft/Helicopter/Engine/ Rotables, Spares and development activities etc.

20.3 PROVISION FOR ONEROUS CONTRACTS

A provision for onerous contract is recognized when the expected benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

21. The functional currency of the Company is Indian Rupee.

(C.V.RAMANA RAO)
Director (Finance) & CFO
DIN: 07365725

(T.SUVARNA RAJU)
Chairman & Managing Director
DIN: 05183617

(G.V.SESHA REDDY)
Company Secretary

Place: Bangalore
Date: 30.05.2018